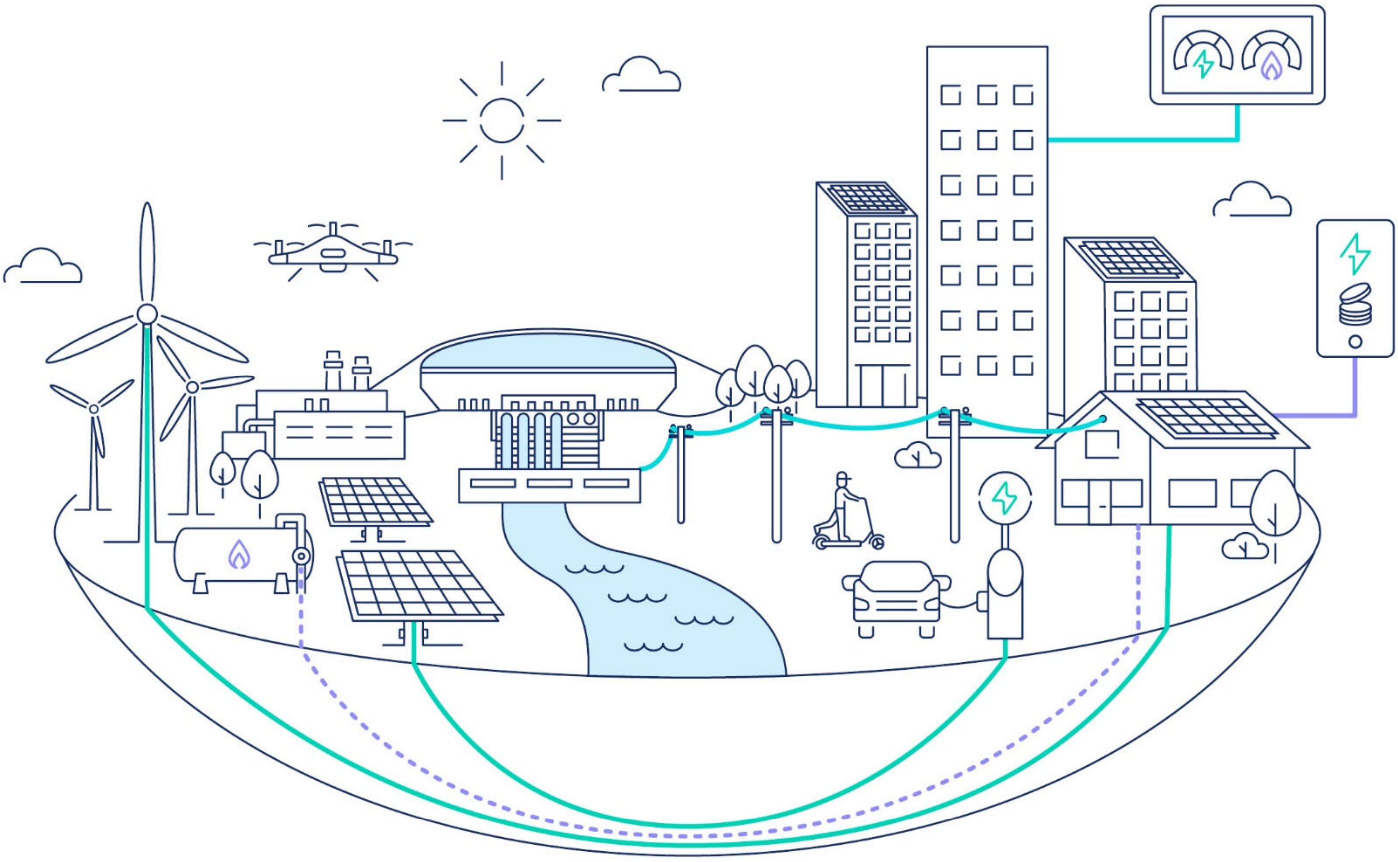
ignitis renewables

Renewables Group Annual report 2021

Consolidated annual report for the year ended 31 December 2021 and the consolidated and the parent company's financial statements prepared according to International Financial Reporting Standards as adopted by the European Union and presented together with the independent auditor's report for the year ended 31 December 2021



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ignitis grupė

Contents

1. Overview

1.1 CEO's statement

Dear All,

Today, the whole world is going through enormous and largely irreversible changes. Global warming, the pandemic and the military actions that have started in Europe have made our lives very different from what they were before. It seems that we all must get used living in a new reality, and it is now up to us to decide what the Earth, which is home to all of us, will look like tomorrow.

Our company, as part of Ignitis Group, is at the epicentre of all these events and changes. Today, the themes at the heart of the Renewables Group's activities are more relevant than ever: a responsible attitude towards the earth's finite resources, with the accelerated substitution of green energy for old energy sources in order to achieve the goals set by the United Nations and other international organisations, and the education of the public on the benefits of green energy for future generations.

Last year marked the start of our steady long-term growth. Our project portfolio continued to grow steadily, with a growing number of commissioning projects. The installed green energy capacity of Ignitis Group also increased to 1.2 GW.

Of course, this growth occurred because one of the largest wind farms in Poland, the Pomerania WF, became fully operational last year (94 MW). This also led to a 58% increase in the Renewables Group's Adjusted EBITDA to EUR 14.1 million (which is EUR 5.2 million more than in 2020). Our pipeline further increased by up to 460 MW after acquiring wind farm projects in Latvia and Poland.

This year, we are not going to stop - instead, we will accelerate our green transformation projects both in Lithuania and in the whole Baltic Sea region. We intend to become the region's largest and most advanced green energy company with the largest wind power projects in the region. The geography of our activities will continue to expand steadily. All of these developments will help Ignitis Group to double its installed green energy capacity to reach 2.0 - 2.2 GW by the year 2025.

As our ambitions grow, so does the need for a wide range of competences. Last year our Renewables Group's team grew to include almost 30 employees, and we'll double that figure this year. We are aiming to attract highly qualified and motivated professionals from all over the Nordic and Central European region.

So, fasten your seatbelts, because our journey towards making the world more energy smart is just beginning. I promise you that it will be a very interesting and engaging journey.

Thierry Aelens
CEO
Ignitis Renewables

1.2 Business highlights

During the reporting period

May

- Pomerania WF (94 MW) in Poland generated its first electricity.

June

- The consolidation of Ignitis Group's renewable energy assets, except Kaunas HPP and Kruonis PSHP was initiated.

August

- A conditional agreement was signed for the acquisition of 3 wind farm projects in an early stage of development in Latvia with total capacity of 160 MW.
- Peter Overgaard has been elected as an independent Member of the Board of Ignitis Renewables.

November

- A conditional agreement was signed for the acquisition of a solar portfolio under development in Poland with total capacity of up to 80 MW.

December

- Acquired 100% of the shares of a Polish company developing a WF in Poland. The total capacity of the Silesia WF under development is 50 MW.
- The Polish energy regulator issued a generation licence to Pomerania WF and it achieved the COD status. The issued licence allows the company to generate electricity under the contract for difference (CfD) tariff of 214.98 PLN/MWh (around 46 EUR/MWh).
- An agreement was signed with Ignitis Group on the acquisition of 100% of the shares of the operating WF (18 MW) Tuuleenergia WF.

After the reporting period

January

- Ignitis Group amended the key conditions of the loan agreement concluded with Ignitis Renewables intended for Green Generation development, including an extension to the loan agreement validity by 12 months, until 2 February 2023, and a reduction of the maximum loan amount to EUR 260 million from EUR 293 million.
- A new subsidiary of Ignitis Renewables was established in Latvia to create a simpler, faster and more efficient way of operating in Latvia's renewable energy market.

February

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

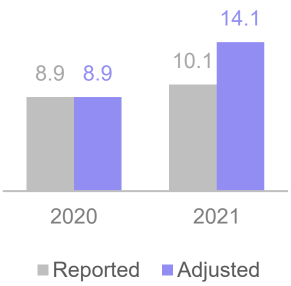
March

- Additionally, two new subsidiaries of Ignitis Renewables were established in Latvia, for the development of wind and solar energy projects in the Latvian's renewable energy market.

1.3 Performance highlights

Financial

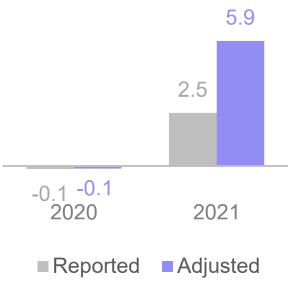
EBITDA, Adjusted EBITDA APM
EURm



In 2021, Renewables Group's adjusted EBITDA was 57.8%, or EUR 5.2 million, higher than in 2020, mainly due to the launch of Pomerania WF (94 MW) in August 2021.

In 2021, the reported EBITDA was 13.2%, or EUR 1.2 million higher compared to 2020, mainly due to COD of Pomerania WF (94 MW) in December 2021

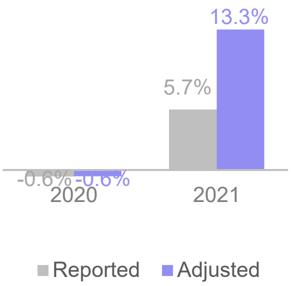
Net profit, Adjusted net profit APM
EURm



In 2021, the adjusted net profit was EUR 6.0 million higher compared to 2020, mainly due to the positive impact of the adjusted EBITDA.

The main driver of the changes in reported net profit was the positive impact of the reported EBITDA.

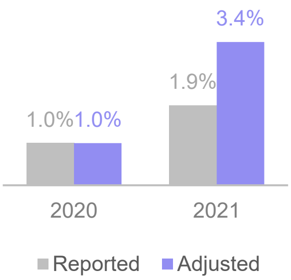
ROE, Adjusted ROE APM
%



The adjusted ROE increased to 13.3% due to an increase in the adjusted net profit.

The reported ROE also increased to 5.7% due to the higher net profit.

ROCE, Adjusted ROCE APM
%

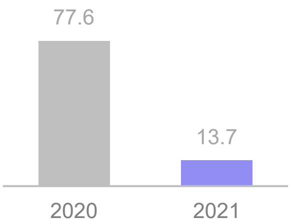


The adjusted ROCE increased to 3.4%. One of the main drivers was the higher adjusted EBIT, which was mostly affected by higher adjusted EBITDA.

The reported ROCE increased to 1.9 % due to the higher reported EBIT, which was mostly affected by the higher reported EBITDA.

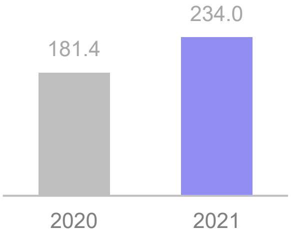
APM *Alternative Performance Measure – The adjusted figures used in this report refer to measures used for internal performance management. As such, they are not defined or specified under the International Financial Reporting Standards (IFRS), nor do they comply with the IFRS requirements. Definitions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

Investments APM
EURm



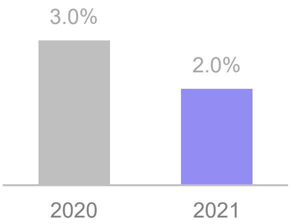
The investments in 2021 amounted to EUR 13.7 million and were EUR 63.9 million lower compared to 2020. The main drivers of the decrease were the completed Pomerania WF construction in March and the investment in newly developed projects that have not yet been accelerated.

Net debt APM
EURm



In 2021 the net debt increased by 29.0% to EUR 234.0 million due to the new investments into wind farms projects and financing of working capital.

FFO / Net debt APM
%

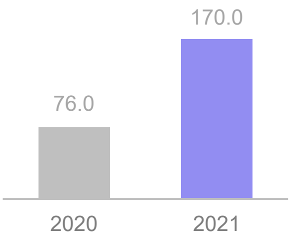


FFO/net debt decreased from 3.0% to 2.0% due to an increase in net debt.

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

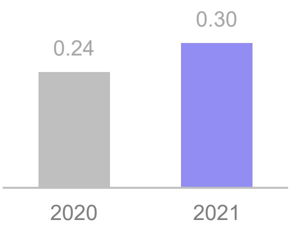
Operational

Installed capacity
MW



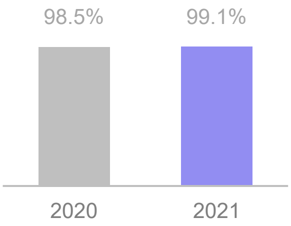
The installed capacity in 2021 increased by 94 MW, due to Pomerania WF starting its commercial operations in December.

Electricity generated (net)
TWh



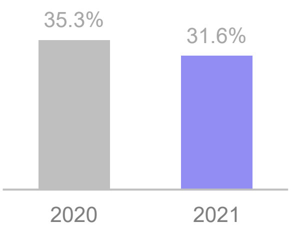
In 2021, the generated electricity volume (net) increased by 25.8%. This was the result of Pomerania WF generating its first electricity in July 2021 and offsetting the negative effect of the operational WFs due to lower wind speeds.

Wind farms availability factor
%



The wind farm availability factor improved by 0.5 pp compared to 2020.

Wind farms load factor
%



The relatively lower wind speed in 2021 was the main driver of the lower wind farm load factor.

2. Business overview

2.1 Business profile

Business

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

Revenue model

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

Main customers

The final buyers of electricity generated by the subsidiaries of the company are the related electricity markets and business customers.

CO_2-neutral strategy support

Through the development of CO_2-neutral electricity generation assets.

Portfolio and markets

Renewables Group owns four wind farms operating in Lithuania with a combined generation capacity of 58 MW and an 18 MW wind farm in Estonia. The Group also started generating electricity at a 94 MW wind farm in Poland’s Pomerania region in the spring of 2021. The construction of a wind farm in the Mažeikiai region is also underway, where 14 wind turbines with a total installed capacity of 63 MW will generate green electricity by the end of 2022.

Operational (170 MW):

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

Under construction (63 MW):

- Mažeikiai WF (63 MW)

Under development (advanced stage) (up to 130 MW):

- Polish solar portfolio II (up to 80 MW)
- Silesia WF (50 MW)

Under development (early stage) (around 1.030 MW):

- Lithuania offshore WF I (700 MW)
- Greenfield portfolio (around 170 MW)
- Latvian onshore WF portfolio I (around 160 MW)

2.2 Market presence

Business environment

Overall, Lithuania approved its National Energy and Climate Plan (NECP) in 2020, in line with the European Green Deal initiatives. The key objective set for 2030 is to increase the renewable source electricity share of the final consumption to 45% (from ~20% in 2020), with a priority on wind energy, which should constitute at least 70% of the electricity generated. Considering that Lithuania is a net electricity importer, with one of the lowest shares of electricity consumption covered by national generation in Europe (approx. 40%, based on the 2020 statistics) and its ambitious target is to produce 80-85% of the electricity consumed locally by 2030, in 2021 the majority of the efforts were put into setting up the framework for offshore wind development in the Baltic Sea. Consequently, on 31 March, the Parliament of Lithuania adopted amendments to its legislation that supports the development of offshore wind in the Baltic Sea, and it is foreseen that a tender is expected to start in Lithuania on 1 September 2023. The amendments will also determine the winner selection method, as well as the support (two-sided CfD) and grid connection (developer build) models, and the other tender conditions. Additionally, the agency has announced procurements for wind and seabed surveys that are expected to be completed before the auction. Furthermore, in Q4 2021 the Ministry of Energy presented their initial plans to launch a second offshore wind auction in 2024 (for another 700 MW). However, further discussions regarding these plans are expected to be carried out in the second half of 2022.

Green Generation is the key development direction for Ignitis Group; therefore, we are actively participating in all related activities (e. g. public consultations, legislation initiatives, etc.). In addition to our efforts in the field of offshore wind development in the Baltics, we are continuing to survey the prospects in our home market. In the table below, we have outlined the upcoming renewable energy auctions and identified the relevance to our development projects. Of course, the pipeline is constantly expanding as we progress with our Green Generation targets. Overall, within our target Green Generation markets, more than 21.9 GW of additional renewables capacities should be installed by 2030, with the largest share (18.5 GW) planned in Poland due to its focus on phasing out coal generation, which currently represents around 85% of the country's electricity generation mix. The renewable capacity expansion within the Baltic States should not lag behind because, in terms of the growth potential, it is expected to double or more, similarly to the expansion in Poland.

Expected auctions within the Group's home market[1]

	Poland		Lithuania	Estonia	Estonia and Latvia joint	Total
Growth potential	**2.5x**		**2.1x – 3.7x**	**2.4x**	**n/a**	**2.4x – 2.6x**
Installed capacity:						
Target by 2030	30.9 GW		4.0 – 7.0 GW	2.2 GW	n/a	**37.1 – 40.1 GW**
Actual data as of 31 December 2021	12.4 GW		1.9 GW	0.9 GW	n/a	**15.2 GW**
Preliminary auctions:						
Year	2022–2027[2]	2025–2027	2023	2022–2023	2025–2026	
Technology	Neutral	Offshore	Offshore	Neutral	Offshore	
Capacity	9.0 GW	5.0 GW	0.7 GW[3]	0.4 GW[4]	1.0 GW	**16.1 GW**
Status	Planned	Planned	Planned	Planned	Planned	
Support scheme	Indexed CfD	Indexed CfD	Fixed CfD	Fixed CfD	TBD	
Support period	15 years	25 years	15 years	12 years	TBD	
Group project relevance	Polish solar portfolio II	TBD	Lithuanian offshore WF I	TBD	TBD	

[1] The information provided is based on publicly available information (Wood Mackenzie, Irena and others).
[2] The extension of the current renewable energy sources auction system to 2027 was approved by the European Commission. The provided capacity is illustrative and will depend on the split between technologies.
[3] A second stage of the auction with an additional 700 MW capacity to be held in 2024 is currently under consideration.
[4] The capacity has been calculated based on the following assumptions: auctions technology – neutral, wind capacity factor – equal to 35%, solar – 11.5%. In the Polish auction, a proportion is established between the wind and solar projects, wins equalling to 50:50, whereas in the remaining countries all the auctions will be won by wind projects.

2.3 Strategy and targets

Overview

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

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

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

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

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

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

Our values

RESPONSIBILITY
Care. Do. Earth.
Starting with myself.

PARTNERSHIP
Diverse. Strong.
Together.

OPENNESS
See. Understand. Share.
Open to the world.

GROWTH
Curious. Bold.
Everyday.

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

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

Business performance and targets

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

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

Investments

Overview

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

Ignitis Group applies a prudent investment framework with hurdle rates for its Green Generation projects to ensure value-creating growth. A disciplined investment policy targets high single-digit to low double-digit levered equity returns depending on the risk profile of each project. In 2022 the Group intends to initiate our asset rotation programme. In the longer term, we are targeting to sell up to 49% of our equity stakes in operational Green Generation projects, to capture additional returns and recycle our capital for future investments.

Status of key investment projects

	Under construction	Under development (advanced)		
Project	**Mažeikiai WF**	**Polish solar portfolio II**	**Silesia WF**	**Moray West offshore wind project**
Country	Lithuania	Poland	Poland	United Kingdom
Technology	Onshore WF	Solar	Onshore WF	Offshore WF
Capacity	63 MW	Up to 80 MW	50 MW	850–900 MW
Expected COD	Q1 2023	2022–2023	Q4 2023	2025
Investment	~EUR 80–85 million	~EUR 50 million	~EUR 70 million[3]	Not disclosed
Subsidy scheme	Merchant	15-year indexed CfD (partly secured at ~53 - 56 EUR/MWh[1]) / PPA	15-year indexed CfD at ~55 EUR/MWh[4]	15-year indexed CfD (expected)
Ownership	100%	100%[2]	100%	5% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
Progress	– In addition to roads and foundation, crane pads works completed. – Completed construction works of underground 110 kV and 30 kV electric cables and erected 110/30 kV transformer station. – Undergoing construction works of substation and grid connection point. – Started transportation of WTGs components.	– Portfolio projects are under active development, with expected COD around 2022–2023. – Currently 21 projects with a total capacity of around 20 MW and already secured CfD in the range of ~53–56 EUR/MWh[1]	– WTG supply and maintenance agreements with Nordex signed. – Construction works expected to be launched around 3Q 2022 with COD in Q4 of 2023. – Total expected investments amount to approx. EUR 70 million, including the acquisition price and construction costs.	– The project is under active development. – Turbines are under PBA (Preferred Bidder Agreement), while substations EPC and export cables EPCI contracts are concluded. – Long term O&M provider has been selected. – Geotechnical and geophysical surveys undertaken to inform the final detailed design. – High involvement of the supply chain and negotiations with the main contractors.

[1] 228–242 PLN/MWh, applying the inflation index of 1.07 and the 0.2175 EUR/ PLN rate as of 31 December 2021.
[2] After full completion of the construction works.
[3] Including the project acquisition and construction works.
[4] 237.5 PLN/MWh, applying the inflation index of 1.07 and the 0.2175 EUR/PLN rate as of 31 December 2021.

	Under development (early stage)		
Project	**Latvian onshore WF portfolio I**	**Greenfield portfolio**	**Lithuanian offshore WF I**
Country	Latvia	Lithuania, Poland	Lithuania
Technology	Onshore wind	Onshore wind & solar	Offshore wind
Capacity	Around 160 MW	Around 208 MW[2]	700 MW
Expected COD	2025–2027	2024–2026[3]	2028
Investment	~EUR 200 million	Not disclosed	Not disclosed
Subsidy scheme	Merchant	Not disclosed	15-year CfD (expected)
Ownership	100 %[1]	100 %	51% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
Progress	– EIA procedures in progress. – Working for design milestones. – Initial construction permit for WF mast prepared and technical project started	– Signed land lease agreements to secure land plots across Lithuania and Poland. – After securing the land of a reasonable size necessary for the further development of the project - EIA procedures for the specific locations will be initiated.	– Undergoing public consultation of SEIA (Strategic Environmental Impact Assessment) and EIA (Environmental Impact Assessment) prepared by the Energy Agency, the Ministry of Energy of the Republic of Lithuania, together with external consultants. – On 31 March, the Parliament of Lithuania adopted amendments to its legislation that supports the development of offshore wind in the Baltic Sea and a tender is foreseen that is expected to start in Lithuania on 1 September, 2023.

[1] Secured land lease agreements for the development of the indicated capacity.
[2] As the indicated capacity includes different projects, expected COD depends on the further progress within project on project basis. Additionally, the Lithuanian project operation should begin towards the end of the indicated time range.
[3] After the construction permits are granted.

3. Results

3.1 Annual results

Revenue

In 2021, Renewables Group's revenue increased by 19.7% compared to 2020 and reached EUR 16.6 million. The main driver of the change was COD of Pomerania WF in December 2021 (EUR +3.4 million). However, the positive effect was partially offset by a lower revenue (EUR -1.6 million) from the operational WFs due to the weather conditions being less favourable for electricity generation.

Revenue by country, EURm

	2021	2020	Δ	Δ,%	2020
Lithuania	13.2	13.9	*(0.7)*	*(0.1 %)*	*79.5 %*
Poland	3.4	-	*3.4*	*100.0 %*	*20.5 %*
Revenue	**16.6**	**13.9**	***2.7***	***19.7 %***	***100.0 %***

In 2021, Renewables Group earned 79.5% of its revenue in Lithuania (in 2020 this amounted to 100%). After the Pomerania WF started its commercial operations, the Renewables Group's revenue in Poland reached EUR 3.4 million (in 2020 no revenue was recorded abroad).

Expenses

OPEX

In 2021, OPEX of the Renewables Group amounted to EUR 6.5 million and increased by 31.2 % (EUR +1.6 million). This change was driven by an expansion of its renewables business, which led to an increased number of employees (13 new employees or +100%) and therefore higher remuneration expenses (EUR +0.7 million or +111.2%). Other expenses also increased (EUR +0.7 million or 27.8%), mostly due to higher expenses for consultation (EUR +0.4 million or +62.6%) and business support related services (EUR +0.3 million or +38.3%).

Depreciation and amortisation

Depreciation and amortisation expenses decreased by EUR -1.8 million (-25.1%) due to a useful lifetime extension of the operational WFs. As of 1 January 2021, the useful lifetime of these assets was adjusted from 25 to 30 years.

Expenses, EURm

	2021	2020	Δ	Δ,%
OPEX APM	**6.5**	**5.0**	***1.6***	***31.2 %***
Salaries and related expenses	1.4	0.6	*0.7*	*111.2 %*
Repair and maintenance expenses	1.8	1.7	*0.1*	*5.8 %*
Other	3.4	2.7	*0.7*	*27.8 %*
Depreciation and amortisation	**5.4**	**7.2**	***(1.8)***	***(25.1 %)***
Total	**11.9**	**12.2**	***(0.2)***	***(2.1 %)***

Adjusted EBITDA

Adjusted EBITDA amounted to EUR 14.1 million in 2021 and was 57.8%, or EUR 7.5 million, higher than in 2020. The main driver of higher adjusted EBITDA was the start of electricity generation by the new Pomerania WF (94 MW) in August 2021 (EUR +6.3 million). However, the positive effect was partly offset by lower adjusted EBITDA from operational WFs in Lithuania (EUR -1.6 million) due to less favourable weather conditions.

Adjusted EBITDA by activity type, EURm

	2021	2020	Δ	Δ,%
Long-term contracted	11.6	13.2	(1.6)	(12.1%)
Other	2.5	(4.3)	*6.8*	*n/a*
Adjusted EBITDA APM	**14.1**	**8.9**	***5.2***	***57.8 %***

EBITDA adjustments

EBITDA is adjusted by the results (EUR 4.0 million) of the Pomerania WF activities per commissioning stage which according to the IAS is capitalized under assets. According to IAS 16, starting from 2022 revenue before use will be accounted in the Profit (Loss) Statement, and not capitalised in assets under construction.

Adjustments, EURm

	2021	2020	Δ	Δ,%
EBITDA APM	**10.1**	**8.9**	***1.2***	***13.2%***
Result of Pomerania WF activities per commissioning stage	4.0	-	*4.0*	*n/a*
Adjusted EBITDA APM	**14.1**	**8.9**	***5.2***	***57.8%***
Adjusted EBITDA margin APM	68.3%	64.1%	*n/a*	*(4.2 p. p.)*

Net profit

In 2021, adjusted net profit amounted to EUR 5.9 million and was EUR 6.0 million higher than in 2020. The main drivers of this change was the positive impact of the adjusted EBITDA (EUR +5.2 million).

Reported net profit in 2021 amounted to EUR 2.5 million (compared to a net loss of EUR -0.1 million in 2020). The main driver of this change was positive impact of the reported EBITDA (EUR +1.2 million).

Investments

Investments in 2021 amounted to EUR 13.7 million and were EUR 63.9 million lower when compared to 2020. The main drivers for the lower investments were the completed Pomerania WF construction in March 2021 and lower investments in new projects.

Assets

As of 31 December 2021, total assets amounted EUR 331.3 million (a 36.0%, or EUR 87.7 million, increase compared to 31 December 2021). This increase was mainly driven by an increase in non-current assets (29.5% or EUR 63.2 million), which was mainly driven by the acquisition of 100% of shares of the 18 MW wind farm Tuuleenergia (non-current assets EUR of 21.3 million as of 31 December 2021) as well as acquisition of the wind farm Altiplano Elektrownie Wiatrowe B1 Sp. z o.o. (non-current assets of EUR 10.9 million as of 31 December 2021) and investments into the VVP wind farm (EUR 14.1 million), which is in the construction stage. In addition to the aforementioned factors, total assets growth was also impacted by current assets growth (83.5% or EUR 24.4 million), mostly due to an increase in trade receivables (EUR 12.4 million) and higher cash balance (EUR 14.8 million).

Equity

As of 31 December 2021, the shareholder's equity amounted to EUR 46.8 million and was higher by 11.2%, or EUR 4.7 million, compared to 31 December 2020 basically due to a new shares emission which was paid by in-kind contributions.

Liabilities

As of 31 December 2021, the total liabilities increased by 41.2%, or EUR 83.0 million. This was mainly driven by an increase in the loans to finance new investments.

Balance sheet, EURm

	31.12.2021	31.12.2020	Δ	Δ,%
Non-current assets	277.7	214.4	*63.2*	*29.5%*
Current assets	53.7	29.2	*24.4*	*83.5%*
TOTAL ASSETS	**331.3**	**243.7**	***87.7***	***36.0%***
Equity	46.8	42.1	*4.7*	*11.2%*
Total liabilities	284.5	201.6	*83.0*	*41.2%*
Non-current liabilities	261.9	128.1	*133.8*	*104.5%*
Current liabilities	22.7	73.5	*(50.8)*	*(69.2%)*
TOTAL EQUITY AND LIABILITIES	**331.3**	**243.7**	***87.7***	***36.0 %***
Asset turnover APM	0.06	0.07	*0.0*	*(15.4%)*
ROA APM	0.9%	(0.1%)	*n/a*	*1.0 p.p.*
Current ratio APM	*2.37*	*0.40*	*1.97*	*495.1%*

Net debt

As of 31 December 2021, net debt amounted to EUR 234.0 million, an increase of 29.0%, or EUR 52.6 million, compared to 31 December 2020.

FFO/Net debt decreased from 3.0% to 2.0% due to the increase in net debt.

Net debt, EURm

	31.12.2021	31.12.2020	Δ	Δ,%
Total non-current financial liabilities	**250.0**	**122.0**	***128.0***	***104.9%***
Non-current loans	231.4	108.0	*123.4*	*114.2%*
Lease liabilities (IFRS 16)	18.6	14.0	*4.6*	*32.9%*
Total current financial liabilities	**10.2**	**70.8**	***(60.5)***	***(85.6%)***
Current portion of non-current loans	5.2	1.4	3.8	265.7%
Current loans	2.7	59.7	(57.1)	(95.5%)
Interests payable (including accrued)	1.7	0.2	*1.5*	*606.6%*
Lease liabilities (IFRS 16)	0.6	9.3	(8.7)	(93.6%)
Gross debt APM	**260.2**	**192.8**	***67.5***	***35.0%***
Cash and cash equivalents	**26.2**	**11.4**	***14.8***	***129.1%***
Net debt APM	**234.0**	**181.4**	***52.7***	***29.0%***
Net debt / Adjusted EBITDA APM	*16.6*	*20.3*	(3.7)	(18.2%)
Net debt / EBITDA APM	*23.2*	*20.3*	2.8	14.0%
FFO / Net debt APM	*2.0%*	*3.0%*	n/a	(1.0 p p).
Gross debt/Equity APM	*5.6*	*4.6*	1.0	21.4%
Equity ratio APM	0.14	0.17	(0.03)	(18.2%)

Dividends

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

1. The management bodies of the subsidiary may propose to allocate share of the profit to dividends for the financial year or for a period shorter than the financial year, of at least 80 percent of the subsidiary's net profit received during the reporting period for which the dividends are proposed.
2. The management bodies of the subsidiary may propose to allocate a share of the profit to dividends for the financial year, or for a period shorter than the financial year, if the subsidiary has incurred a loss during the reporting period, but has accumulated retained earnings from previous reporting periods. This provision shall apply only when there is a necessary need for the company to receive dividends in the implementation of the company's dividend policy.
3. The management bodies of the subsidiaries may propose to set a lower share of the profit for the dividends set for the subsidiaries specified in the sub-clause of the policy, or to propose not to pay dividends for the reporting period, if at least one of the following conditions is met:
   - 3.1. The subsidiary is implementing Green Generation investment projects in accordance with the Ignitis Group's strategy;
   - 3.2. The subsidiary's ability to pay dividends is limited by the covenants set out in the financing agreements;
   - 3.3. The subsidiary is implementing or participating in the implementation of an economic project of state importance, as recognised by a decision of the Government of the Republic of Lithuania;
   - 3.4. The subsidiary's equity, after the payment of the dividends, would become less than the amount of the subsidiary's authorised capital, mandatory reserve, revaluation reserve and reserve for the acquisition of its own shares;
   - 3.5. The subsidiary is insolvent, or would become insolvent upon the payment of the dividends;
   - 3.6. The subsidiary's net financial debt at the end of the reporting period for which the dividends are proposed is equal to or greater than the subsidiary's EBITDA for the last twelve months (from the end of the reporting period) multiplied by six (i.e. a net financial debt ≥ 6 EBITDA for the last 12 months);
   - 3.7. The subsidiary has received the written consent of the Head of the Treasury Function and the Director of Finance and Treasury of the company to apply Sub-Clause 4.3, in a case not provided for in Sub-Clauses 3.1-3.6.

Dividends declared by the company during the year, EURm

	2021	2020	Δ	Δ,%
Dividends declared during the period	6.7	0.0	*6.7*	*100.0%*

Key operating indicators

		2021	2020	Δ	Δ,%
Installed capacity	MW	170	76	*94*	*123%*
Projects under construction	MW	63	157	*(94)*	*(123%)*
Electricity generated (net)	TWh	0.30[1]	0.24	*0.06*	*25.8%*
Availability factor	%	99.1%	98.5%	*0.5 p. p.*	*n/a*
Load factor	%	33.5%	35.7%	*(2.2 p. p.)*	*n/a*

[1] Electricity generated (net) by wind includes electricity sales by Pomerania WF before COD (in December 2021)

In 2021, electricity generated (net) by wind farms amounted to 0.30 TWh and increased by 0.06 TWh compared to 2020: a positive effect of Pomerania WF offsets the negative effect of lower wind speed this year. Relatively lower wind speed in 2021 was also the main driver behind the decrease in the wind farm load factor, whereas the availability factor of the wind farms improved when compared to 2020.

3.2 Three-year annual summary

Key financial indicators

		2021	2020	2019
Revenue	EURm	16.6	13.9	10.1
EBITDA APM	EURm	10.1	8.9	7.5
Adjusted EBITDA APM	EURm	14.1	8.9	7.5
Adjusted EBITDA margin APM	%	68.3%	64.1%	74.4%
EBIT APM	EURm	4.7	1.7	2.5
Adjusted EBIT APM	EURm	8.7	1.7	2.5
Net profit	EURm	2.5	(0.1)	0.9
Adjusted net profit APM	EURm	5.9	(0.1)	0.9
Investments APM	EURm	13.7	77.6	51.9
ROE APM	%	5.7%	(0.3%)	3.8%
Adjusted ROE APM	%	13.3%	(0.3%)	3.8%
ROCE APM	%	1.9%	1.0%	3.8%
Adjusted ROCE APM	%	3.4%	1.0%	3.8%
ROA APM	%	0.9%	(0.1%)	1.1%
Adjusted ROA APM	%	2.1%	(0.1%)	1.1%
		31.12.2021	31.12.2020	31.12.2019
Total assets	EURm	331.3	243.7	163.7
Equity	EURm	46.8	42.1	45.6
Net debt APM	EURm	234.0	181.4	87.8
Net debt / EBITDA APM	times	23.2	20.3	11.7
Net debt / Adjusted EBITDA APM	times	16.6	20.3	11.7
Current ratio APM	%	236.7%	39.8%	38.7%
Asset turnover APM	times	0.06	0.07	0.12

Key operating indicators

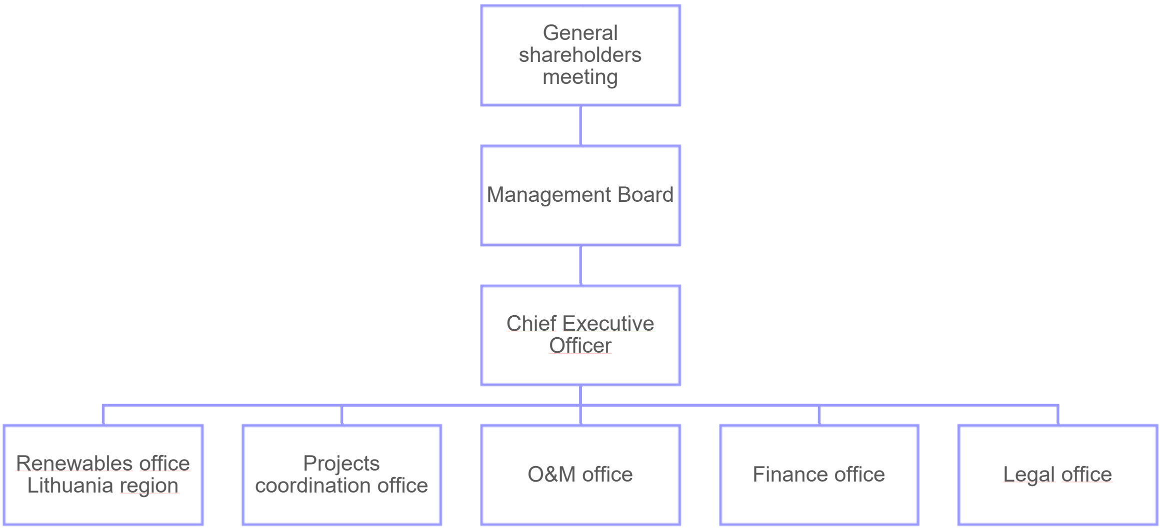
		2021	2020	2019
Installed capacity	MW	170	76	76
Projects under construction	MW	63	157	157
Electricity generated (net)	TWh	0.30	0.24	0.23
Availability factor	%	99.1%	98.5%	97.8%
Load factor	%	33.5%	35.7%	29.2%

4. Governance report

4.1 Governance model

Governance model

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



The following changes in the organisational structure of the company were made during the reporting period:

1. On 19 August 2021, by a decision of the Management Board of the company, the Finance and Administration Unit was renamed as the Finance Unit;
2. On 12 November 2021, by the decision of the Management Board of the company, a new Legal Unit was established and approved.

Shareholders, their rights and functions

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

4.2 Management Board

Overview

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

Functions and responsibilities

The Management Board considers and approves the following:

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

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

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

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

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

The Management Board adopts decisions regarding the following matters:

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

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

Selection procedure

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

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

Overview of the reporting period

In 2021, there were 45 meetings of the Management Board of the company held in total. The table below details the participation of the members in the meetings.

Overview of the meeting attendance of the Management Board members

Name, surname	
Jonas Rimavičius	45/45
Vidmantas Salietis**	20/20
Peter Overgaard**	13/13

** The numbers indicate how many meetings the members attended in 2021, out of the total meetings during the reporting period.*

Key decisions adopted in 2021:

- The Management Board of the company adopted a decision to approve the 2021-2024 Strategic Plan of the company;
- On 29 April 2021, the company's Management Board adopted a decision to approve the Annual and Consolidated Annual Report for the year 2020, as well as to approve the set of annual financial statements of the company and its subsidiaries for the year 2020, and to approve the draft distribution of the company's profit (loss) for the year 2020;
- On 4 May 2021, the company's Management Board adopted a decision to acquire 100% of the Dolcetto Sp. z o.o. shares;
- On 7 May 2021, the company's Management Board adopted a decision to assent that the company, its subsidiaries and/or its second-tier subsidiaries would be able to grant financial support and to approve the Rules of Granting Financial Support of the company and its subsidiaries;
- On 18 June 2021, the company's Management Board adopted a decision, as the sole shareholder of Dolcetto Sp. z o.o., to assent to the acquisition of 100% of the Dolcetto Sp. z o.o. shares;
- On 30 August 2021, the company's Management Board adopted a decision to establish a subsidiary of the company, UAB Ignitis Renewables Projektai;
- On 23 November 2021, the company's Management Board adopted a decision to address the sole shareholder of the company regarding an increase of the share capital of the company and an amendment of the Articles of Associations of the company;
- On 10 December 2021 and 23 December 2021, the company's Management Board adopted decisions to approve the company's planning documents for the year 2022;

  On 21 December 2021. the company's Management Board adopted a decision to acquire 100% of the Altiplano Elektrownie Wiatrowe B1 Sp. z o.o. shares, a 50 MW wind farm that is under development.

Members of the Management Board

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

Chief Executive Officer

Overview

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

Profile

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

4.3 People and remuneration

People and culture

Overview

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

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

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

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

Employees, their diversity and representation

As of 31 December 2021, the company had 17 employees (on 31 December 2020 there were 13 employees). As of 31 December 2021, the Renewables Group had 28 employees (compared to 17 employees on 31 December 2020).

The nature of the work in the Renewables Group, as in the entire Ignitis Group, does not depend on a person's gender. The Renewables Group ensures equal opportunities and diversity for its employees and has zero tolerance for direct or indirect discrimination in all areas of its activities. As of 31 December 2021, the share of men in the Renewables Group amounted to 71%, while women accounted for 29%. The gender distribution in middle management positions was: men – 75%, women – 25%.

The Renewables Group provides work opportunities for people of various ages. As of 31 December 2021, the employees of the Renewables Group were mostly between 37 and 56 years old (64%), while the age group with the lowest number of employees was that between 57 and 76 years old (4%). More than 70% of the Renewables Group's employees have a university degree, while 1 employee has a Doctoral degree.

Remuneration

Overview

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

Remuneration Policy

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

Key principles of the Group Remuneration Policy

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

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

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

Remuneration of the company's employees

The company's salary fund in 2021 amounted to EUR 1.1 million, compared to EUR 0.6 million in 2020. The table below shows the average monthly remuneration and number of the company's employees, EUR (gross).

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

Position category	2021		2020	
	Number of employees	Average salary	Number of employees	Average salary
CEO	-[1]	10.992	1	9.548
Top level managers	2	6.804	1	5.431
Middle managers	1	5.759	2	4.537
Experts / Specialists	14	4.061	9	3.676
Workers	-	-	-	-
Total	**17**	**4.840**	**13**	**4.435**

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

Remuneration of the Renewables Group's employees

The Renewables Group's salary fund in 2021 amounted to EUR 1.4 million compared to EUR 0,6 million in 2020. Increase is related to increased number of employees in the Group.

Remuneration of the company's Management Board and CEO

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

Remuneration structure of the company's Management Board

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

Remuneration of the company's Management Board in 2021, EURm (gross)

	FBS	STI	RCB	Total
Peter Overgaard	3.389	-	-	3.389

The company did not have any independent board members that were remunerated in 2020.

For more information about the Ignitis Group remuneration principles, refer to Ignitis Group Annual Report 2021.

The company's targets and achievements in 2021[1]

Performance criteria	Relative weighting	Objective	Score
Strategic projects and key milestones	25%	Own/co development: Green Generation early development phase with a planned COD in 2024 - 2025, according to the approved scope	70%
	15%	M&A: Green Generation development projects secured with a planned COD in 2021-2023, according to the approved scope	100%
	15%	Offshore wind development	70%
	15%	Mažeikiai WF (63MW): construction according to the approved schedule and scope	100%
	10%	Pomerania WF (94 MW): construction and COD according to the approved schedule and scope	80%
	5%	Availability of operational wind parks	100%
Financial objective	15%	Consolidated Ignitis Renewables OPEX	100%

[1]Assumption of the management which is subject for confirmation by the Company's board

The company's targets for 2022

Performance criteria	Relative weighting	Objective
Strategic projects and key milestones	25%	Greenfield development projects
	25%	M&A and co-development projects
	15%	Lithuania offshore wind development
	5%	Other offshore wind project developments
	20%	Constructions within the approved budget and time schedule
	5%	Management of the Renewables HR pipeline
Financial objective	5%	Consolidated Ignitis Renewables OPEX

4.4 Risk and risk management

Risk management framework

Overview

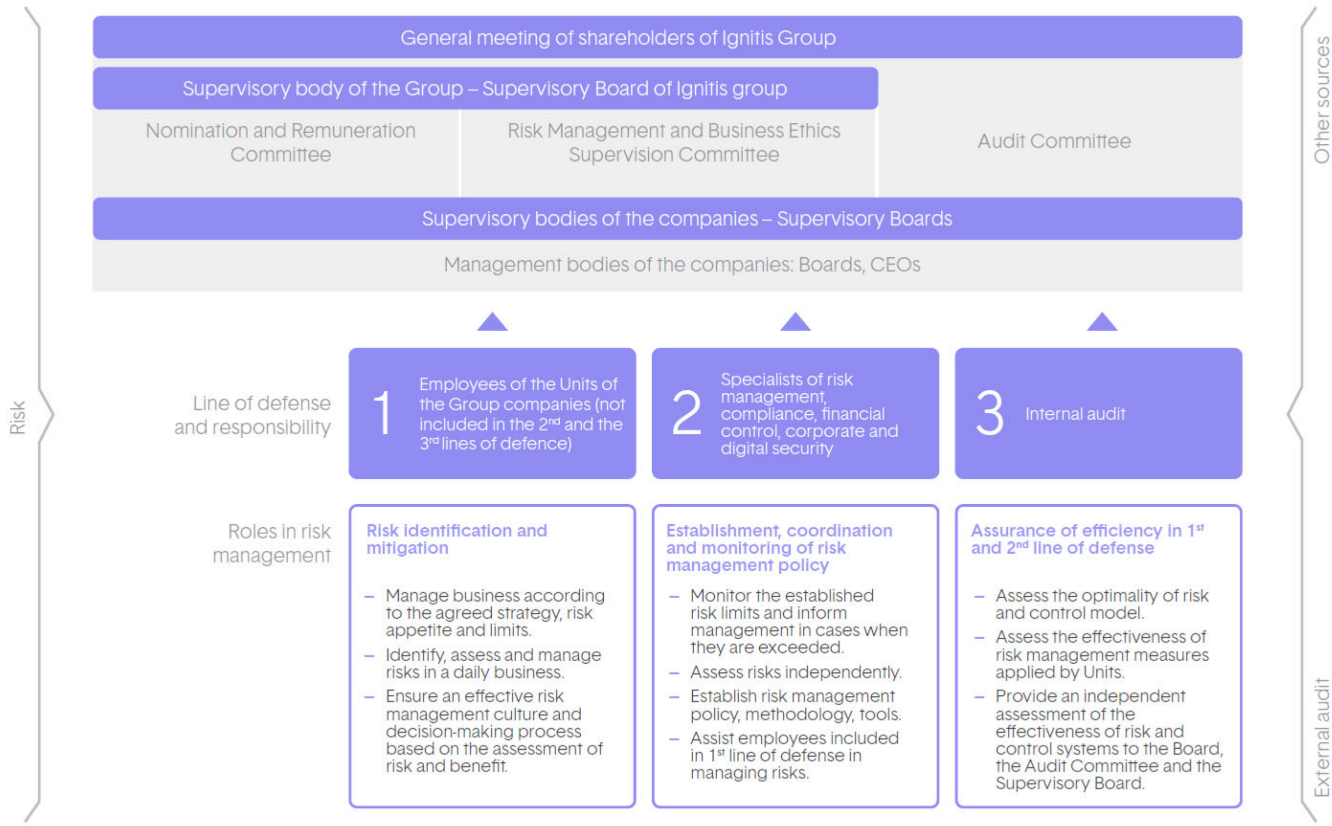
In order to effectively manage and control the risks arising from its activities, the Renewables Group applies the "three lines of defence" principle by establishing a clear distribution of the responsibilities for risk management and control between the management and supervisory bodies, structural units and the functions of the company or its subsidiaries (see the figure below).

Ignitis Group follows the best risk management practices and employs a risk management framework prepared in accordance with the main principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk Management – Principles and guidelines).

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

The risk management principles provided in the Ignitis Group Risk Management Policy and other internal documents are applied uniformly across the entire Ignitis Group. The uniform risk management principles ensure that the management of the Ignitis Group of companies receives information on the risk management measures covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement the information on their activities with detailed risk assessment, monitoring and management principles.

"Three lines of defence" risk management framework



The main risk management objectives are the following:

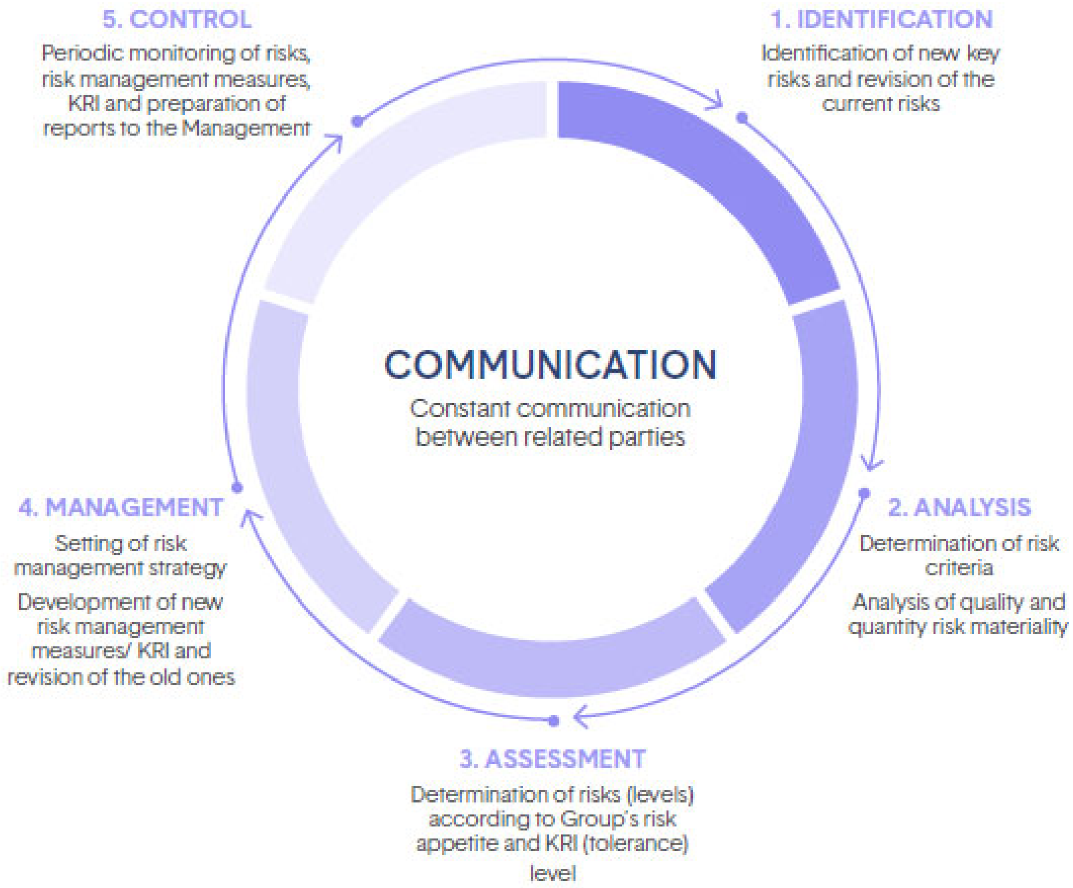
- To achieve the Renewables Group's performance objectives with controllable, yet in principle acceptable, deviations from those objectives;
- To ensure the uninterrupted performance of the core activities of the Renewables Group from a short-term and long-term perspectives;
- To ensure a timely provision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

Risk management process and key principles

In order to ensure that the risk management information and decisions remain relevant and reflect the changes in the Renewables Group, each year the Renewables Group initiates a risk management process (see below). Throughout this risk management process, constant communication between the related parties is ensured.

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

Risk management process



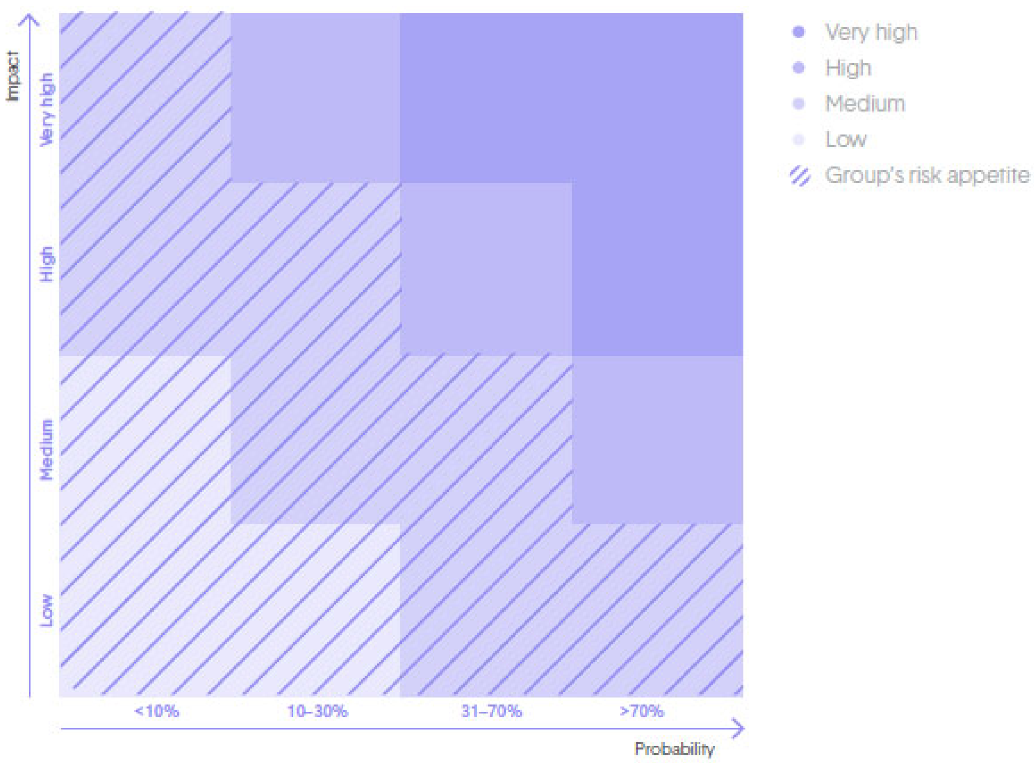
Risk categories

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

Risk categories

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

Risk assessment matrix

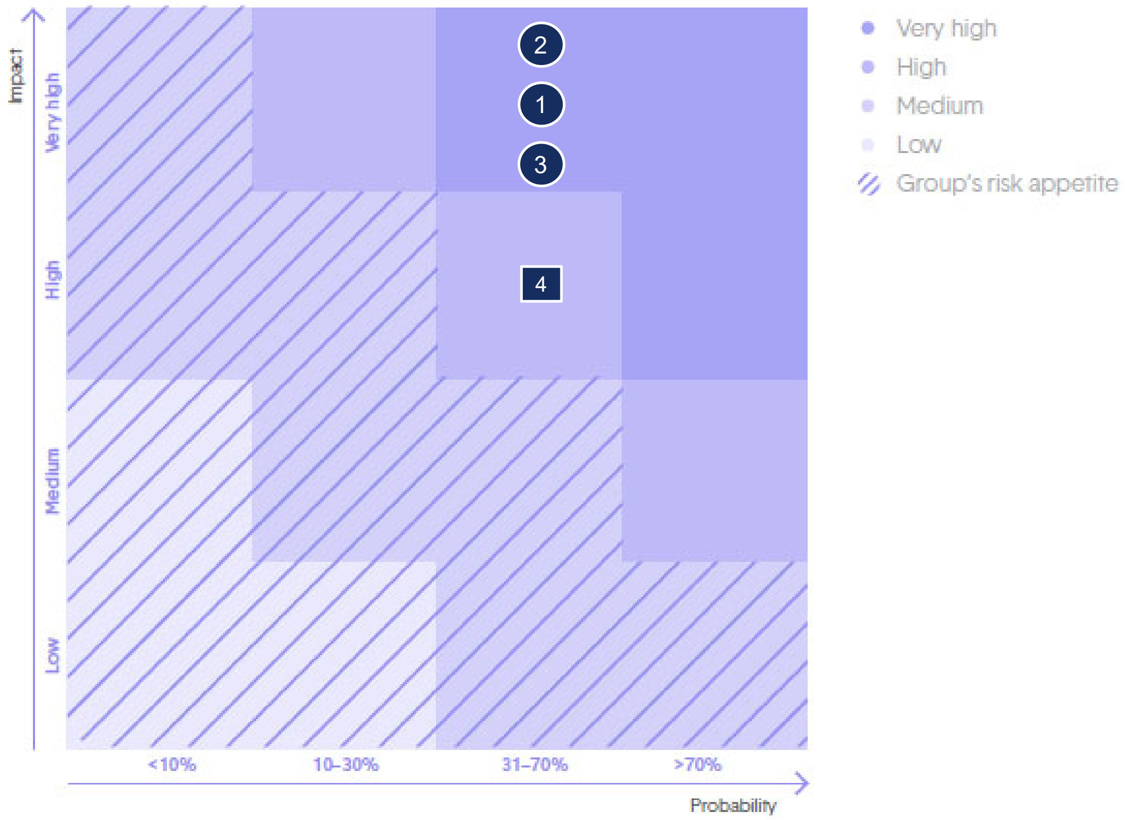


Key risks and their control measures

Starting 2022

In Q4 2021, a periodic risk management process was initiated based on the updated risk assessment methodology. During this process, after evaluating all relevant risks in the context of the Renewables Group's operation areas, and considering the company's strategic directions, a new risk register was compiled, where the most important risks for the upcoming period for the Renewables Group were established. These key risks of the Group and their management plan have received our greatest focus and attention. More information about these risks and their management plan is provided below.

Key risks of the Renewables Group



1. Employee attraction, development and retention risk
2. Risk of not achieving the Green Generation installed capacity on time
3. Risk of not winning the Lithuanian offshore wind tender
4. Risk of cyberattacks using publicity known system vulnerabilities (Ignitis Group)

Risk management plan for 2022

1 Strategic risk | Employee attraction, development and retention risk

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

Key risk indicators | Employee turnover

Period | Until 2030

Impacted strategic area
People and culture

Primary potential impact
Financial

Risk level
Very high

Main risk management principles
Creating a talent strategy for the company:
- Ensuring employees are operating in strategic positions.
- Ensuring employees are operating in supporting positions.
- Preparing a human resources planning framework.
- Preparing an employee rotation programme in Lithuania and abroad (as necessary).

2 Strategic risk | Risk of not achieving the Green Generation installed capacity objectives on time

Main source of the risk:
- Growing competition due to easier entry into the market
- Limited supply of land plots for project development which meet the legal requirements

Key risk indicators | Installed capacity

Period | Until 2030

Impacted strategic area
Green Generation

Primary potential impact
Financial

Risk level
Very high

Main risk management principles:
- Initiate a competitive advantage in large, more capital intensive projects.
- Participate in consultations and working groups for the formation of legislation.
- Attract professionals with rich experience in Green Generation project development.
- Utilise the existing electricity supply portfolio to structure off-take agreements.

3 Strategic risk | Risk of not winning the Lithuanian offshore wind tender

Main source of risk:
- Highly competitive environment
- Limited experience in offshore wind tenders
- Uncertainly due to the normative legal acts to be approved

Period | Starting from 2023

Impacted strategic area
Green Generation

Primary potential impact
Financial

Risk level
Very high

Main risk management principles:
- Utilise the existing electricity supply portfolio to structure off-take agreements.
- Partnership with Ocean Winds to strengthen the know-how in preparation for the tender.
- Enhance competencies by a secondment to Moray West.
- Attract professionals with rich experience in offshore wind projects.
- Participate in consultations and working groups for the formation of legislation.

4 Operational (activity) risks | Risk of cyber-attacks using publicly known system vulnerabilities

Main source of risk:
- Cyberattacks
- Cases of social engineering and data theft
- Late or improperly patched publicly known exploitations

Key risk indicators:
- Critical vulnerabilities
- Solution duration

Period | Constant

Impacted strategic area
Sustainable Development

Primary potential impact
- Compliance
- Reputation

Risk level
High

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

Other inherent financial risks of the Renewables Group (market, currency, interest rate, credit, liquidity), which do not exceed the Renewables Group's risk appetite and KRI tolerance thresholds, in accordance with the IFRS requirements are described in section *'6.1 Consolidated and the Company's Financial statements' of this report (Financial risk management part).*

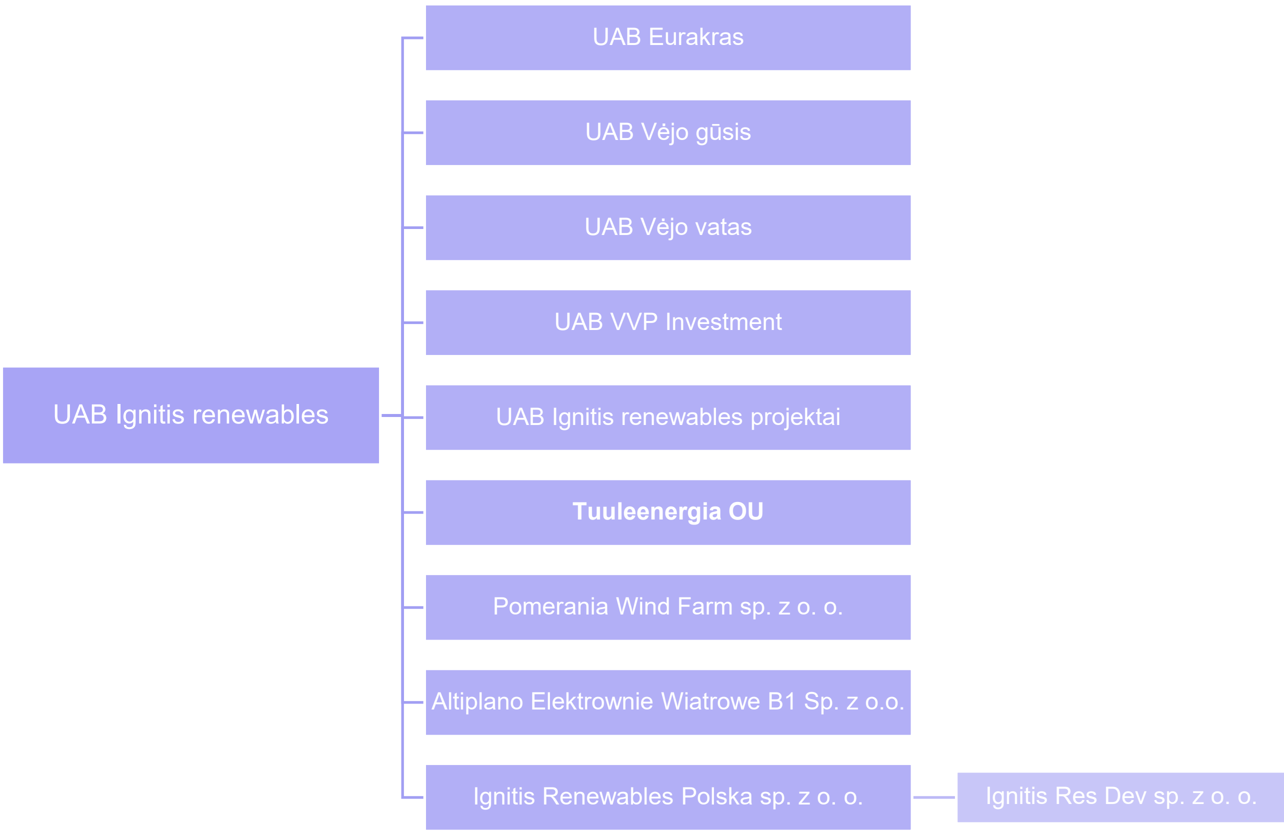
Other of the Renewables Group's risks related to ESG (environmental, social responsibility and governance), as well as to the safety and health of employees (and contractors), corruption, compliance, business continuity, and more areas rated as medium/low risk and within the risk appetite and the key risk indicators (tolerances) are not mentioned in the table above but are monitored to keep them within the required limits. You can find more about some of these risks in Sections "5. Sustainability Review" and Section "6.1 Consolidated and Company Financial Statements" and the AB Ignitis Group Annual Report 2021 in the section titled "Risks and their management" - "Other risks".

4.5 Information about the subsidiaries

Overview of the subsidiaries

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

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



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

- UAB Ignitis Renewables acquired a company registered in Poland which, prior to this time, did not conduct any activities – Dolcetto Sp. z. o.o. Additionally, Dolcetto Sp. z o.o. acquired Charbono Sp. z o.o., a company registered in Poland.
- The name of Dolcetto Sp. z o.o. was changed to Ignitis Renewables Polska Sp. z o.o.
- The name of Charbono Sp. z o.o. was changed to Ignitis Res Dev sp. z o.o.
- UAB Ignitis Renewables established UAB Ignitis Renewables Projektai in Lithuania to develop wind and solar parks.
- UAB Ignitis Renewables acquired Altiplano Elektrownie Wiatrowe B1 Sp. z o.o., a company developing a wind farm in Poland.

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

- UAB Ignitis Renewables established Ignitis renewables Latvia SIA in Latvia to develop wind and solar parks.
- UAB Ignitis Renewables established IGN RES DEV1 SIA in Latvia to develop wind and solar parks.
- UAB Ignitis Renewables established IGN RES DEV2 SIA in Latvia to develop wind and solar parks.

Subsidiaries and their performance during the reporting period (2021)

Pomerania Wind Farm Sp. z o.o. Generation of renewable electricity	**Company code:** 0000450928 **Registered address:** 82/368 Grunwaldzka St., 80-244 Gdańsk, Poland **Effective ownership interest:** 100% **Share capital:** PLN 44.500 **Website:** NA	**Performance (EURm):** Revenue: 3.4 Expenses: (1.1) Adjusted EBITDA: 6.3 Net profit: 1.3 Investments: 6.5 Assets: 140.8 Liabilities: 108.5 **Number of employees: 0[1]**
Tuuleenergia Osaühing Generation of renewable electricity	**Company code:** 10470014 **Registered address:** Keskus, Helmküla küla, Lääneranna vald, Pärnu maakond, 88208, Estonia **Effective ownership interest:** 100% **Share capital:** EUR 499 488 **Website:** NA	**Performance (EURm):** Revenue: 6.4 Expenses: 0.7 Adjusted EBITDA: 5.7 Net profit: 3.9 Investments: - Assets: 29.6 Liabilities: 24.5 **Number of employees: 1**
UAB Eurakras Generation of renewable electricity	**Company code:** 300576942 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 4.620.539,04 **Website:** NA	**Performance (EURm):** Revenue: 5.5 Expenses: 0.9 Adjusted EBITDA: 4.6 Net profit: 2.6 Investments: - Assets: 25.2 Liabilities: 17.0 **Number of employees: 1**
UAB Vėjo gūsis Generation of renewable electricity	**Company code:** 300149876 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 7.442.720 **Website:** NA	**Performance (EURm):** Revenue: 4.0 Expenses: 0.9 Adjusted EBITDA: 3.1 Net profit: 1.9 Investments: - Assets: 17.4 Liabilities: 7.6 **Number of employees: 1**
UAB Vėjo vatas Generation of renewable electricity	**Company code:** 110860444 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 2.896.000 **Website:** NA	**Performance (EURm):** Revenue: 2.9 Expenses: 0.7 Adjusted EBITDA: 2.2 Net profit: 1.1 Investments: - Assets: 14.6 Liabilities: 10.3 **Number of employees: 1**
UAB VVP Investment Development and operation of a renewable energy (wind) project	**Company code:** 302661590 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 250.214,40 **Website:** NA	**Performance (EURm):** Revenue: - Expenses: 0.2 Adjusted EBITDA: (0.2) Net profit: (0.2) Investments: 3.5 Assets: 18.4 Liabilities: 18.3 **Number of employees: 1**

Altiplano Elektrownie Wiatrowe B1 Sp. z o.o. Development and operation of a renewable energy (wind) project	**Company code:** 0000531275 **Registered address:** Abrahamas t. 1A, Gdansk 80-307, Poland **Effective ownership interest:** 100% **Share capital:** PLN 47.977.500 **Website:** NA	**Performance (EURm):** Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 13.3 Liabilities: 12.3 **Number of employees: 0[1]**
UAB Ignitis renewables projektai Development of renewable energy projects	**Company code:** 12433862 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 3.000 **Website:** NA	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 2.6 Liabilities: 1.6 **Number of employees: 1**
Ignitis Renewables Polska Sp. z o. o. Development of renewable energy projects	**Company code:** 0000871214 **Registered address:** Puławska 2 Building B, Warsaw 02-566, Poland **Effective ownership interest:** 100% **Share capital:** PLN 5.000 **Website:** NA	**Performance (EURm):** Revenue: - Expenses: 0.14 Adjusted EBITDA: (0.14) Net profit: (0.15) Investments: - Assets: 4.47 Liabilities: 0.16 **Number of employees: 11**
Ignitis Res Dev Sp. z o. o. Development of renewable energy projects	**Company code:** 0000873356 **Registered address:** Puławska 2 Building B, Warsaw 02-566, Poland **Effective ownership interest:** 100% **Share capital:** PLN 5.000 **Website:** NA	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 0.02 Liabilities: 0.02 **Number of employees: 0[1]**

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

5. Sustainability

The sustainable activities and the results of the entire Ignitis Group of companies (hereinafter the “Group”), including Ignitis Renewables which is owned by the Group, are reviewed in the Sustainability (Corporate Social Responsibility) Report (hereinafter the “Sustainability Report”), which is integrated into the consolidated Group’s Annual Report 2021. The report can be found in the sections titled “Investors” and “Sustainability” on the website www.ignitisgrupe.lt.

The information set out in the Group’s Sustainability Report covers the period from 1 January to 31 December 2021 and has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) standards. The disclosures are made on a materiality basis and reflect the Group’s progress in implementing the United Nations Global Compact (UNGC) and the Group’s contribution to the United Nations Sustainable Development Goals (SDGs). This report complies with the requirements for social responsibility reports, as provided for in the Lithuanian legislation.

Ignitis Renewables does not prepare a separate report on this subject; however, the company has provided a summary of our sustainable activities and references to the relevant sections of the Group’s Sustainability Report below.

Sustainability in the Group and at Ignitis Renewables

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

The updated Group Sustainability Policy, effective from 2020, reflects the key sustainability principles that we follow in our day-to-day operations.

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

The ambition to be a leader in the energy transition across the region, and move towards an energy smart world, requires the strengthening of our environmental, social and governance (hereinafter “ESG”) performance and accountability. The Group’s sustainability management plan and policies, which also apply to Ignitis Renewables, have been disclosed publicly (link). We publish our ESG indicator data and sustainability highlights in our interim and semi-annual reports, while our comprehensive ESG information is published in our annual reports.

Sustainability is coordinated centrally at the Group level, via a separate Sustainability function that is directly accountable to the Group’s CEO. The Group’s Management Board adopts decisions regarding the formation, approval and revision of the sustainable strategy directions, policies and business of the organisation. You can find a detailed description of the sustainable business management of the Group in the section titled “Sustainability in the Group” in the Sustainability Report integrated into the Group’s Annual Report 2021, as well as on the Group’s website in the section titled “Sustainability”. Below, we provide a high-level overview of our approach to ESG performance improvements.

Main sustainability topics and management and accountability principles of the Group

MAIN TOPICS	GOVERNANCE AND PROCESSES	ACCOUNTABILITY
We are committed to reducing our net carbon dioxide (CO_2) emissions to zero by 2050. We seek to contribute directly to the implementation of the UN Global Compact, Sustainable Development Goals and the Paris Agreement.	We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community.	We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs.

MEASURING OUR PROGRESS

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

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

Stakeholder relations and assessment of the ESG priorities

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

Therefore, when planning our activities – for example, preparing our investment plans – we perform a stakeholder expectation analysis based on international principles (AA1000 standard) and engage our stakeholders, as per the recommendations of highly regarded sustainability standards such as the Global Reporting Initiative (GRI). During the survey that was performed in Spring 2021, our stakeholders were asked which environmental, social and governance aspects Ignitis Renewables should focus on the most, as well as how the stakeholders evaluated the company's current activities with respect to each ESG aspect.

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

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

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

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

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

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

Renewables group materiality matrix 2021

Overview of the main sustainability impacts and implemented initiatives/measures

Environmental topic

The main environmental impact measures of Ignitis Renewables are:

- Climate impact, GHG emissions and RES development – developing electricity generation using renewable energy sources and reducing greenhouse gas emissions (CO_2, etc.) from the company's operations.
- Impact on biodiversity and ecosystems – conserving animal life, plants, natural ecosystems, flora and fauna.
- Impact on the soil, water and air quality – maintaining the quality of the soil, water and air, by preventing environment pollution.
- More sustainable internal energy consumption – using green energy for the company's internal consumption and reducing the total energy consumption.
- Using secondary raw materials and reducing waste – using secondary raw materials in the company's operations and reducing the waste from those operations.

Reducing the climate impact

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

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

In pursuit of the GHG emissions reduction targets, we will reduce the emissions from our operations and will endeavour to engage our partners, suppliers and customers in this process. The foreseen emission reduction measures of the Group and its companies include growing the Green Generation capacity, increasing the share of green electricity in the Group's internal operations and in relation to customer sales, promoting the customer transition from natural gas to electricity, reducing natural gas distribution network losses, upgrading the Group's vehicle fleet with electric vehicles, etc.

Ignitis Renewables is significantly contributing to the Group's objective to increase its renewable energy generation. In 2021, the Pomerania wind farm in Poland (94 MW) started its operations, and we acquired three early-stage wind farm projects in Latvia with an anticipated energy capacity up to 160 MW. We are also developing two projects in Poland: a wind farm in Silesia (50 MW) and the solar portfolio II (up to 80 MW), and we performed the installation of the infrastructure for the Mažeikiai wind farm (63 MW).

You can read more about the Group's goals and its planned emissions reduction measures in the section titled 'Climate action' of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

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

The Group-level approach to environmental issues is coordinated through the Group's Environmental Protection Policy, which provides the general provisions and principles of environmental protection within the Group.

Developing renewable energy generation reduces GHG emissions, thus mitigating the impact of those emissions on the climate. However, renewable energy projects as well as the ancillary infrastructure also pose threats and challenges to biodiversity and environmental components. Therefore, we regularly examine the impact of our activities on ecosystems and biodiversity, as well as managing the waste generated by our internal operations, and strive for a balance between our business operations and the preservation of ecosystems and resources.

Biodiversity issues are addressed from the early stages of a project's preparation and site planning; for example, at the start of the development of a new wind farm, its noise level is modelled and the shading effects are assessed, while the planned site is checked for rare plants, animals and whether it falls within the Natura 2000 or other protected areas. In order to protect birds and bats, the Group implements various risk mitigation and management practices (for example, we implemented automated solutions in the Pomerania WF in order to reduce the impact of the wind farm on bats, while we also perform bird monitoring (migration, hatching) surveys on the wind farms managed by the Group, and we submit the related reports to the Environmental Protection Agency).

You can read more about the Group's impact on the environment in the section titled 'Preserving natural resources' of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here) and is available on the Group's website.

More sustainable domestic consumption

Ignitis Renewables promotes efficient energy use and contributes to the education of its employees about generation using renewable energy sources. The company's employees working in Vilnius have been relocated to the A+ energy class building complex. You can read more about Ignitis Renewables' and the Group's initiatives to improve energy efficiency in the section titled 'Climate action' of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

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

Waste management in each Group company is carried out in accordance with the Environmental Protection and Zero Tolerance for Accidents at Work policies.

Ignitis Renewables contributes to preserving the environment and reducing pollution in Lithuania by sorting the waste resulting from its operations, and separating out secondary raw materials. The company does not own the rights to buildings and the communal waste is managed by the building owners by disposing of it through licenced waste managers. The Group has begun monitoring the risks related to the management of waste at the end of the guaranteed lifecycle of the wind farms and solar parks (15-20 years). The legal developments are also being monitored at this time.

You can read more about Ignitis Renewables' and the Group's actions to reduce waste and promote the circular economy in the section titled "Preserving natural resources" of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

Personnel and the public (communities) topic

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

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

Health & safety of employees and contractors

Ignitis Renewables adheres to general occupational health and safety provisions and principles and the provisions of the Zero Tolerance for Accidents at Work document defining the main guidelines of their implementation. The company focuses on preventing accidents, as well as ensuring health and safety. The total recordable injury rate per million hours worked (TRIR) at Ignitis Renewables in 2021 was 0. In 2021, there were no serious injuries or accidents among the company employees. The employees of its contractors, according to the information provided by the contractors, also had no accidents.

You can read more information about the measures and initiatives of the Group's companies, including Ignitis Renewables, to ensure the health and safety of employees and contractors in the section titled 'Future-fit employees and communities' of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

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

The Group is one of the largest employers in Lithuania; therefore, it forms and strives to maintain an organisational culture that fosters long-term employer-employee partnerships based on the Group's values and the Code of Ethics, with mutual understanding and the opportunity to create an energy smart future together. We carry out our activities and pursue our goals while protecting not only the environment, but also the wellbeing of our employees: for us, this is a precondition for sustainable operations. Therefore, the Group is constantly committed to developing, searching for and testing different tools that could contribute to the wellbeing of its employees. At the end of 2021, 17 employees were working at Ignitis Renewables while, together with the companies owned by Ignitis Renewables there were 34 employees in total, while all the principles were implemented in the company very diligently.

Ignitis Renewables respects the rights of its employees and stands against child labour, as well as any discrimination both when recruiting new employees and among the company's current employees. The employee net promoter score (eNPS) of Ignitis Renewables grew in 2021 compared to 2020, from 38.9% to 54.3%. Improving this metric is a strategic goal of every company within the Group.

Ignitis Renewables creates the conditions for its employees to grow and improve purposefully, as well as to grow their professional, general and business competences, by creating and fostering a culture and environment of constant growth within the organisation, as well as by setting clear business and employee career objectives, and by implementing new activities and innovations in our work processes.

Close relations with the communities where we operate and with non-governmental organisations are some of the key principles of our cohesive and responsible operations, which are established in the company's Code of Ethics and Sustainability Policy. We operate in a consistent and transparent manner, while taking responsibility for our activities and cooperating with various organisations. In 2021, we provided an opportunity for communities located near the objects operated by Ignitis Renewables to submit applications to finance projects that are relevant to them. This financial support has not yet been granted.

You can read more information about how the Group's companies, including Ignitis Renewables, ensures employee welfare and employee representation, in addition to information about the application of the Remuneration Policy, employee education and upskilling. as well as community relations in the section titled "Future-fit employees and communities" of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

Human rights topic

The main impact of Ignitis Renewables measures in relation to human rights was:
- Diversity, equal opportunity and human rights – ensuring gender equality and equal opportunities, while promoting diversity at work.

We value employee diversity and strive to ensure there are equal opportunities for all our employees to fully participate in the organisation's activities. This means we provide equal opportunities for our employees to gain employment, work smoothly, receive a fair salary, feel content, grow, pursue a career, combine their work and personal life, and strengthen their personal skills and talents. Therefore, as is set out in the Group's Equal Opportunity and Diversity Policy, Ignitis Renewables and the Group do not tolerate discrimination, but instead promote a work environment that reflects a diverse society, and implement the principles of respect for diversity in their activities.

The Group regularly collects and publishes data on the diversity of its employees, including their distribution by sex, age, education, profession and country of employment. Such diversity data is a way of getting to know about the people in the Group and, given the fact that we are all different, to create a work culture that is inclusive and equal. You can read more about the Group's efforts and achievements in ensuring diversity, equality and human rights in the section titled "Future-fit employees and communities" of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

Headcount share by position, 2021	Men	Women	Total
Trainees	0	0	0
Workers	0	0	0
Experts, specialists	9	5	14
Mid-level executives	0	1	1
Top-level executives	2	0	2
Heads of companies	0	0	0

Governance and anti-corruption topic

The main impact of Ignitis Renewables measures on governance and anti-corruption are:
- Ethical business, anti-corruption and transparency – transparent management of the company, with anti-corruption measures as well as honest and ethical business operations in the market.
- Energy system resilience and security, while ensuring uninterrupted operations – ensuring uninterrupted, reliable and stable energy generation.
- Sustainable financial instruments – attracting the funds required for sustainable projects.

- Responsibility and sustainability in the supply chain – procurement of goods and services in a manner friendly to the environment for internal use and reducing the negative environmental and social impact of the company's contractors.

Ethical business, anti-corruption and transparency

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

Ensuring the resilience and stability of energy generation

Lithuania is largely dependent on energy imports, so local energy generation capacities are very important for the country's energy security. By expanding the Green Generation portfolio, we are contributing towards the GHG emissions reduction, as well as increasing Lithuania's energy independence. We strive to have uninterrupted generation through reliable power plants; therefore, we are constantly focused on maintaining them.

You can read more about works and achievements in ensuring uninterrupted, reliable and stable energy generation and the development of Green Generation in the section titled "Robust organisation" of the Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here) and in the 2022-2025 Strategic Plan of the Group (the plan is available here).

Sustainable financial instruments

Due to its size and its unique position in the Lithuanian capital market and the wider Baltic region, the Group is promoting the development of a sustainable financial market. For the Group, green financing is one of the strategic transformation tools to secure investments in sustainable energy solutions in the future.

The Group has completed a total of three bond issues of EUR 300 million each. The first two – in 2017 and 2018 – were green bond issues. The Independent Norwegian Centre for International Climate and Environmental Research (CICERO) and the Swedish Environmental Institute have awarded the Group's green bond programme with the highest green category.

The funds received from the green bonds have been allocated for the implementation of various projects, including the construction of wind farms, that will contribute to the development of the Green Generation segment, as well as increasing the resilience and reliability of the network. The implementation of these projects will contribute to the reduction of carbon dioxide emissions. The projects meet the eligibility criteria set out in the Green Bond Framework (link in Lithuanian).

The Group is planning further investments into Green Generation development, increasing the distribution network efficiency and EV charging station development projects. You can read more about the compliance of the Group's investment and financial indicators with the current version of the EU Taxonomy regulation and all the relevant actions planned in the Group's Sustainability Report, which is integrated into the Group's Annual Report 2021 (the report is available here).

Responsibility and sustainability in the supply chain

You can read more information about the procurement organisation, our achievements in governance and the anti-corruption dimensions (application of transparency and anti-corruption principles, ensuring personal data security, ensuring access to energy and customer services, responsible procurement and supplier engagement) in the section titled “Robust organisation” of the Sustainability Report, which is integrated into the Group’s Annual Report 2021 (the report is available here).

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

6. Financial statements

6.1 Consolidated and the Company's Financial statements

Prepared for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union

The Group's consolidated and parent company's financial statements were prepared and signed by Ignitis renewables UAB management on 10 May 2022:

Thierry Aelens	**Laurynas Jocys**	**Paulius Žukovskis**
Chief Executive Officer	Chief Financial Officer	Ignitis grupės paslaugų centras UAB Head of Financial statements and consultations acting under Order No IS-22-22 of 04/04/2022

Statements of Financial Position

As at 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Group		Company	
		31 December 2021	31 December 2020 (restated)[1]	31 December 2021	31 December 2020
ASSETS					
Non-current assets					
Intangible assets	6	47,892	38,733	36	29
Property, plant and equipment	7	181,904	126,944	1	2
Right-of-use assets	8	24,692	43,680	14	70
Prepayments for non-current assets		15,718	-	-	-
Investment in subsidiaries	9	-	-	119,863	95,645
Non-current receivables	10	340	1,761	42,834	11,160
Other financial assets	11	5,000	2,357	5,932	2,357
Deferred tax assets	29	2,150	972	574	436
Total non-current assets		**277,696**	**214,447**	**169,254**	**109,699**
Current assets					
Inventories		75	-	-	-
Prepayments and deferred expenses		557	324	5	21
Trade receivables	12	14,279	1,833	132	-
Other receivables	13	8,830	15,640	5,029	312
Current loans	15	3,638	-	3,718	2,012
Prepaid income tax		70	-	-	-
Cash and cash equivalents	14	26,201	11,434	1,322	2,259
Total current assets		**53,650**	**29,231**	**10,206**	**4,604**
TOTAL ASSETS		**331,346**	**243,678**	**179,460**	**114,303**
EQUITY AND LIABILITIES					
Equity					
Issued capital	16	22	3	22	3
Share premium	16	54,133	44,697	54,133	44,697
Reserves	17	(3,645)	(3,145)	-	-
Retained earnings		(3,690)	561	1,877	6,656
Total equity		**46,820**	**42 116**	**56,032**	**51,356**
Liabilities					
Non-current liabilities					
Non-current loans	18	231,433	108,045	113,950	2,650
Non-current lease liabilities	20	18,592	13,994	4	33
Deferred tax liabilities	29	8,659	6,012	-	-
Provisions	21	3,172	6	14	5
Total non-current liabilities		**261,856**	**128,057**	**113,968**	**2,688**
Current liabilities					
Loans	18	9,623	61,413	3,879	59,859
Lease liabilities	20	594	9,339	10	33
Trade payables		480	388	98	100
Income tax payable		1,393	577	-	-
Provisions	21	6,278	-	5,000	-
Other current amounts payable and liabilities	22	4,302	1,788	473	267
Total current liabilities		**22,670**	**73,505**	**9,460**	**60,259**
Total liabilities		**284,526**	**201,562**	**123,428**	**62,947**
TOTAL EQUITY AND LIABILITIES		**331,346**	**243,678**	**179,460**	**114,303**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to correction of an error. See more information disclosed in Note 5. The Group does not disclose the restatement of comparative figures for 1 January 2020 as the impact of correction was not material.

Statements of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Group		Company	
		2021	2020 (restated)[1]	2021	2020
Revenue from contracts with customers	23	15,759	13,864	272	309
Other income	24	872	36	-	-
Dividend income		-	-	5,353	9,792
Total revenue and other income		**16,631**	**13,900**	**5,625**	**10,101**
Depreciation and amortisation	6, 7, 8	(5,370)	(7,179)	(28)	(21)
Salaries and related expenses		(1,358)	(643)	(1,050)	(554)
Repair and maintenance expenses		(1,776)	(1,679)	-	-
Impairment of investments in subsidiaries		-	-	(350)	(1,300)
Other expenses	25	(3,407)	(2,665)	(1,919)	(1,541)
Total		**(11,911)**	**(12,166)**	**(3,347)**	**(3,416)**
Operating profit (loss)		**4,720**	**1,734**	**2,278**	**6,685**
Finance income	26	251	9	868	261
Finance expenses	27	(2,199)	(2,745)	(1,786)	(1,488)
Finance activity, net		**(1,948)**	**(2,736)**	**(918)**	**(1,227)**
Profit (loss) before tax		**2,772**	**(1,002)**	**1,360**	**5,458**
Current income tax (expenses)/benefit	28	(1,862)	(278)	-	170
Deferred tax (expenses)/benefit	29	1,626	1,147	511	436
Net profit for the year		**2,536**	**(133)**	**1,871**	**6,064**
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)					
Change in actuarial assumptions		(8)	-	(8)	-
Items that will not be reclassified to profit or loss in subsequent periods, total		**(8)**	**-**	**(8)**	**-**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)					
Exchange differences on translation of foreign operations into the Group's presentation currency		(638)	(3,393)	-	-
Items that may be reclassified to profit or loss in subsequent periods, total		**(638)**	**(3,393)**	**-**	**-**
Total other comprehensive income (loss) for the year		**(646)**	**(3,393)**	**(8)**	**-**
Total comprehensive income (loss) for the year		**1,890**	**(3,526)**	**1,863**	**6,064**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Issued capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2020		**3**	**44,697**	**52**	**61**	**829**	**45,642**
Net profit for the year		-	-	-	-	(133)	**(133)**
Other comprehensive income (loss) for the year (restated)[1]		-	-	-	(3,393)	-	**(3,393)**
Total comprehensive income (loss) for the year (restated)[1]		**-**	**-**	**-**	**(3,393)**	**(133)**	**(3,526)**
Transfers to legal reserve		-	-	135	-	(135)	**-**
Balance as at 31 December 2020 (restated)[1]		**3**	**44,697**	**187**	**(3,332)**	**561**	**42,116**
Balance as at 1 January 2021		**3**	**44,697**	**187**	**(3,332)**	**561**	**42,116**
Net profit for the year		-	-	-	-	2,536	**2,536**
Other comprehensive income (loss) for the year		-	-	-	(638)	(8)	**(646)**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**(638)**	**2,528**	**1,890**
Issue of share capital	16	19	9,436	-	-	-	**9,455**
Transfers to legal reserve		-	-	138	-	(138)	**-**
Dividends	30	-	-	-	-	(6,655)	**(6,655)**
Share-based payments		-	-	-	-	14	**14**
Balance as at 31 December 2021		**22**	**54,133**	**325**	**(3,970)**	**(3,690)**	**46,820**

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

Company's Statement of Changes in Equity

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Issued capital	Share premium	Retained earnings	Total
Balance as at 1 January 2020		**3**	**44,697**	**592**	**45,292**
Net profit for the year		-	-	6,064	**6,064**
Total comprehensive income (loss) for the year		**-**	**-**	**6,064**	**6,064**
Balance as at 31 December 2020		**3**	**44,697**	**6,656**	**51,356**
Balance as at 1 January 2021		**3**	**44,697**	**6,656**	**51,356**
Net profit for the year		-	-	1,871	**1,871**
Other comprehensive income (loss) for the year		-	-	(8)	**(8)**
Total comprehensive income (loss) for the year		**-**	**-**	**1,863**	**1,863**
Issue of share capital	16	19	9,436	-	**9,455**
Dividends	30	-	-	(6,655)	**(6,655)**
Share-based payments		-	-	13	**13**
Balance as at 31 December 2021		**22**	**54,133**	**1,877**	**56,032**

Statements of Cash Flows

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Group		Company	
		2021	2020	2021	2020
Cash flows from operating activities					
Net profit for the year		2,536	(133)	1,871	6,064
Adjustments to reconcile net profit to net cash flows:					
Depreciation and amortisation expenses	6, 7, 8	5,370	7,179	28	21
Impairment of investments in subsidiaries	9	-	-	350	1,300
Income tax expenses/(benefit)	28	236	(869)	(511)	(606)
Increase/(decrease) in provisions		1,277	6	-	5
Dividend income		-	-	(5,353)	(9,792)
Loss/(gain) on disposal/write-off of property, plant and equipment		-	2	-	-
Share-based payments expenses		14	-	14	-
Interest income	26	(69)	(9)	(739)	(248)
Interest expenses	27	2,194	2,201	1,786	1,443
Other expenses of investing activities		352	-	-	-
Other expenses/(income) of financing activities		(177)	544	(129)	32
Changes in working capital:					
(Increase)/decrease in non-current receivables, trade receivables and other receivables		(1,086)	(9,410)	(2,640)	(57)
(Increase)/decrease in inventories, prepayments and deferred expenses		712	(177)	16	(20)
Increase/(decrease) in trade payables, other current amounts payable and liabilities		(1,279)	(160)	165	(409)
Income tax (paid)/received		(1,138)	(376)	-	170
Net cash flows from operating activities		**8,942**	**(1,202)**	**(5,142)**	**(2,097)**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(21,060)	(77,227)	(7)	(30)
Loans granted		(1,818)	(1,760)	(36,152)	(12,460)
Loan repayments received		-	-	2,400	-
Acquisition of a subsidiary, net of cash acquired	9, 33	(2,839)	-	(15,113)	-
Interest received		-	-	1,251	48
Dividends received	30	-	-	5,353	9,792
Other increases/(decreases) in cash flows from investing activities		-	(2,357)	-	(2,693)
Net cash flows from investing activities		**(25,717)**	**(81,344)**	**(42,268)**	**(5,343)**
Cash flows from financing activities					
Loans received	19	111,300	115,220	111,300	25,950
Repayments of loans	19	(59,357)	(33,261)	(57,051)	(20,480)
Lease payments	19	(9,536)	(4,799)	(32)	(21)
Interest paid	19	(4,210)	(3,065)	(1,089)	(1,175)
Dividends paid	30	(6,655)	-	(6,655)	-
Net cash flows from financing activities		**31,542**	**74,095**	**46,473**	**4,274**
Increase/(decrease) in cash and cash equivalents (including overdraft)		**14,767**	**(8,451)**	**(937)**	**(3,166)**
Cash and cash equivalents (including overdraft) at the beginning of the year	14	11,434	19,885	2,259	5,425
Cash and cash equivalents (including overdraft) at the end of the year	14	**26,201**	**11,434**	**1,322**	**2,259**

Explanatory Notes

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

1 General information

Ignitis renewables UAB (hereinafter - the Company or the parent company) is a private limited liability company registered in the Republic of Lithuania. The Company was registered on 14 January 2019 with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. Company code 304988904, VAT payer code LT100012186012. The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2021.

These financial statements cover the financial statements of a parent company and the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively - the Group), prepared for the year ended 31 December 2021 (hereinafter - financial statements).

The Group engages in renewable energy projects in the Baltic States and Poland through operation of wind farms and development of new wind and solar power generation projects. The Company is a parent company which is responsible for the management and coordination of activities of its subsidiaries engaged in the generation of electricity from renewable sources. When managing subsidiaries, the Company sets guidelines and rules for their activities, annual financial plans, annual rate of return on assets, maximum amounts of debt obligations, as well as other performance parameters of these companies.

The Company is a part of a group of energy companies, which are legal entities controlled by the ultimate parent company – Ignitis grupė AB. Through the wind and solar power generation projects, the Company is pursuing strategic goal of Ignitis grupė AB of expanding its green electricity generation portfolio.

The Company's sole shareholder is Ignitis grupė AB. On 24 November 2021, the Management Board of Ignitis grupė AB has adopted the following decision: the Company issues 18,910 ordinary registered uncertified shares, each with a nominal value of EUR 1.00 (Note 16).

Shareholder of the Company	31 December 2021		31 December 2020	
	Number of shares held	%	Number of shares held	%
Ignitis grupė AB	21,910	100.00	3,000	100.00

Ignitis grupė AB (hereinafter – the ultimate parent company) (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania) as at 31 December 2021 and 2020 holds 100% shares of the Company. On 5 October 2020 Ignitis grupė AB increased its issued capital, and on 7 October 2020 it executed initial public offering (hereinafter - IPO) of new shares. After Ignitis grupė AB executed acquisition of its own shares, the structure of shareholders as at 31 December 2021 was as follows: the Ministry of Finance of the Republic of Lithuania (73.08%), retail and institutional investors (25.25%) and own shares (1.67%) (as at 31 December 2020: the Ministry of Finance of the Republic of Lithuania (73.08%) and retail and institutional investors (26.92%).

These financial statements were prepared and signed for issue by the Group and Company's management on 10 May 2022.

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

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of financial statements for the year ended 31 December 2021 are summarized below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter - IFRS).

The financial statements as at and for the year ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical cost except other financial asset (Note 11.1) which is measured at fair value.

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

As at 31 December 2021 the Group made corrections related to figures of the statement of financial position and the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 – see Note 5 for detailed explanation.

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

2.2 New standards, amendments and interpretations

2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those which were adopted during the preparation of the Group and Company's financial statements for previous financial year, unless otherwise stated, with the exception of the new standards or amendments which entered into force as of 1 January 2021.

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

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

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

2.2.2 Standards issued but not yet effective and not early adopted

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

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

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

The Group and Company's management has assessed the impact of amendments on the acquisition cost of property, plant and equipment items, which were made available for use in 2021 year, and determined that the acquisition cost of these items should be increased by EUR 6,114 thousand.

The final impact will be determined in year 2022 and will be recognized in financial statements for the year ended 31 December 2022.

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

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

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

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

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

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

Other standards

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

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

2.3 Consolidation

2.3.1 Consolidation

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

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

2.3.2 Business combinations

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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

2.3.2.2 Goodwill

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

2.3.2.3 Contingent consideration

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

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

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

2.3.2.4 Business combination is achieved in stages

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

2.3.2.5 Business combination of entities under common control

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

In selecting which method to apply to the accounting for business combinations of entities under common control, the Group assesses whether there is a "commercial substance" for which the following criteria are considered:
- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a 'reporting entity' that did not exist before.

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Business combination applying IFRS 3 (subsidiaries that are not under common control)", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:
- the assets and liabilities of the entities in business combinations are measured at their carrying amounts equal to those reported in the financial statements of the ultimate parent company;
- no newly arising goodwill is recognised on a business combination, however acquiree can recognise intangible assets that meet the recognition criteria in IAS 38;
- any difference between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings.

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

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

2.4.3 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their SPLOCI are translated at average exchange rates observed during reporting period. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and are translated at the rate of exchange prevailing at the reporting date. The resulting exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss of SPLOCI.

2.5 Intangible assets

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

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

The Group's intangible asset amortization expenses are accounted for within depreciation and amortization item in SPLOCI. Amortisation is calculated using a straight-line basis over the estimated useful life. For the licenses acquired in a business combination, useful life is determined to be from 4 to 15 years. Amortisation of an asset begins when the asset is ready for its intended use, i.e. when it is in the place and condition required for its intended use by management.

2.6 Property, plant and equipment

Property, plant and equipment is measured by applying acquisition cost model. Property, plant and equipment of the Group mainly consists of wind power plant and their installations, land and construction in progress. Property, plant and equipment are accounted for at cost less accumulated depreciation and impairment. Depreciation for land and construction in progress is not accounted. Cost includes:

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

(ii) wind power plants' decommissioning costs (Note 4.8).

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment. The assets' residual values and useful lives are reviewed at least once per year, and adjusted if appropriate. For accounting of borrowing costs - see Note 2.10.2.4.

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

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

Depreciation of an asset begins when the asset is ready for its intended use, i.e. when it is in the place and condition that it can be used in the manner intended by management. Depreciation is calculated using the straight-line method to allocate the acquisition cost to their residual values over their estimated useful lives (number of years), as follows:

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

As of 1 January 2021 the Group extended estimated useful lives of wind power plants and their installations (Note 4.5).

2.7 Right-of-use assets

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

2.7.1 Initial measurement of ROU assets

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

2.7.2 Subsequent measurement of ROU assets

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

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

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

2.8 Investment in subsidiaries (the Company)

Investments in subsidiaries are stated in the statement of financial position at acquisition cost less impairment loss, when the investment's carrying amount exceeds its estimated recoverable amount. An adjustment to the value is made to write-down the difference as expense in SPLOCI. If the basis for the write-down can no longer be justified at the balance sheet date, it is reversed. If there is a present obligation to cover a deficit in subsidiaries, a provision is recognised for this.

2.9 Impairment of non-financial assets

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

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

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

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

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

2.10 Financial instruments

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

2.10.1 Financial assets

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

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

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

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

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

2.10.1.1 Financial assets subsequently measured at FVOCI

The Group and Company classifies debts instruments as assets measured at FVOCI if they meet both of the following conditions and are not designated as measured at FVPL:

- They are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2.10.1.2 Financial assets at amortised cost

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

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

2.10.1.3 Financial assets at FVPL

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

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

2.10.1.4 Effective interest rate (EIR) method

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

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

2.10.1.5 Impairment of financial assets – expected credit losses

The Group and Company recognizes expected credit losses (hereinafter – ECL) for all debt financial instruments that are not measured at FVPL. ECL are based on the difference between the contractual cash flows receivable and the cash flows the Group and Company expects to receive, discounted at the approximate original EIR. Expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For short-term trade receivables and other receivables without a significant financing component the Group and Company applies a simplified approach required by IFRS 9 and measures the loss allowance at ECL from initial recognition of the receivables (Note 4.7).

The Group and Company uses an individual assessment of ECL to assess impairment of trade receivables, other receivables and loans granted. The Group and Company's management's decision on an individual valuation is based on the availability of information about the credit history of a particular debtor, the financial condition at the measurement date, 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.

Recognition stages of ECL for loans granted:

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

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

The latest point at which the Group and Company recognises all lifetime ECL of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 120 days. In case of other evidence available, the Group and Company accounts for all lifetime ECL of the loan granted regardless of the more than 120 days past due presumption.

2.10.1.6 Credit impaired financial assets

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

(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 120 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2.10.1.7 Derecognition of financial assets

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

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

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

2.10.2 Financial liabilities and equity instruments issued

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

2.10.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade and payables, net of directly attributable transaction costs.

2.10.2.2 Subsequent measurement

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

- financial liabilities at FVPL (the Group and Company does not have such financial liabilities);
- financial liabilities at amortised cost.

2.10.2.3 Financial liabilities at amortised cost

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

2.10.2.4 Classification and borrowing costs

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

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

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

2.10.2.5 Effective interest rate method

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

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability (for more information see Note 2.10.1.2).

2.10.2.6 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group and 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.

2.10.2.7 Derecognition of financial liabilities

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

2.11 Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Issued capital and share premium

Ordinary shares are classified as equity. The Company's issued capital consists only of ordinary shares.

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

2.13 Lease liabilities

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

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

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

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

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

2.14 Provisions

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

2.15 Employee benefits

2.15.1 Social security contributions

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

2.15.2 Termination benefits

Termination benefits are usually paid to employees when the employer terminates the employment relationship with the employee before his or her normal retirement date or may be paid upon termination of the employment relationship by mutual agreement. The Group and Company recognise termination benefits when it has a clear obligation to terminate the employment of current employees under a detailed formal termination plan without the possibility of resignation, or when it is committed to pay termination benefits after it has been offered for voluntary redundancy. Long-term payments are recognized at present value using the market interest rate.

2.15.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Group and Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws.

A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

2.16 Revenue from contracts with customers

The Group and 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 obligations 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).

Major legal performance obligations identified in the contracts with customers are:

- sales of produced electricity, provision of Public Service Obligations (hereinafter - PSO services) provided by the Group,
- management services provided by the Company.

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

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

2.16.1 Electricity related revenue (the Group)

The Group's electricity related revenue includes:

– sale of produced electricity (Note 2.16.1.1),

– revenue from public service obligations funds (hereinafter - PSO funds) (Note 2.16.1.1).

Electricity related revenue is received from non-household customers.

2.16.1.1 Revenue from sale of produced electricity and provision of PSO

The Group is engaged in electricity generation in wind power plants, which are subject to measures promoting the use of renewable energy sources, including flat rate and purchase of electricity generated and supplied to the grid, under the terms and conditions provided for by the legislation. Electricity produced in Lithuania is purchased by Ignitis gamyba AB (subsidiary of the Group's sole shareholder Ignitis grupė AB), in Poland – purchased by Ignitis Polska sp. z o.o. (subsidiary of the Group's sole shareholder Ignitis grupė AB), in Estonia – by third party. Electricity buyers perform trading of the purchased electricity through a day-ahead trading platform on the Power Exchange. Take-up, transmission and distribution of electricity is carried out by the electricity distribution system operator.

Electricity generation from renewable energy sources is considered as a public service obligation (hereinafter - PSO) and financed through the PSO budget. Incentives of the state governments for generators are set for a period of 4-9 years in Lithuania, 15 years in Poland, 12 years in Estonia from the date of issue of the generation permit. Electricity producer receives a premium in addition to the market price of electricity, i.e. the difference between the incentive tariff and the electricity market price traded on the Power Exchange, when electricity price on Power exchange is lower than incentive tariff.

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

The Group companies which generate electricity are entitled to the following incentive tariffs:

Group company	Capacity, MW	Tariff, EUR/MWh	Subsidy scheme[1]	Expiry of the incentive measure
Eurakras UAB	24	71	FiT	1 December 2027
Vėjo gūsis UAB	19	87	FiT	1 March 2022 (9 MW) 1 December 2022 (10 MW)
Vėjo vatas UAB	14.9	87	FiT	1 October 2023
Pomerania Wind Farm sp. z o.o.	93.9	50	Indexed CfD	31 December 2035
Tuulenergia OU	18.3	54	FiP for 12 MW	1 December 2026
Altiplano Elektrownie Wiatrowe B1 sp. z o.o.	50	55	Indexed CfD	15 years from commercial operation date (commercial operation is not started as at 31 December 2021)

[1] *FiT – "Feed-in Tariff", FiP – "Feed-in Premium", CfD – "Contract for difference"*

Upon expiration of the government incentive, the Group companies enter into bilateral agreements with partners and negotiate a new price scheme for electricity sale for a specified contract period. A permit to generate electricity is issued for an indefinite period.

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

Upon confirmation of a transaction executed by the electricity buyer on the Power Exchange, the system of the Power Exchange forwards the confirmation of the concluded electricity sale transaction to the Group. Under this transaction, the Group fulfils its operational obligations by supplying the amount of electricity specified in the transaction confirmation to the electricity grid. Performance obligation is carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the grid. The progress of fulfilment of the performance obligation is assessed on the basis of data of metering devices.

Revenue from sales of produced electricity (line item "Revenue from sale of produced electricity" in Note 23) and PSO services (line item "Revenue from PSO services" in Note 23) are recognized at the end of the month. In case of unbilled revenue, the Company recognizes contract assets as accrued revenue (the line item "Other receivables" in the statement of financial position). VAT invoices show the amount of electricity supplied to the electricity grid in the current month and the price of electricity per 1 MWh. The amount of electricity supplied is determined by the readings of metering devices. Invoice payment term is set 30 days, no advances are required. The Group has no contract liabilities.

The price of electricity supplied during the current month includes:

- the weighted average price of electricity (i.e. the market price) calculated and declared to the Group by the electricity buyer based on the sales of electricity purchased on the Power Exchange market during the previous month (see line item "Revenue from sale of produced electricity" in Note 23);
- the amount of PSO funds, which is calculated as the difference between the incentive tariff set by the state national energy regulators and the weighted average price of electricity (see line item "Revenue from PSO services" in Note 23).

If the weighted average price of electricity is higher than the incentive tariff, no PSO funds are allocated to the Group, therefore revenue from PSO services is not recognized, and the resulting negative difference is recorded as the reduction of revenue from sales of produced electricity (line item "Revenue from sale of produced electricity" in Note 23).

The total consideration for the transaction is equal to the volume of electricity supplied to the grid multiplied by the market price, plus a difference equal to the volume multiplied by the cost of the PSO funds. The entire consideration is payable at a flat rate and does not include any other price components. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue from the sale of produced electricity is recognized as revenue under the caption "Revenue from contracts with customers" in SPLOCI.

2.16.2 Management services (the Company)

The Company provides management services to its subsidiaries. The control of management services is transferred over time and, therefore, the Company satisfies a performance obligation and revenue is recognised over time. The Company has concluded that it is the principal in its revenue arrangements.

For measuring a progress towards to complete satisfaction of a performance obligation the Company applies a practical expedient allowed by IFRS 15. As the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance completed to date, the Company recognises revenue in the amount to which it has a right to invoice. The Company bills a fixed amount for each hour of service provided.

Payment term is 30 days from the date of invoice issued for the services rendered in past month. The contract has no significant financing component as there is no significant length of time between the payment and the transfer of services.

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

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.10.1

2.17 Other income

2.17.1 Dividend income (the Company)

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows.

2.18 Expense recognition

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

2.19 Dividend distribution

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

2.20 Current and deferred tax

2.20.1 Income tax

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

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

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

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

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

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

2.20.2 Deferred tax

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

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

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

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

2.20.3 Current and deferred tax for the reporting period

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

2.20.4 Transfer of accumulated tax losses

Upon transfer of the accumulated tax losses, the Group and Company derecognise deferred tax on the tax loss carried forward and recognizes the consideration receivable in SPLOCI under the caption 'Deferred tax (expenses)/benefit'.

The consideration received is presented in the cash flow statement under the caption 'Income tax (paid)/received'.

2.21 Contingencies

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

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

2.22 Related parties

Related parties are defined as follow:

- parent company's controlling shareholder
- associated companies
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies)
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies)
- key management personnel and close members of that personnel's family and their controlled enterprises and companies

2.23 Offsetting

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

2.24 Fair value

The Group and Company measures financial instruments such as other financial asset related to Moray West Holdings Limited deferred consideration (Note 11) at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The Group and 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 (Note 32) are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

2.25 Events after the reporting period

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

3 Financial risk management

3.1 Financial risk factors

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

3.1.1 Market risk

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

3.1.1.1 Foreign currency exchange risk

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

In 2021 and 2020 the sale/purchase contracts for operations of the Group and Company are mainly denominated in national currencies (in Poland – in zloty, in Lithuania and Estonia – in euro) therefore the management has not identified significant exposure to foreign currency exchange risk.

The Group and Company is exposed to a foreign currency exchange risk related to issued loan in UK pounds (Note 10) to Moray West Holding Limited. Additionally the Company is exposed to a foreign currency exchange risk related to issued loans in polish zloty to subsidiaries.

The Company has not entered into the PLN/EUR exchange rate swaps. As the Group expands in Poland, management will consider entering into exchange rate swaps or to perform other foreign currency exchange risk mitigation actions. Maturity of loan issued in UK pounds is until 31 December 2022, the Group and Company is not planning to enter into the GBP/EUR exchange rate swaps.

Therefore, management has identified significant exposure to foreign currency exchange risk related to loans granted and discloses sensitivity analysis for this risk:

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

3.1.1.2 Interest rate risk

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

The Group and Company's income and cash flows are not affected by fluctuations in market interest rates because the Group and Company's all loans received or granted (Note 10 and 18) are with fixed interest rate as at 31 December 2021 and 2020.

3.1.1.3 Credit risk

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

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

The Group's exposure to credit risk arising from amounts receivable is limited because the major buyers are reliable customers. As at 31 December 2021 amounts of trade receivables in Lithuania and Poland are billed to Ignitis grupė AB group companies, in Estonia trade receivables are billed to a single third party which comprises insignificant part of total trade receivables. As at 31 December 2021 and 2020, trade receivables are neither past due nor impaired and were of high credit quality. The Group is exposed to significant credit risk concentration, because debts of the main customer of the Group account for approximately 82% of total trade receivables. More details about credit risk arising from amounts receivable are provided in Note 12.

The Group and Company is exposed to credit risk concentration related to loans granted (Note 10), although loans receivable principally consist of loans granted to subsidiaries (Note 18). The Group and Company is evaluating cash flows and financial results of subsidiaries and Moray West Holdings Limited, no impairment is recognised for the investments into subsidiaries and Moray West Holdings Limited to which loans are granted. Due to that the Group and Company does not consider that risk related to concentration of loans granted is significant.

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

The maximum exposure to credit risk as at 31 December 2021 and 2020 is equal to the carrying amount of financial assets.

	Note	Group		Company	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial assets measured at amortised cost:					
Non-current receivables	10	340	1	-	-
Other financial assets	11	5,000	2,357	5,932	2,357
Trade receivables	12	14,279	1,833	132	-
Other receivables	13	6,532	1,391	4,456	84
Loans granted and interests receivable	10.2, 15	3,638	1,760	46,552	13,172
Cash and cash equivalents	14	26,201	11,434	1,322	2,259
In total		**55,990**	**18,776**	**58,394**	**17,872**

3.1.2 Liquidity risk

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

As at 31 December 2021, the Group's current liquidity ratio (total current assets/total current liabilities) was 2.367 (31 December 2020: 0.398). As at 31 December 2021, the Group's balance of credit not withdrawn amounted to EUR 297,503 thousand (31 December 2020: EUR 40,153 thousand).

As at 31 December 2021, the Company's current liquidity ratio (total current assets/total current liabilities) was 1.079 (31 December 2020: 0.076). As at 31 December 2021, the Company's balance of credit not withdrawn amounted to EUR 288,068 thousand (31 December 2020: EUR 32,608 thousand).

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

	Note	Group		Company	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Amounts payable measured at amortised cost					
Loans and interests payable	18	241,056	169,457	117,829	62,509
Lease liabilities	20	19,186	23,333	14	66
Trade payables		480	388	98	100
Other current amounts payable and liabilities	22	831	1,242	140	113
In total		**261,553**	**194,420**	**118,081**	**62,788**

The table below summarises the maturity profile of the Group and Company's financial liabilities under the contracts as at 31 December 2021 (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	Group				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Loans and lease liabilities	2,788	12,266	47,548	247,575	**310,177**
Trade payables and non-current amounts payable to suppliers	120	360	-	-	**480**
Other payables	208	623	-	-	**831**
As at 31 December 2021	**3,116**	**13,249**	**47,548**	**247,575**	**311,488**

	Company				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Loans and lease liabilities	569	5,573	8,962	123,839	**138,943**
Trade payables and non-current amounts payable to suppliers	98	-	-	-	**98**
Other payables	140	-	-	-	**140**
As at 31 December 2021	**807**	**5,573**	**8,962**	**123,839**	**139,181**

The table below summarises the maturity profile of the Group and Company's financial liabilities under the contracts as at 31 December 2020 (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	Group				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Loans and lease liabilities	18,192	56,105	49,053	95,935	**219,367**
Trade payables and non-current amounts payable to suppliers	97	291	-	-	**388**
Other payables	311	931	-	-	**1,242**
As at 31 December 2020	**18,600**	**57,327**	**49,053**	**95,935**	**220,997**

	Company				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Loans and lease liabilities	15,218	45,771	1,310	1,560	**63,859**
Trade payables and non-current amounts payable to suppliers	100	-	-	-	**100**
Other payables	113	-	-	-	**113**
As at 31 December 2020	**15,431**	**45,771**	**1,310**	**1,560**	**64,072**

3.1.3 Capital risk management

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

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

When managing the capital risk in a long run, the Group seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure according to internal factors relating to operating activities, also - the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

The Board of the Company has an approved dividend policy, which sets principles for the payment of dividends for all the Group companies. The dividend policy is one of capital risk management tools.

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

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

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

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

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

4.1 COVID 19 pandemic

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

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

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

4.2 Impairment/reversal of impairment of investments

On 31 December 2021, the Company carried out an analysis to determine existence of indications of impairment or reversal of impairment for investments into subsidiaries. The Company considered information from external (changes in economic and regulatory and legal environment, market structure, interest rate, etc.) and internal factors (return on investments, results of operations, etc.) that might have impact on impairment or reversal of impairment of investments into subsidiaries and receivables.

Having identified impairment indications for investment in subsidiary Vėjo vatas UAB as at 31 December 2021 the Company performed impairment test for it. Impairment test showed that impairment should be recognized for investments in Vėjo vatas UAB. During 2021 the Company recognized impairment for amount EUR 1,650 thousand. (Note 9.1.4).

Having identified reversal of impairment indications for investment in subsidiary Vėjo gūsis UAB as at 31 December 2021 the Company performed reversal of impairment test for it. Reversal resulting indications were mainly caused by increased cash flows that are influenced by forecasted increased electricity market price and company's decreased net debt. The test showed that impairment reversal should be recognized for investment in Vėjo gūsis UAB. During 2021 the Company recognized reversal of impairment for amount EUR 1,300 thousand. (Note 9.1.5).

As at 31 December 2021, there were no indications of impairment in respect of investments into other subsidiaries of the Company, except for identified above.

4.3 Impairment of goodwill

The Group performed an impairment test of the goodwill recognized on acquisition of subsidiaries:

- EUR 1,204 thousand of subsidiary Eurakras UAB,
- EUR 1,866 thousand of subsidiary VVP Investment UAB,
- EUR 1,931 thousand of subsidiary Pomerania Wind Farm sp. z o. o.,
- EUR 393 thousand of subsidiary Altiplano Elektrownie Wiatrowe B1 sp. z o.o.

and determined no impairment of goodwill as at 31 December 2021 (Note 6.2).

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

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

As at 31 December 2021, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation, capacity of assets, etc.) that might impact the value of assets mentioned above.

Having identified impairment indications for wind power plants and their installations owned by Group company Vėjo vatas UAB and for other intangible assets related to rights to produce the electricity with an incentive rate of the Group company Vėjo vatas UAB, it was decided to carry out an impairment test of these assets. Impairment test showed that there is no need to recognize any impairment for wind power plants and their installations (Note 7.4) and for other intangible assets related to rights to produce electricity (Note 6.1).

4.5 Useful life of wind power plants

Given that wind power plants as a technology for electricity generation are evolving and improving, and the useful life assessment of previously built wind power plants has the potential to change based on broad market empirical data on useful lives, the management of the Group made assumptions about the extent to which operating wind power plants can serve, i.e. generate electricity. The Group has assumed and evaluated the following indicators on which the useful life of wind power plant technology depends:

- Quality of wind power plants design and construction works;
- Load factor;
- Compliance with the maintenance requirements specified by the manufacturer.

Taking into account the current technologies, long-term contracts with the maintenance suppliers and the current technical condition and capacity of the wind power plants, the Group's management has decided to change the useful life from 20 to 30 years. The new useful life has been effective since 1 January 2021.

4.6 Determining whether statutory and contractual servitudes are a lease

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

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

4.7 Expected credit losses of trade receivables

The Group and Company uses a provision matrix to calculate expected credit losses for trade receivables. The Group and Company accounts for ECL assessing amounts receivable on an individual basis applying provision matrixes adopted by the Group companies in respect of their clients.

4.7.1 Individual assessment of ECL

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

4.8 Wind power plants decommissioning liability

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

As at 31 December 2021 the Group recognized the provision related to decommissioning costs for an amount EUR 3,158 thousand (Note 21), which was calculated using the main assumptions: (i) period of provision corresponds to the useful lives of wind power plants, i.e. 30 years, (ii) estimated decommission costs were discounted at discount rate 3.7%.

5 Restatement of comparative figures due to correction of error

The Group in 2021 reviewed its goodwill and fair value adjustments to the carrying amounts of intangible assets arising on the acquisition of a foreign operation and found that they shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated at the rate of exchange prevailing at the reporting date.

Therefore, the Group determined that there is a need to correct carrying amounts of comparative figures of these assets and liabilities in order to present them at the closing rate of the financial statements. All resulting exchange differences were recognised in other comprehensive income. Corrections had no impact on the statement of cashflows for the year ended 31 December 2020. The management of the Group decided do not present the restated opening balances of assets, liabilities and equity for the earliest prior period (i.e. for 1 January 2020) in the statement of financial position as the corrections of error have no material impact on amounts disclosed in the statement of financial position presented in the financial statements issued for the year ended 31 December 2019.

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

	31 December 2020 before restatement	Restatement	31 December 2020 after restatement
Assets			
Non-current assets			
Intangible assets	40,187	(1,454)	38,733
Property, plant and equipment	126,944	-	126,944
Right-of-use assets	43,680	-	43,680
Non-current receivables	1,761	-	1,761
Other financial assets	2,357	-	2,357
Deferred tax assets	972	-	972
Total non-current assets	**215,901**	**(1,454)**	**214,447**
Current assets			
Prepayments and deferred expenses	324	-	324
Trade receivables	1,833	-	1,833
Other receivables	15,640	-	15,640
Cash and cash equivalents	11,434	-	11,434
Total current assets	**29,231**	**-**	**29,231**
TOTAL ASSETS	**245,132**	**(1,454)**	**243,678**
EQUITY AND LIABILITIES			
Equity			
Issued shares	3	-	3
Share premium	44,697	-	44,697
Reserves	(1,946)	(1,199)	(3,145)
Retained earnings	561	-	561
Total equity	**43,315**	**(1,199)**	**42,116**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	108,045	-	108,045
Non-current lease liabilities	13,994	-	13,994
Deferred tax liabilities	6,267	(255)	6,012
Provisions	6	-	6
Total non-current liabilities	**128,312**	**(255)**	**128,057**
Current liabilities			
Loans	61,413	-	61,413
Lease liabilities	9,339	-	9,339
Trade payables	388	-	388
Income tax payable	577	-	577
Other current amounts payable and liabilities	1,788	-	1,788
Total current liabilities	**73,505**	**-**	**73,505**
Total liabilities	**201,817**	**(255)**	**201,562**
TOTAL EQUITY AND LIABILITIES	**245,132**	**(1,454)**	**243,678**

Retrospective corrections of consolidated SPLOCI for the year ended 31 December 2020:

	2020 before restatement	Restatement	2020 after restatement
Revenue from contracts with customers	13,864	-	13,864
Other income	36	-	36
Dividend income	-	-	-
Total revenue and other income	**13,900**	**-**	**13,900**
Depreciation and amortisation	(7,179)	-	(7,179)
Salaries and related expenses	(643)	-	(643)
Repair and maintenance expenses	(1,679)	-	(1,679)
Other expenses	(2,665)	-	(2,665)
Total	**(12,166)**	**-**	**(12,166)**
Operating profit (loss)	**1,734**	**-**	**1,734**
Finance income	9	-	9
Finance expenses	(2,745)	-	(2,745)
Finance activity, net	**(2,736)**	**-**	**(2,736)**
Profit (loss) before tax	**(1,002)**	**-**	**(1,002)**
Current income tax (expenses)/benefit	(278)	-	(278)
Deferred tax (expenses)/benefit	1,147	-	1,147
Net profit for the year	**(133)**	**-**	**(133)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into the Group's presentation currency	(2,194)	(1,199)	(3,393)
Items that may be reclassified to profit or loss in subsequent periods, total	**(2,194)**	**(1,199)**	**(3,393)**
Total other comprehensive income (loss) for the year	**(2,194)**	**(1,199)**	**(3,393)**
Total comprehensive income (loss) for the year	**(2,327)**	**(1,199)**	**(3,526)**

6 Intangible assets

Movement on the Group's account of intangible assets is presented below:

	Other intangible assets	Goodwill	In total
As at 1 January 2020			
Acquisition cost	38,560	5,162	**43,722**
Accumulated amortisation	(1,514)	-	**(1,514)**
Carrying amount	**37,046**	**5,162**	**42,208**
Carrying amount at 1 January 2020	**37,046**	**5,162**	**42,208**
Additions	29	-	**29**
Other changes	-	(31)	**(31)**
Amortisation	(2,019)	-	**(2,019)**
Foreign currency exchange difference	(1,341)	(113)	**(1,454)**
Carrying amount at 31 December 2020 (restated)[1]	**33,715**	**5,018**	**38,733**
As at 31 December 2020			
Acquisition cost	37,248	5,018	**42,266**
Accumulated amortisation	(3,533)	-	**(3,533)**
Carrying amount (restated)[1]	**33,715**	**5,018**	**38,733**
Carrying amount at 1 January 2021 (restated)[1]	**33,715**	**5,018**	**38,733**
Additions	929	-	**929**
Acquisition through business combination (Note 33)	10,113	389	**10,502**
Amortisation	(2,146)	-	**(2,146)**
Foreign currency exchange difference	(112)	(14)	**(126)**
Carrying amount at 31 December 2021	**42,499**	**5,393**	**47,892**
As at 31 December 2021			
Acquisition cost	48,178	5,393	**53,571**
Accumulated amortisation	(5,679)	-	**(5,679)**
Carrying amount	**42,499**	**5,393**	**47,892**

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

6.1 Other intangible assets

As at 31 December 2021 and 2020 the Group's other intangible assets mainly comprise the rights to produce electricity with an incentive rate:

- the Group company's Eurakras UAB right to produce electricity with an incentive rate with carrying amount EUR 7,548 thousand (EUR 8,756 thousand as at 31 December 2020);
- the Group company's Vėjo gūsis UAB right to produce electricity with an incentive rate with carrying amount EUR 291 thousand (EUR 680 thousand as at 31 December 2020);
- the Group company's Vėjo vatas UAB right to produce electricity with an incentive rate with carrying amount EUR 739 thousand (EUR 1,161 thousand as at 31 December 2020);
- the Group company's Pomerania Wind Farm Sp. z o. o. right to produce electricity with an incentive rate with carrying amount EUR 22,764 thousand (EUR 23,089 thousand as at 31 December 2020);
- the Group company's Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. right to produce electricity with an incentive rate with carrying amount EUR 9,628 thousand;
- the Group company's Tuulenergia OU right to produce electricity with an incentive rate with carrying amount EUR 563 thousand

As at 31 December 2021 the Group performed impairment test for intangible assets related to rights to produce electricity with an incentive rate of the Group company Vėjo vatas UAB. The test showed that there is no need for impairment of intangible assets as at 31 December 2021. The impairment test was performed using the discounted cash flow method and using the same key assumptions as for impairment test for the Company's investments into Vėjo vatas UAB (Note 9.1.4).

As at 31 December 2021 the Group on the caption of other intangible assets accounted EUR 930 thousand of advances paid for investment projects in Latvia and Poland.

6.2 Goodwill

As at 31 December 2021 goodwill comprises from acquisition of subsidiaries:

- VVP Investment UAB – EUR 1,866 thousand;
- Eurakras UAB – EUR 1,204 thousand;
- Pomerania Wind Farm sp. z o. o. – EUR 1,931 thousand;
- Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. – EUR 393 thousand.

As at 31 December 2021 the Group performed impairment test for its goodwill. The test showed that there is no need for impairment of goodwill as at 31 December 2021. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2040-2052, with reference to the typical operational period of 30 years.
2. The production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. The price of electricity is set at the agreed tariff and a third-party electricity price forecast after the tariff expiration (Eurakras UAB, Pomerania Wind Farm sp. z. o. o.). For VVP Investment UAB the price of electricity is set at a third-party electricity price forecast.
4. Discount rate of 4.1-4.4% after tax (4.8-5.4% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

7 Property, plant, and equipment

Movement on the Group's account of property, plant and equipment is presented below:

	Land	Buildings	Wind power plants and their installations	Other property, plant and equipment[1]	Construction-in-progress	In total
As at 1 January 2020						
Acquisition cost	1,347	602	31,842	116	23,672	**57,579**
Accumulated depreciation	-	(120)	(6,365)	(111)	-	**(6,596)**
Carrying amount	**1,347**	**482**	**25,477**	**5**	**23,672**	**50,983**
Carrying amount at 1 January 2020	**1,347**	**482**	**25,477**	**5**	**23,672**	**50,983**
Additions	-	-	-	1	77,587	**77,588**
Sales	-	-	-	(2)	-	**(2)**
Depreciation	-	(30)	(1,593)	(2)	-	**(1,625)**
Carrying amount at 31 December 2020	**1,347**	**452**	**23,884**	**2**	**101,259**	**126,944**
As at 31 December 2020						
Acquisition cost	1,347	602	31,842	115	101,259	**135,165**
Accumulated depreciation	-	(150)	(7,958)	(113)	-	**(8,221)**
Carrying amount	**1,347**	**452**	**23,884**	**2**	**101,259**	**126,944**
Carrying amount at 1 January 2021	**1,347**	**452**	**23,884**	**2**	**101,259**	**126,944**
Additions	-	-	-	-	9,995	**9,995**
Reclassifications between categories	-	-	105,211	-	(105,211)	**-**
Reclassified from / (to) inventories	-	-	-	-	(76)	**(76)**
Reclassified from / (to) right-of-use assets (Note 8)	-	-	23,002	-	-	**23,002**
Acquisition through business combination (Note 33)	100	-	21,838	-	2,785	**24,723**
Foreign currency exchange difference	-	-	-	-	(548)	**(548)**
Depreciation	-	(30)	(2,105)	(1)	-	**(2,136)**
Carrying amount at 31 December 2021	**1,447**	**422**	**171,830**	**1**	**8,204**	**181,904**
As at 31 December 2021						
Acquisition cost	1,447	602	198,503	115	8,204	**208,871**
Accumulated depreciation	-	(180)	(26,673)	(114)	-	**(26,967)**
Carrying amount	**1,447**	**422**	**171,830**	**1**	**8,204**	**181,904**

[1] *The group of assets "IT and telecommunication equipment" in 2021 was added to the group "Other property, plant and equipment"*

7.1 Movement in property, plant and equipment

During the year 2021 a new wind power plant in Poland was put into operation (line item "Reclassifications between categories"). During the year 2021 additions consisted of acquisitions to the constructions of wind power plants (column "Construction-in-progress") and additions of costs estimated for wind power plants' decommission (Note 4.8 and 20) (column "Construction-in-progress");

During 2021, the Group companies capitalised EUR 2,716 thousand (2020: EUR 1,082 thousand) of interest expenses on loans for capital investments and lease of land and easement. The average capitalised interest rate was 2.34% (2020: 2.74%).

The Group has significant commitments to purchase property, plant and equipment to be fulfilled in later periods. As at 31 December 2021, the Group's commitments to purchase and construct property, plant and equipment amounted to EUR 105,558 thousand (31 December 2020: EUR 68,581 thousand).

7.2 Fully depreciated property, plant and equipment

As at 31 December 2021 the Group has fully depreciated assets still in use with acquisition cost of EUR 114 thousand (31 December 2020: EUR 114 thousand).

7.3 Pledged property, plant and equipment

As at 31 December 2021 and 2020 property, plant and equipment of the Group were not pledged to banks, credit institutions, etc.

7.4 Impairment tests of wind power plants

As at 31 December 2021 the Group performed impairment test for wind power plants and their installations owned by Group company Vėjo vatas UAB. The test showed that there is no need for impairment of wind power plants and their installations as at 31 December 2021. The impairment test was performed using the discounted cash flow method and using the same key assumptions as for impairment test for the Company's investment into Vėjo vatas UAB (Note 9.1.4).

8 Right-of-use assets

8.1 The Group's right-of-use assets

Movement on Group's account of ROU asset is presented below:

	Land	Buildings	Structures and machinery	Wind power plants and their installations	Vehicles	In total
As at 1 January 2020						
Acquisition cost	9,692	44	8,233	27,290	33	**45,292**
Accumulated depreciation	(10)	(3)	(726)	(2,246)	(1)	**(2,986)**
Carrying amount	**9,682**	**41**	**7,507**	**25,044**	**32**	**42,306**
Carrying amount as at 1 January 2020	**9,682**	**41**	**7,507**	**25,044**	**32**	**42,306**
Additions	4,873	21	-	-	15	**4,909**
Depreciation	(538)	(17)	(726)	(2,246)	(8)	**(3,535)**
Carrying amount as at 31 December 2020	**14,017**	**45**	**6,781**	**22,798**	**39**	**43,680**
31 December 2020						
Acquisition cost	14,497	65	8,233	27,290	48	**50,133**
Accumulated depreciation	(480)	(20)	(1,452)	(4,492)	(9)	**(6,453)**
Carrying amount	**14,017**	**45**	**6,781**	**22,798**	**39**	**43,680**
Carrying amount at 1 January 2021	**14,017**	**45**	**6,781**	**22,798**	**39**	**43,680**
Additions	1,775	109	-	-	15	**1,899**
Write-offs	(65)	(28)	-	-	(8)	**(101)**
Reclassifications between categories	-	-	(5,927)	5,927	-	**-**
Reclassified from / (to) property, plant & equipment	-	-	(847)	(22,155)	-	**(23,002)**
Acquisition through business combination (Note 33)	3,108	-	-	-	-	**3,108**
Foreign currency exchange difference	196	-	-	-	-	**196**
Depreciation	(545)	(49)	(7)	(459)	(28)	**(1,088)**
Carrying amount	**18,486**	**77**	**-**	**6,111**	**18**	**24,692**
31 December 2021						
Acquisition cost	19,534	110	-	7,753	27	**27,424**
Accumulated depreciation	(1,048)	(33)	-	(1,642)	(9)	**(2,732)**
Carrying amount	**18,486**	**77**	**-**	**6,111**	**18**	**24,692**

The Group has lease contracts for various items:

Land

As at 31 December 2021 the Group's land lease contracts are signed mainly by:
- Group company Pomerania Wind Farm sp. z o. o. – the validity of contracts is until 2045-2051 year, the carrying amount is EUR 12,174 thousand (31 December 2020: EUR 12,367 thousand);
- Group company Altiplano Elektrownie Wiatrowe B1 sp. z o. o. – the validity of contracts is until 2040-2050 year, the carrying amount is EUR 2,768 thousand;
- Group company VVP Investment UAB – the validity of contracts is until 2047-2112 year, the carrying amount is EUR 1,723 thousand (31 December 2020: EUR 1,649 thousand);
- Group company Ignitis renewables projektai UAB – the validity of contracts is until 2059 year, the carrying amount is EUR 1,634 thousand.

Wind power plants and their installations

During 2021 part of lease agreements for wind power plants were finalized by paying in full remaining liability. Therefore, ROU assets attributable to this group were transferred to the property, plant and equipment with its carrying value of EUR 23,002 thousand. The remaining lease agreements for wind power plants were until 24 February 2022.

During 2021 the Group capitalised lease interest expenses EUR 331 thousand (2020: EUR 359 thousand) on property plant and equipment construction in progress.

8.2 Expenses related to lease agreements recognised in SPLOCI

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

	2021	2020
Depreciation	1,088	3,535
Interest expenses	40	171
Expenses related to short-term leases (other expenses)	52	-
Write-off of assets and liabilities	(2)	-
Lease expenses, total	**1,178**	**3,706**

8.3 Future expenses related to lease agreements

The Group's future lease expenses:

	31 December 2021	31 December 2020
Future expenses related to short-term and low value leases	82	7
Future expenses related to leases of low value assets	-	1
Future variable lease payments	870	-
Leases not yet commenced to which the lessee is committed	3,083	-
Future lease expenses, total	**4,035**	**8**

9 Investments in subsidiaries

Information on the Company's investments in subsidiaries as at 31 December 2021 provided below:

Company	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %	Country of business	Profile of activities
Subsidiaries:							
Pomerania Wind Farm sp. z o.o.	56,627	-	56,627	100	100	Poland	Generation of renewable electricity
Eurakras UAB	18,735	-	18,735	100	100	Lithuania	Generation of renewable electricity
Vėjo gūsis UAB	12,919	-	12,919	100	100	Lithuania	Generation of renewable electricity
Altiplano Elektrownie Wiatrowe B1 sp. z o.o.	9,545	-	9,545	100	100	Poland	Development of wind project
Tuuleenergia OU	9,455	-	9,455	100	100	Estonia	Generation of renewable electricity
Vėjo vatas UAB	6,132	(1,650)	4,482	100	100	Lithuania	Generation of renewable electricity
Ignitis Renewables Polska sp. z o.o.	4,568	-	4,568	100	100	Poland	Sub-holding controlling wind/solar assets
VVP Investment UAB	2,532	-	2,532	100	100	Lithuania	Development of wind project
Ignitis renewables projektai UAB	1,000	-	1,000	100	100	Lithuania	Development of wind/solar project
In total	**121,513**	**(1,650)**	**119,863**				

Information on the Company's investments in subsidiaries as at 31 December 2020 provided below:

Company	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %	Country of business	Profile of activities
Subsidiaries:							
Eurakras UAB	18,735	-	18,735	100	100	Lithuania	Generation of renewable electricity
Vėjo gūsis UAB	12,919	(1,300)	11,619	100	100	Lithuania	Generation of renewable electricity
Vėjo vatas UAB	6,132	-	6,132	100	100	Lithuania	Generation of renewable electricity
VVP Investment UAB	2,532	-	2,532	100	100	Lithuania	Development of wind project
Pomerania Wind Farm sp. z o.o.	56,627	-	56,627	100	100	Poland	Generation of renewable electricity
In total	**96,945**	**(1,300)**	**95,645**				

9.1 Movement of the Company's investments

Movement of the Company's investments in subsidiaries was as follows:

Company	2021	2020
Carrying amount as at 1 January	**95,645**	**96,609**
Acquisition of subsidiaries (Note 9.1.1)	19,003	-
Established new subsidiary (Note 9.1.2)	1,000	-
Share premium increase in subsidiaries (9.1.3)	4,565	-
Coverage of losses	-	367
(Impairment) / reversal of impairment of investments in subsidiaries (Note 9.1.4 and 9.1.5)	(350)	(1,300)
Decrease in investment acquisition cost	-	(31)
Carrying amount as at 31 December	**119,863**	**95,645**

In 2020 year coverage of losses EUR 367 thousand and decrease in investment acquisition cost EUR 31 thousand in the statement of cash flows are presented under the line "Other increases/(decreases) in cash flows from investing activities".

The changes in the Company's investments in subsidiaries during the year 2021 were covered by the following events:

9.1.1 Acquisition of subsidiaries

On 21 December 2021 Group Management Board approved the conclusion of the shares purchase agreement whereby its subsidiary Ignitis renewables UAB acquired 100% of the shares of the Polish company developing a wind farm in Poland – Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. Total consideration paid for the acquired subsidiary equal to EUR 9,545 thousand (Note 33).

On 16 December 2021 the ultimate parent company accomplished the transfer of shares of Tuuleenergia OÜ to the Company. On 24 November 2021 the Company's share premium and share capital was increased (Note 16) by amount equal to the fair value of Tuuleenergia OÜ shares by paying a non-monetary contribution, i.e. by transferring the shares of Tuuleenergia OÜ to the Company. Fair value of shares of Tuuleenergia OÜ was valued at EUR 9,455 thousand and was determined by independent valuators. See Note 33 for more information on business combination.

On 7 May 2021 the Company acquired 100% of shares of the Polish company Dolcetto sp. z o.o. which name after acquisition was changed to Ignitis renewables Polska sp. z o.o. Total consideration paid for the acquired subsidiary equal EUR 3 thousand and was equal to the subsidiary's issued capital.

On June 2021 Ignitis renewables Polska sp. z o.o. acquired 100% of shares of the Polish company Ignitis RES DEV sp z o.o. (indirectly controlled by the Company), the consideration paid amounted to EUR 3 thousand and was equal to the subsidiary's issued capital.

9.1.2 Establishment of new subsidiaries

On 12 October 2021 there was established a new company Ignitis renewables projektai UAB which issued capital comprised of EUR 3 thousand and share premium – EUR 997 thousand.

9.1.3 Share premium increase in subsidiaries

On 27 May 2021 the Company increased share premium of a subsidiary Ignitis renewables Polska sp. z o.o. by paying EUR 4,565 thousand.

9.1.4 Impairment of investments

On 31 December 2021 the Company has performed an impairment test for Vėjo vatas UAB and recognized an impairment of EUR 1,650 thousand. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2041, with reference to the typical operational period of 30 years from the beginning of operation;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. Until 1 October 2023, the price of electricity is equal to the Feed-in Tariff of 87 EUR/MWh;
4. Discount rate of 5.1% after tax (6.0% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

Since the Company's management estimate of recoverable value of investment into subsidiary includes significant assumptions, the below sensitivity of valuation to changes in key valuation input has been provided:
Increase of WACC (which is used as a discount rate) by 1 percentage point would further lower the recoverable value by EUR 1.0 million; and, respectively, drop of WACC by 1 percentage point would further increase the recoverable value by EUR 1.1 million

9.1.5 Reversal of impairment of investments

On 31 December 2021 the Company has performed reversal of impairment test for Vėjo gūsis UAB and fully reversed an impairment which was recognized for amount EUR 1,300 thousand as at 31 December 2020. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2041, with reference to the typical operational period of 30 years from the beginning of operation;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. Until 1 March 2022 (for 9 MW) and until 1 December 2022 (for 10 MW) the price of electricity is equal to the Feed-in Tariff of 87 EUR/MWh;
4. Discount rate of 5.1% after tax (6.0% pre-tax) was used to calculate discounted cash flows.

Since the Company's management estimate of recoverable value of investment into subsidiary includes significant assumptions, the below sensitivity of valuation to changes in key valuation input has been provided:
Increase of WACC (which is used as a discount rate) by 1 percentage point would further lower the recoverable value by EUR 1.6 million; and, respectively, drop of WACC by 1 percentage point would further increase the recoverable value by EUR 1.8 million.

9.1.6 Cash flows of investments to subsidiaries

During the year 2021 the Company paid in cash for total amount of EUR 15,113 thousand for the following investments to subsidiaries:

- Purchase of shares of Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. – EUR 9,545 thousand;
- Purchase of shares of Ignitis renewables Polska sp. z o.o. – EUR 3 thousand;
- Increase of share premium of Ignitis renewables Polska sp. z o.o. – EUR 4,565 thousand;
- Establishment of a new company Ignitis renewables projektai UAB by paying EUR 3 thousand for issuing the share capital and EUR 997 thousand – for share premium.

10 Non-current receivables

Amounts receivable after one year comprised as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Non-current receivables				
Loans granted (Note 10.2)	-	1,760	42,834	11,160
Other non-current amounts receivable	340	1	-	-
Total	**340**	**1,761**	**42,834**	**11,160**
Less: impairment	-	-	-	-
Carrying amount	**340**	**1,761**	**42,834**	**11,160**

10.1 Expected credit losses of loans granted and other non-current receivables

As at 31 December 2021, the Group and Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime ECL was recognised neither for non-current nor for current loans granted (Note 15).

During 2021 there was no movement on the impairment account of non-current receivables.

10.2 Loans granted

The Company's loans granted as at 31 December 2021 comprised of the following:

	Interest rate type	Within one year	After one year	Total
Non-current loans				
VVP Investment UAB	Fixed interest	-	16,300	**16,300**
Vėjo vatas UAB	Fixed interest	-	10,000	**10,000**
Vėjo gūsis UAB	Fixed interest	-	7,000	**7,000**
Altiplano Elektrownie Wiatrowe B1 sp. z o.o.	Fixed interest	-	9,534	**9,534**
Current loans				
Moray West Holdings Limited (Note 15)	Fixed interest	3,578	-	**3,578**
Total loans		**3,578**	**42,834**	**46,412**

The Groups' loans granted as at 31 December 2021 comprised of the loan issued to Moray West Holdings Limited for amount EUR 3,578 thousand.

During the year 2021 the Company granted loans to the following subsidiaries:

- to Vėjo gūsis UAB for additional amount of EUR 2,900 thousand to long-term contract with a fixed interest rate, the maturity of this loan is 28 February 2027,
- to Vėjo vatas UAB for additional amount of EUR 4,700 thousand to long-term contract with a fixed interest rate, the maturity of this loan is 30 September 2029,
- to VVP Investments UAB for additional amount of EUR 14,800 thousand with a fixed interest rate, the maturity of this loan was prolonged from 30 April 2021 till 10 July 2028 and therefore was reclassified from line item "Current loans receivable" to "Non-current receivables" of the statement of financial position,
- to Altiplano Elektrownie Wiatrowe B1 sp. z o.o. for amount of EUR 9,534 thousand with a fixed rate, the maturity of this loan is 31 December 2023.

During the year 2021 the Group and Company granted additional amount to loan to Moray West Holdings Limited, sea wind farm project development company in Scotland, for an amount EUR 1,818 thousand with a fixed interest rate. The loan repayment term depends on the progress of the project development. The repayment of this loan is 31 December 2022, therefore the loan was reclassified from line item "Non-current receivables" to "Current loans receivable and interests" of the statement of financial position.

Fair values of loans granted are presented in Note 32.

The Company's loans granted as at 31 December 2020 comprised of the following:

	Interest rate type	Within one year	After one year	Total
Non-current loans				
Vėjo gūsis UAB	Fixed interest	-	4,100	**4,100**
Vėjo vatas UAB	Fixed interest	-	5,300	**5,300**
Moray West Holdings Limited	Fixed interest	-	1,760	**1,760**
Current loans				
VVP Investment UAB	Fixed interest	1,500	-	**1,500**
Carrying amount		**1,500**	**11,160**	**12,660**

The Groups' loans granted as at 31 December 2020 comprised of the loan issued to Moray West Holdings Limited for amount EUR 1,760 thousand.

Non-current loans by maturity:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
From 1 to 2 years	-	1,760	9,534	3,106
From 2 to 5 years	-	-	-	4,038
After 5 years	-	-	33,300	4,016
Carrying amount	**-**	**1,760**	**42,834**	**11,160**

11 Other financial assets

Other non-current financial assets comprised as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Moray West Holdings Limited deferred consideration	5,000	-	5,000	-
Sun Investment Group	-	2,357	-	2,357
Other financial assets	-	-	932	-
In total	**5,000**	**2,357**	**5,932**	**2,357**
Less: impairment	-	-	-	-
Carrying amount	**5,000**	**2,357**	**5,932**	**2,357**

11.1 Moray West Holdings Limited deferred consideration

On 14 September 2020 the Group and Company concluded share purchase agreement with Delphis Holdings Limited and acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Other conditions in the share purchase agreement were: to refinance shareholder's loans (Note 15) and EUR 5,000 thousand deferred consideration which is payable if two conditions are met. The amount of EUR 5,000 thousand represents fair value of the investment into Moray West Holdings Limited and is based on the valuation performed by external valuator. The valuation was performed based on discounted cash flows. Subsequently the investment is measured at fair value.

11.2 Sun Investment Group

On 16 September 2020 the Group and Company signed preliminary share purchase agreement with UAB "SIG Poland 3" having the intention to purchase all the shares in all project companies – "Sun Investment Group" (hereinafter - SIG) once the photovoltaic installations become operational. Carrying amount of investment into SIG as of 31 December 2020 represented payments to SIG for development of the photovoltaic projects as per the preliminary share purchase agreement. Due to the fact that there were no operational projects started in 2020 and 2021, share purchase agreement was not signed. Management is of an opinion, that the development will not continue and whole investment should be returned as to the agreement (Note 35). Accordingly, total carrying amount was reclassified to "Other receivables" (Note 13) as it will be recovered through collecting cash flows.

12 Trade receivables

Trade receivables comprised as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Amounts receivable under contracts with customers				
Receivables from electricity related sales	14,276	1,833	-	-
Other receivables	3	-	132	-
In total	**14,279**	**1,833**	**132**	**-**
Less: impairment	-	-	-	-
Carrying amount	**14,279**	**1,833**	**132**	**-**

No interest is charged on trade receivables and the settlement period is 30 days. The Group and Company doesn't provide the settlement period longer than 1 year. The Group and Company didn't identify any financing components. For terms and conditions on settlement between related parties see Note 31. The fair value of trade receivable as at 31 December 2021 and 2020 approximated their carrying amounts.

13 Other receivables

Other receivables comprised as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Value added tax	2,298	14,248	573	228
Receivables from SIG (Note 11.2)	3,782	-	3,782	-
Deposits to Energy Regulatory Office in Poland	2,016	1,383	-	-
Other receivables	734	9	674	84
In total	**8,830**	**15,640**	**5,029**	**312**
Less: impairment	-	-	-	-
Carrying amount	**8,830**	**15,640**	**5,029**	**312**

Financial assets comprise EUR 6,532 thousand from total other receivables of the Group (EUR 1,391 thousand as at 31 December 2020). Financial assets comprise EUR 4,456 thousand from total Other receivables of the Company (EUR 84 thousand as at 31 December 2020). Value added tax is not financial asset. The fair values of other receivables as at 31 December 2021 and 2020 approximated their carrying amounts

14 Cash and cash equivalents

Cash and cash equivalents comprised as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash balances in bank accounts	25,634	11,434	1,322	2,259
Restricted cash	567	-	-	-
Total	**26,201**	**11,434**	**1,322**	**2,259**

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

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

15 Current loans

Current loans and interests receivable comprised as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current loans (Note 10.2)	3,578	-	3,578	1,500
Interest receivable on loans	60	-	140	512
Total	**3,638**	**-**	**3,718**	**2,012**
Less: impairment	-	-	-	-
Carrying amount	**3,638**	**-**	**3,718**	**2,012**

16 Equity

16.1 Issued capital

Issued capital of the Group and Company consisted of:

	31 December 2021	31 December 2020
Authorised shares		
Ordinary shares, EUR	21,910	3,000
Ordinary shares issued and fully paid, EUR	**21,910**	**3,000**

As at 31 December 2021 the Group and Company's issued capital comprised EUR 21,910 and was divided in to 21,910 ordinary registered shares with EUR 1 nominal value for a share. As at 31 December 2020 the Group and Company's issued capital comprised EUR 3,000 and was divided in to 3,000 ordinary registered shares with EUR 1 nominal value for a share.

On 24 November 2021, the Management Board of the ultimate parent company, as the sole shareholder of the Company has adopted the following decision: the Company issues 18,910 ordinary registered uncertified shares, each with a nominal value of EUR 1.00. The issue price of the shares will consist of EUR 18,910 of the aggregate amount of the nominal values of shares and EUR 9,436,090 of share premium. Issue price of all newly issued shares is EUR 9,455 thousand. The Company's authorised capital is increased by issuing additional shares, paid for by the ultimate company by a non-monetary contribution: transfer of 100 percent shares of ultimate company's subsidiary Tuuleenergia OÜ (Note 9.1.1). The shares of Tuuleenergia OÜ was valued at EUR 9,455 thousand by the independent asset evaluator.

17 Reserves

17.1 Legal reserve

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

The Group and Company's legal reserve as at 31 December 2021 and 2020 was not fully formed.

17.2 Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit. As at 31 December 2021, the Group accounted for the result on translation of the Group's net investments in Ignitis Renewables Polska sp. z o. o. and Pomerania Wind Farm sp. z o. o., and of the goodwill and intangible assets including related deferred tax liability arising on the acquisition of Pomerania Wind Farm sp. z o. o. and Altiplano Elektrownie Wiatrowe B1 sp. z o.o. in the amount of EUR 3,970 thousand into the Group's presentation currency within the item of other reserves. As at 31 December 2020 other reserves amounted to EUR 3,332 thousand. No other reserves were formed by the Group as at 31 December 2021 and 2020.

18 Loans

Loans consisted of:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Non-current				
Bank loans	81,817	87,840	-	-
Other non-current loans	149,616	20,205	113,950	2,650
Current				
Current portion of non-current loans	5,229	1,430	-	-
Current loans	2,691	59,742	2,691	59,742
Accrued interests	1,703	241	1,188	117
In total	**241,056**	**169,458**	**117,829**	**62,509**

Non-current loans by maturity:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
From 1 to 2 years	5,365	5,282	-	-
From 2 to 5 years	16,974	16,700	-	-
After 5 years	209,094	86,063	113,950	2,650
In total	**231,433**	**108,045**	**113,950**	**2,650**

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

18.1 Movement of loans

Movement of loans during the year 2021 mainly consisted of the following:

Other non-current loans

On 1 February 2021 the Group and Company received a long term loan from the ultimate parent company with maximum withdrawal amount EUR 293 million and a fixed interest. The loan is used as needed for the acquisition, development and refinancing of existing loans for renewable energy projects. The loan is provided using the Ignitis grupė AB green bond funds and equity. As at 31 December 2021 the balance of loan is EUR 95 million, final repayment date is 1 February 2031.

As well during the year 2021 the Group and Company received additional amount to long term loan from ultimate parent company for amount of EUR 16,300 thousand with a fixed interest rate, the maturity of this loan is 10 July 2028. The balance of this loan as at 31 December 2021 comprised EUR 18,950 thousand (31 December 2020: EUR 2,650 thousand).

During business combination of acquired subsidiary Tuulenergia OU (Note 33) the Group taken a long term loan which is issued by ultimate parent company with fixed interest rate and maturity date on 14 July 2027. As at 31 December 2021 the balance of this loan is EUR 19,119 thousand.

Current loans

On 24 March 2021 the Group and Company fully repaid a short term loan received from the ultimate parent company and the balance of which as at 31 December 2020 was EUR 56,922 thousand.

On 25 May 2021 the Group and Company signed a new contract with ultimate parent company regarding a short term loan which is received via Ignitis group cash-pool platform. Interest rate for cash-pool loan is fixed, the maturity – 25 May 2022. As at 31 December 2021 the balance of this loan is EUR 2,691 thousand. As at 31 December 2020 the balance of short term loan via Ignitis group cash-pool platform according to old contract was EUR 2,820 thousand.

Other movement

For the year of 2021 expenses related to interests on the Group's loans totalled EUR 2,154 thousand (2020: EUR 2,030 thousand), on the Company's loans – EUR 1,786 thousand (2020: EUR 1,442 thousand).

18.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2021 and 2020.

As at 31 December 2021, the Group's unwithdrawn balance of loans amounted to EUR 300,150 thousand (31 December 2020: EUR 40,053 thousand). As at 31 December 2021, the Company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 290,705 thousand (31 December 2020: EUR 32,680 thousand).

19 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group and Company. Management is monitoring net debt metric as a part of risk-management strategy. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020 (restated)[1]
Cash and cash equivalents	(26,201)	(11,434)	(1,322)	(2,259)
Non-current loans payable after one year	231,433	108,045	113,950	2,650
Current loans payable within one financial year (including overdraft and accrued interest)	9,623	61,413	3,879	59,859
Lease liabilities	19,186	23,333	14	66
Net debt	**234,041**	**181,357**	**116,521**	**60,316**

[1] As at 31 December 2020, loans receivable within one year and other financial assets were treated as part of net debt. In 2021, a decision was taken that loans receivable within one year and other financial assets should not be treated as a part of net debt; therefore, disclosure for comparative period was adjusted.

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

	Assets	Lease liabilities		Loans		
	Cash and cash equivalents	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2020	**(19,885)**	**18,378**	**4,846**	**24,355**	**60,083**	**87,777**
Cash changes						
(Increase) decrease in cash and cash equivalents	8,451	-	-	-	-	**8,451**
Proceeds from loans	-	-	-	91,920	23,300	**115,220**
Repayments of loans	-	-	-	-	(33,261)	**(33,261)**
Lease payments	-	4	(4,803)	-	-	**(4,799)**
Interest paid	-	-	(520)	-	(2,545)	**(3,065)**
Cashpool loans – net change	-	-	-	-	2,820	**2,820**
Non-cash changes						
Lease contracts concluded	-	4,880	29	-	-	**4,909**
Accrual of interest payable	-	-	171	-	2,754	**2,925**
Reclassification of interest payable from (to) trade and other payables	-	-	-	-	214	**214**
Capitalisation of interest	-	-	348	-	-	**348**
Reclassifications between items	-	(9,268)	9,268	(8,230)	8,230	**-**
VAT on interest payable	-	-	-	-	(182)	**(182)**
Net debt at 31 December 2020	**(11,434)**	**13,994**	**9,339**	**108,045**	**61,413**	**181,357**
Net debt at 1 January 2021	**(11,434)**	**13,994**	**9,339**	**108,045**	**61,413**	**181,357**
Cash changes						
(Increase) decrease in cash and cash equivalents	(14,767)	-	-	-	-	**(14,767)**
Proceeds from loans	-	-	-	111,300	-	**111,300**
Repayments of loans	-	-	-	(1,000)	(58,229)	**(59,229)**
Lease payments	-	(2)	(9,534)	-	-	**(9,536)**
Interest paid	-	-	(372)	-	(3,838)	**(4,210)**
Cashpool loans – net change	-	-	-	-	(128)	**(128)**
Non-cash changes				-		
Lease contracts concluded	-	1,883	16	-	-	**1,899**
Accrual of interest payable	-	-	371	-	4,539	**4,910**
Lease liabilities written-off	-	(99)	(4)	-	-	**(103)**
Reclassifications between items	-	(432)	432	(5,281)	5,281	**-**
Assumed through business combination (Note 33)	-	3,033	86	19,119	272	**22,510**
Change in foreign currency	-	215	260	(750)	(177)	**(452)**
VAT on interest payable	-	-	-	-	490	**490**
Net debt at 31 December 2021	**(26,201)**	**18,592**	**594**	**231,433**	**9,623**	**234,041**

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

	Assets	Lease liabilities		Loans		Total
	Cash and cash equivalents	Non-current	Current	Non-current	Current	
Net debt at 1 January 2020	**(5,425)**	**33**	**17**	**-**	**56,922**	**51,547**
Cash changes						
(Increase) decrease in cash and cash equivalents	3,166	-	-	-	-	**3,166**
Proceeds from loans	-	-	-	2,650	23,300	**25,950**
Repayments of loans	-	-	-	-	(23,300)	**(23,300)**
Lease payments	-	-	(21)	-	-	**(21)**
Interest paid	-	-	(1)	-	(1,174)	**(1,175)**
Cashpool loans – net change	-	-	-	-	2,820	**2,820**
Non-cash changes						
Lease contracts concluded	-	9	28	-	-	**37**
Accrual of interest payable	-	-	1	-	1,442	**1,443**
Reclassification of interest payable from (to) trade and other payables	-	(9)	9	-	161	**161**
VAT on interest payable	-	-	-	-	(312)	**(312)**
Net debt at 31 December 2020	**(2,259)**	**33**	**33**	**2,650**	**59,859**	**60,316**
Net debt at 1 January 2021	**(2,259)**	**33**	**33**	**2,650**	**59,859**	**60,316**
Cash changes						
(Increase) decrease in cash and cash equivalents	937	-	-	-	-	**937**
Proceeds from loans	-	-	-	111,300	-	**111,300**
Repayments of loans	-	-	-	-	(56,923)	**(56,923)**
Lease payments	-	(2)	(30)	-	-	**(32)**
Interest paid	-	-	-	-	(1,089)	**(1,089)**
Cashpool loans – net change	-	-	-	-	(128)	**(128)**
Non-cash changes						
Lease contracts concluded	-	2	5	-	-	**7**
Accrual of interest payable	-	-	-	-	1,786	**1,786**
Lease liabilities written-off	-	(13)	(14)	-	-	**(27)**
Reclassifications between items	-	(16)	16	-	-	**-**
VAT on interest payable	-	-	-	-	374	**374**
Net debt at 31 December 2021	**(1,322)**	**4**	**10**	**113,950**	**3,879**	**116,521**

20 Lease liabilities

The minimum payments under leases are as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Minimum payments				
Within the first year	1,094	9,855	10	35
From two to five years	3,199	2,730	4	33
More than five years	24,592	18,893	-	-
In total	**28,885**	**31 478**	**14**	**68**
Future finance costs				
Within the first year	(500)	(516)	-	(2)
From two to five years	(1,927)	(1,066)	-	-
More than five years	(7,272)	(6,563)	-	-
In total	**(9,699)**	**(8,145)**	**-**	**(2)**
Carrying amount	**19,186**	**23,333**	**14**	**66**

Major Group's lease liabilities are related to land. Lease liabilities related to the land amounted to EUR 18,825 thousand as at 31 December 2021 (31 December 2020: EUR 13,798 thousand). As at 31 December 2021, the validity terms of the major part of effective lease contracts for the land amounted to EUR 16,147 thousand expire in the period from the year 2045 to 2059.

During 2021 year the Group repaid part of wind power plant lease contracts (Note 8), lease liability for them decreased from EUR 9,452 thousand to EUR 256 thousand.

21 Provisions

The Group's provisions and movement for them were as follows:

	Provisions for employee benefits	Decommissioning provision	Other provisions	Total
Balance as at 1 January 2020	**-**	**-**	**-**	**-**
Increase during the year	6	-	-	**6**
Balance as at 31 December 2020	**6**	**-**	**-**	**6**
Non-current	6	-	-	6
Current	-	-	-	-
Balance as at 31 December 2020	**6**	**-**	**-**	**6**
Balance as at 1 January 2021	**6**	**-**	**-**	**6**
Increase during the year	-	3,158	6,278	**9,436**
Utilised during the year	(1)	-	-	**(1)**
Result of change in assumptions	9	-	-	**9**
Balance as at 31 December 2021	**14**	**3,158**	**6,278**	**9,450**
Non-current	14	3,158	-	**3,172**
Current	-	-	6,278	**6,278**
Balance as at 31 December 2021	**14**	**3,158**	**6,278**	**9,450**

Decommissioning provision is related to the Group's legal obligation to decommission of wind power plant of Pomerania Wind Farm sp. z o. o. after its operation end (Note 4.8). The useful life of wind power plants is 30 years.

The item of "Other provisions" mainly consists of the following:

- Provision for amount EUR 5,000 thousand related to deferred consideration defined in Moray West Holdings Limited share purchase agreement signed by the Company (Note 11). The period of provision depends on when certain conditions defined in contract are met. According to the Group and Company's management estimation the conditions will be met in 2022 year.
- Provision for amount EUR 1,091 thousand related to claim received due to breach of contractual terms of construction contract signed by Group company Pomerania Wind Farm sp. z o. o. and the constructor of wind farms in Poland. The claim will be settled in 2022 year.

22 Other current amounts payable and liabilities

Other current amounts payable and liabilities were as follows:

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Taxes (other than income tax)	1,676	320	96	-
Accrued expenses	1,501	79	35	28
Amounts payable for property, plant and equipment	651	995	-	-
Payroll related liabilities	294	147	202	126
Other amounts payable and liabilities	180	247	140	113
Carrying amount	**4,302**	**1,788**	**473**	**267**

Financial liabilities comprise EUR 831 thousand from total Other current amounts payable and liabilities of the Group (EUR 1,242 thousand as at 31 December 2020). Financial liabilities comprise EUR 140 thousand from total Other current amounts payable and liabilities of the Company (EUR 113 thousand as at 31 December 2020). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

23 Revenue from contracts with customers

23.1 Disaggregated revenue information

Revenue from contracts with customers were as follows:

	Group		Company	
	2021	2020	2021	2020
Revenue from sale of produced electricity	13,522	5,306	-	-
Revenue from PSO	2,237	8,558	-	-
Revenue from management services	-	-	272	309
In total	**15,759**	**13,864**	**272**	**309**

In 2021 and 2020 all of the Group and Company's performance obligations are considered as settled over time.

23.2 Contract balances

As at 31 December 2021 and 2020, the Group and Company did not have any contract assets and liabilities under the contracts with customers. Information on trade receivables as at 31 December 2021 and 2020 is presented in Note 12.

23.3 Rights to returned goods assets and refund liabilities

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

23.4 Performance obligations

As at 31 December 2021 and 2020 the Group and Company had no remaining performance obligations.

24 Other income

The Group's other income was as follows:

	2021	2020
Gain on bargain purchase (business combination) (Note 33)	872	-
Other	-	36
In total	**872**	**36**

25 Other expenses

The Group and Company's other expenses were as follows:

	Group		Company	
	2021	2020	2021	2020
Business support services	1,011	731	863	415
Consulting services	868	508	761	498
Taxes	620	770	84	389
Insurance	138	80	-	-
Audit costs	114	96	42	28
Telecommunications and IT services	76	44	48	21
Other	580	436	121	190
In total	**3,407**	**2,665**	**1,919**	**1,541**

26 Finance income

The Group and Company's finance income was as follows:

	Group		Company	
	2021	2020	2021	2020
Interest income at the effective interest rate	69	9	739	248
Positive effect of changes in exchange rates	182	-	129	-
Other	-	-	-	13
In total	**251**	**9**	**868**	**261**

26.1 The Group and Company's interest income

In 2021, the Group received in cash the amount of EUR 69 thousand (in 2020: EUR 9 thousand) interest income. These interest income is presented in the cash flow statement under the line item "Interest received".

In 2021, the Company received in cash the amount of EUR 1,251 thousand (in 2020: EUR 48 thousand) interest income. These interest income is presented in the cash flow statement under the line item "Interest received".

27 Finance expenses

Finance expenses were as follows:

	Group		Company	
	2021	2020	2021	2020
Interest expenses	2,154	2,030	1,786	1,442
Interest and discount expense on lease liabilities	40	171	-	1
Negative effect of changes in exchange rates	-	544	-	45
Other	5	-	-	-
In total	**2,199**	**2,745**	**1,786**	**1,488**

The Group incurs interest expenses on loans received from bank institutions, ultimate parent company and lease contracts. During 2021, the Group paid interest in the amount of EUR 4,210 thousand (2020: EUR 3,065 thousand), which are reported in the cash flow statement under the line item “Interest paid”.

The Company incurs interest expenses on loans received from ultimate parent company. During 2021, the Company paid interest in the amount of EUR 1,089 thousand (2020: EUR 1,175 thousand), which are reported in the cash flow statement under the line item “Interest paid”.

28 Income taxes

28.1 Amounts recognised in profit or loss

Income taxes recognised in profit or loss were as follows:

	Group		Company	
	2021	2020	2021	2020
Income tax expenses (benefit) for the year	1,862	278	-	(170)
Deferred tax expenses (benefit)	(1,626)	(1,147)	(511)	(436)
In total	**236**	**(869)**	**(511)**	**(606)**

28.2 Reconciliation of effective tax rate

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

	2021	2021	2020	2020
Profit or loss before tax		2,772		(1,002)
Income tax expenses (benefit) at tax rate of 15%	15.00%	416	15.00%	(150)
Expenses not deductible for tax purposes	1.37%	38	(6.39)%	64
Income not subject to tax	(10.53)%	(292)	-	-
Income tax relief for the investment project	-	-	41.42%	(415)
Adjustments in respect of prior years	1.80%	50	-	-
Realisation of unrecognised tax losses	-	-	17.66%	(177)
Unrecognised deferred tax on tax losses	0.90%	25	19.06%	(191)
Other	-0.04%	(1)	-	-
Income tax expenses (benefit)	**8.51%**	**236**	**86.6%**	**(869)**

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

	2021	2021	2020	2020
Profit or loss before tax		1,360		5,458
Income tax expenses (benefit) at tax rate of 15%	15.00%	204	15.00%	819
Expenses not deductible for tax purposes	6.47%	88	7.55%	412
Income not subject to tax	(59.04)%	(803)	(26.91)%	(1,469)
Realisation of unrecognised tax losses	-	-	(3.24)%	(177)
Unrecognised deferred tax on tax losses	-	-	(3.50)%	(191)
Income tax expenses (benefit)	**(37.57)%**	**(511)**	**(11.10)%**	**(606)**

29 Deferred tax

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

	31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income (restated)[1]	31 December 2020 (restated)[1]	Recognised in profit or loss	Recognised in other comprehensive income	Increase with acquisition of subsidiary	Tax loss given/taken	Foreign currency exchange	Deferred taxes recognized in business combination	31 December 2021
Deferred tax assets											
Leases	**-**	474	-	**474**	(3)	-	527	-	-	-	**998**
Accrued expenses	**24**	14	-	**38**	168	-	-	-	-	-	**206**
Provisions for employee benefits and decommissioning provision	-	**-**	-	**-**	600	1	-	-	-	-	**601**
Tax losses carry forward	**(9)**	1,017	-	**1,008**	329	-	-	(374)	-	-	**963**
Other	**122**	15	-	**137**	371	-	-	-	(136)	-	**372**
Deferred tax asset	**137**	**1,520**	**-**	**1,657**	**1,465**	**1**	**527**	**(374)**	**(136)**	**-**	**3,140**
Deferred tax liabilities						-		-	-	-	
Leases	**-**	306	-	**306**	14	-	535	-	-	-	**855**
Difference of financial and tax value of assets identified on business combination	**6,533**	(302)	(255)	**5,976**	(230)	(23)	-	-	-	2,601	**8,324**
Other	**46**	369	-	**415**	55	-	-	-	-	-	**470**
Deferred tax liability	**6,579**	**373**	**(255)**	**6,697**	**(161)**	**(23)**	**535**	**-**	**-**	**2,601**	**9,649**
Deferred tax, net	**(6,442)**	**1,147**	**255**	**(5,040)**	**1,626**	**24**	**(8)**	**(374)**	**(136)**	**(2,601)**	**(6,509)**

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

The Group's statement of financial position as at 31 December 2021 presents separately deferred tax assets (EUR 2,150 thousand) and deferred tax liabilities (EUR 8,935 thousand) related to different subsidiaries. The net balance of deferred tax is liability of EUR 6,509 thousand. Deferred tax assets and liabilities arising from the same entity are presented on net basis in the statement of financial position.

Movement of the Company's deferred income tax assets and liabilities during the reporting period were as follows:

	31 December 2019	Recognised in profit or loss	31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	Tax loss given/taken	31 December 2021
Deferred tax assets							
Accrued expenses	**9**	10	**19**	(15)	**1**	-	**5**
Tax losses carry forward	**(9)**	426	**417**	526	**-**	(374)	**569**
Deferred tax asset	**-**	**436**	**436**	**511**	**1**	**(374)**	**574**
Deferred tax, net	**-**	**436**	**436**	**511**	**1**	**(374)**	**574**

30 Dividends

30.1 Dividends declared by the Company

The table below provides dividends declared by the Company during the year 2021:

	2021	2020
Ignitis grupė AB	6,655	-

EUR 6,655 dividends for 2020 year was approved at the Annual General Meeting on 4 May 2021.

Dividends declared per share:

Declared on	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared, EUR
May 2021	2020 year	2,218.3582	6,655,075

During 2020 year the Company did not declare any dividends.

30.2 Dividends received by the Company

Dividends received by the Company from Group companies during the year 2021 are the following:

Declared on	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
2021 June	Eurakras UAB	2020 year	17.0763	2,725
2021 June	Vėjo vatas UAB	2020 year	10.2347	1,023
2021 June	Vėjo gūsis UAB	2020 year	6.2457	1,605
Total				**5,353**

Dividends received by the Company from Group companies during the year 2020 are the following:

Declared on	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
2020 April	Eurakras UAB	2019 year	14.62	2,333
2020 August	Vėjo vatas UAB	2019 year	22.28	2,228
2020 August	Vėjo gūsis UAB	2019 year	20.35	5,231
Total				**9,792**

31 Related-party transactions

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

Related parties	Loans payable 31 December 2021	Accounts payable 31 December 2021	Accounts receivable 31 December 2021	Sales 2021	Purchases 2021	Finance income (expenses) 2021
Ultimate parent company	131,747	35	-	-	429	(2,324)
Ignitis grupė AB group companies	-	122	1,270	12,352	981	(6)
Total	**131,747**	**157**	**1,270**	**12,352**	**1,410**	**(2,330)**

Related parties	Loans payable 31 December 2020	Accounts payable 31 December 2020	Accounts receivable 31 December 2020	Sales 2020	Purchases 2020	Finance income (expenses) 2020
Ultimate parent company	56,922	153	-	-	404	(1,415)
Ignitis grupė AB group companies	2,820	82	-	-	478	(2)
Total	**59,742**	**235**	**-**	**-**	**404**	**(1,415)**

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

Related parties	Loans payable 31 December 2021	Accounts payable 31 December 2021	Loans receivable 31 December 2021	Accounts receivable 31 December 2021	Sales 2021	Purchases 2021	Finance income (expenses) 2021
Ultimate parent company	116,779	35	-	-	-	429	(1,770)
Subsidiaries	-	-	42,834	211	271	-	670
Ignitis grupė AB group companies	1,050	106	-	-	-	823	(6)
Total	**117,829**	**141**	**42,834**	**211**	**271**	**1,252**	**(1,106)**

Related parties	Loans payable 31 December 2020	Accounts payable 31 December 2020	Loans receivable 31 December 2020	Accounts receivable 31 December 2020	Sales 2020	Purchases 2020	Finance income (expenses) 2020
Ultimate parent company	56,922	153	-	-	-	404	(1,415)
Subsidiaries	-	8	10,900	592	309	-	179
Ignitis grupė AB group companies	2,820	82	-	-	-	478	(2)
Total	**59,742**	**243**	**10,900**	**592**	**309**	**882**	**(1,238)**

31.1 Terms and transactions with related parties

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

31.2 Compensation to key management personnel

	2021	2020
Wages and salaries and other short-term benefits to key management personnel	157	125
Whereof:		
Short-term employee benefits	125	125
Post-employment benefits	7	-
Termination benefits	25	-
Number of key management personnel	4	3

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

32 Fair values of financial instruments

32.1 Financial instruments, for which fair value is disclosed

The measurement of financial assets related to the loans issued is attributed to Level 3 of the fair value hierarchy.

The Group's fair value of debt liabilities related to the debt liabilities to commercial banks and ultimate parent company is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76% as at 31 December 2021 (31 December 2020 – 2.56%). The measurement of financial liabilities related to the debts is attributed to Level 3 of the fair value hierarchy.

32.2 Financial instruments' fair value hierarchy levels

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

			Level 1	Level 2	Level 3	
	Note	Carrying amount	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	10	**3,638**	-	-	3,638	**3,638**
Liabilities						
Debt liabilities to commercial banks	18	**87,046**	-	80,177	-	**80,177**
Debt liabilities to ultimate parent company	18	**154,010**	-	147,389	-	**147,389**

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

			Level 1	Level 2	Level 3	
	Note	Carrying amount	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	10	**46,552**	-	-	46,256	**46,256**
Liabilities						
Debt liabilities to ultimate parent company	18	**117,829**	-	110,801	-	**110,801**

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

			Level 1	Level 2	Level 3	
	Note	Carrying amount	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	10	**1,760**	-	-	1,730	**1,730**
Liabilities						
Debt liabilities to commercial banks	18	**89,278**	-	83,529	-	**83,529**
Debt liabilities to ultimate parent company	18	**80,180**	-	80,498	-	**80,498**

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

			Level 1	Level 2	Level 3	
	Note	Carrying amount	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	10	**13,172**	-	-	13,090	**13,090**
Liabilities						
Debt liabilities to ultimate parent company	18	**62,509**	-	62,459	-	**62,459**

33 Business combinations

On 21 December 2021 the Group acquired a 100% shareholding in Altiplano Elektrownie Wiatrowe B1 sp. z o. o. from the legal persons. As at 31 December 2021, ownership rights of shares were held by the Group. The total consideration paid for Altiplano Elektrownie Wiatrowe B1 sp. z o. o. amounted to EUR 9,545 thousand. As at 31 December 2021, the investment was fully paid and paid in cash.

On 16 December 2021 the Group acquired a 100% shareholding in Tuuleenergia OÜ from the Ultimate parent company. As at 31 December 2021, ownership rights of shares were held by the Group. The total consideration paid for Tuuleenergia OÜ amounted to EUR 9,455 thousand. As at 31 December 2021, the investment was fully paid and paid in non-monetary contribution, i.e. by issuance new shares which were paid by transferring the shares of Tuuleenergia OÜ.

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

During business combinations, the Group established that the difference between the acquisition cost of the businesses and the fair value of the net assets acquired represents other intangible assets identified during business combination. As at 31 December 2021, the Group's management carried out the assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Note	Altiplano Elektrownie Wiatrowe B1 sp. z o. o.	Tuuleenergia OÜ	Total
Assets acquired				
Property, plant and equipment	7	2,785	21,938	**24,723**
Right-of-use assets	8	2,771	337	**3,108**
Prepayments for non-current assets		677	-	**677**
Current receivables		1,068	1,540	**2,608**
Cash and cash equivalents		421	6,706	**7,127**
Other intangible assets identified during business combination	6	9,550	563	**10,113**
Goodwill identified during business combination		390	-	**390**
Liabilities assumed				
Non-current loans	19	-	(19,119)	**(19,119)**
Non-current lease liabilities	19	(2,697)	(336)	**(3,033)**
Current lease liabilities	19	(71)	(15)	**(86)**
Deferred tax liabilities	29	(1,822)	(787)	**(2,609)**
Trade payables		(3,527)	(500)	**(4,027)**
Total identifiable net assets acquired		**9,545**	**10,327**	**19,872**
Consideration paid		9,545	9,455	**19,000**
Profit in the case of a bargain purchase	24	-	(872)	**(872)**
Net cash flows from acquisition of subsidiary				
Cash paid to sellers of shares		(9,545)	-	**(9,545)**
Cash and cash equivalents acquired		-	6,706	**6,706**
Net cash flows		**(9,545)**	**6,706**	**(2,839)**

The Group incurred acquisition-related costs for an amount of EUR 384 thousand on transfer tax, legal fees and due diligence costs. These costs have been included in SPLOCI Other expenses.

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

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

For acquisition of Altiplano Elektrownie Wiatrowe B1 sp. z o. o. - the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period do not significantly differ from the ones presented.

For acquisition of Tuuleenergia OÜ - if the acquisition had occurred on 1 January 2021, management estimates that the Group's total revenue would have been EUR 23,064 thousand, and the Group's net profit for the year would have been EUR 6,469 thousand. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

34 Remuneration to auditors

Following the Group and Company's remuneration to the independent audit firms:

	Group		Company	
	2021	2020	2021	2020
Audit of the financial statements under the agreements (KPMG Baltics, UAB)	100	-	25	-
Audit of the financial statements under the agreements (Ernst & Young Baltic, UAB)	-	101	-	28
Expenses of other services	1	2	-	-
In total	**101**	**103**	**25**	**28**

35 Events after reporting period

Establishment of new companies in Latvia

In 2022 the Company has established the following new companies:
- Ignitis renewables Latvia SIA (authorized capital equal to EUR 2 million),
- Ignitis RES DEV1 SIA (authorized capital equal to EUR 500 thousand),
- Ignitis RES DEV2 SIA (authorized capital equal to EUR 500 thousand).

The activities of the companies are related to the development of wind/solar parks. The share capital was paid in full in cash.

Increase of share premium of subsidiary

In 2022 the Company increased share premium of subsidiary Ignitis renewables Polska Sp. z o.o. for amount EUR 9,718 thousand.

Termination of agreement to acquire portfolio of solar PV projects under development in Poland

On 21 February 2022 the Company terminated the conditional SPA agreement to acquire up to 170 MW portfolio of solar PV projects under development in Poland. Advance payments paid to the developer were fully returned to the Company on March 2022. The Company incurred no loss in respect of this transaction.

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

War in Ukraine

In February 2022, the Russian Federation invaded Ukraine. The military actions affect not only the economy in Ukraine, Russia or Belarus, but also the EU and global economy. As at the date these financial statements were authorised for issue, the situation in Ukraine is extremely volatile and inherently uncertain. In the wake of the ongoing and dynamic nature of the military operations management concluded that a reliable estimate of the financial impact cannot be presently made. In 2021, the Group and the Company had no sales, purchases or other transactions with Ukrainian, Belarusian or Russian companies.

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Independent Auditor's Report

To the Shareholders of UAB Ignitis Renewables

Opinion

We have audited the separate financial statements of UAB Ignitis Renewables (“the Company”) and the consolidated financial statements of UAB Ignitis Renewables and its subsidiaries (“the Group”). The Company’s separate and the Group’s consolidated financial statements comprise:

- the separate and the consolidated statements of financial position as at 31 December 2021,
- the separate and the consolidated statements of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statements of changes in equity for the year then ended,
- the separate and the consolidated statements of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2021, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

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

Other Matter

The financial statements as at 31 December 2020 and for the year then ended have been audited by another auditor who issued an unmodified opinion on those financial statements on 28 April 2021.

Company code: 111494971
VAT code: LT114949716

Other Information

The other information comprises the information included in the separate and consolidated annual management report on pages 3 to 48, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

- The information given in the separate and consolidated annual management report for the financial year for which the financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The separate / consolidated annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania / Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings respectively.

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

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

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

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

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

On behalf of KPMG Baltics, UAB

EDVINAS ŽUKAUSKAS

Digitally signed by EDVINAS ŽUKAUSKAS
Date: 2022.05.10 19:42:20 +03'00'

Edvinas Žukauskas
Certified Auditor

Vilnius, the Republic of Lithuania
10 May 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 103 to 106 of this document.

6.3 Information about the auditor

Selection of the independent auditor

The tender for the provision of audit services was organised centrally by Ignitis Group and was performed in 2018-2019. UAB Ernst & Young Baltic (hereinafter referred to as "EY") was appointed as the independent auditor of Ignitis Group (for the period 2019-2021) during the General Meeting of Shareholders of Ignitis Group.

Due to an increased workload and needs of Ignitis Group, the agreement on financial audit services with UAB Ernst & Young Baltic for a 2019-2021 audit of the Group's companies has not been extended. Instead, a new tender for the provision of audit services was initiated. As a result, UAB KPMG Baltics was appointed as the new auditor by the General Meeting of Shareholders of Ignitis Group on 27 September 2021. Based on the concluded agreement, UAB KPMG Baltics will provide audit services of the consolidated financial statements of the Group for the full years of 2021 and 2022.

It is worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. The whole selection process is supervised by the Audit Committee and the independent auditor is appointed by a decision of the General Meeting of the Shareholders of Ignitis Group.

Independent auditors

2021 - 2022	2019 - 2020
UAB KPMG Baltics Lvivo st. 101 LT-08104 Vilnius, Lithuania	UAB Ernst & Young Baltic Aukštaičių st. 7 LT-11341 Vilnius, Lithuania

Independent auditor's services and fees

The following are the Ignitis Group and the company's remuneration to the independent audit firms (EUR thousand):

	2021	2020
Audit of the financial statements under the agreements (UAB KPMG Baltics)	100	-
Audit of the financial statements under the agreements (UAB Ernst & Young Baltic)	-	101
Expenses of other services	1	2
Total	**101**	**103**

7. Further information

Other statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of UAB Ignitis Renewables (hereinafter the “company”) about the company’s and its controlled companies’, which together are called the group of companies (hereinafter the “Renewables Group”.

The Annual report has been prepared by the company’s administration in accordance with the Law on Companies of the Republic of Lithuania and the Law on Consolidated Financial Reporting of the Republic of Lithuania, while at the same time considering the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises. The company’s securities are not listed and are not traded on a regulated market. The Articles of Association of the company do not provide for more requirements regarding the content of the company’s Annual Report than are provided for in the above-mentioned laws.

The company’s management is responsible for the information contained in the Annual Report. The Report and the documents, on the basis of which the Report was prepared, are available from the head office of the company (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

Information about the company

1. There were no significant events that occurred after the end of the financial year.
2. The company has not used financial and hedging instruments that are subject to hedge accounting that would be significant in relation to measuring the company’s assets, equity, liabilities, financial position and performance.
3. The company did not have any treasury shares at the beginning of the reporting period and did not acquire any treasury shares during the reporting period.
4. The company has no branches or representative offices.
5. The company envisages the further sustainable development of its existing operations in order to ensure a higher profitability of its operations and an efficient use of assets in the long run. Research will be conducted as needed.
6. The activities performed by the company comply with the requirements established in the legal acts regulating environmental protection.

Legal notices

1. There were no significant events after the end of the financial year.
2. The Company has not used financial and hedging instruments that are subject to hedge accounting that would be significant in measuring the Company's assets, equity, liabilities, financial position and performance.
3. The Company did not have any treasury shares at the beginning of the reporting period and did not acquire any treasury shares during the reporting period.
4. The company has no branches and representative offices.
5. The Company envisages further sustainable development of its existing operations in order to ensure higher profitability of operations and efficient use of assets in the long run. Research will be conducted as needed.
6. The activities performed by the Company comply with the requirements established in the legal acts regulating environmental protection.

Significant arrangements

The company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the company’s control situation.

During the reporting period, the company did not conclude any harmful agreements (which do not correspond to the company’s objectives, current market conditions, violate the interests of its shareholders or other groups of persons, etc.), which had or potentially may have a negative impact on the company’s performance and/or the results of its operations, nor there were any agreements concluded in the event of a conflict of interests between the obligations of the company's managers, the controlling shareholders or other related parties to the company and their private interests and/or other duties.

There are no agreements concluded between the company and the members of its management bodies or employees that provide for compensation in the case of their resignation or dismissal without a reasonable cause, or in the case of the termination of their employment as a result of a change in the control of the company.

Internal control and risk management systems involved in the preparation of the consolidated financial statements

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

The employees of the company providing accounting services to the company ensure that the financial statements are prepared properly and that all the data is collected in a timely and accurate manner. The preparation of the company's financial statements, as well as the internal control and financial risk management systems, and the legal acts governing the compilation of the financial statements are monitored and managed.

Alternative performance measures

Alternative performance indicators (hereinafter referred to as "APM") are the adjusted figures used in this report for the internal performance management assessment. These indicators are not defined in the International Financial Reporting Standards (IFRS) and do not meet the requirements of the IFRS. Definitions of alternative performance indicators are provided on the website of AB Ignitis Grupė (link).

Notice on the language

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

8. Glossary

#	Number
%	Per cent
'000 / k	Thousand
AB	Joint Stock Company
APM	Alternative performance measure
Company	UAB Ignitis Renewables
Ignitis Group	AB Ignitis Grupė and its controlled companies
Parent company	UAB Ignitis Renewables
Renewables Group	UAB Ignitis Renewables and its controlled companies
Group	UAB Ignitis Renewables and its controlled companies
CfD	Contract for difference
COD (commercial operation date) / commissioned	The start date of energy generation after the test on the project's completion
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Electricity generated (net)	Electricity sold in wind farms and solar power plants.
EURm	million euros
EU	European Union
Eurakras	UAB EURAKRAS
FBS	Fixed base salary
FiT	Feed-in tariff
FTE	Full-time equivalent
GW	Gigawatt
IFRS	International Financial Reporting Standards
Installed capacity	All assets that have been completed and have passed a final test
YoY	Year-on-year
m	Million
Mažeikiai	UAB VVP Investment
MW	Megawatt
MWh	Megawatt hours
n/a	Not applicable
OPEX	Operating expenses
Pomerania	Pomerania Wind Farm Sp. z o.o.
pp	Percentage points
ROA	Return on assets
ROCE	Return on capital employed
ROE	Return on equity
ROI	Return on investment
Tuuleenergia	Tuuleenergia Osaühing
UAB	Private Limited Liability Company
Units	Units
Vėjo Gūsis	UAB VĖJO GŪSIS
Vėjo Vatas	UAB VĖJO VATAS
Vs.	Versus
WF	Wind farm

9. Certification statement

10 May 2022

We, Thierry Aelens, Chief Executive Officer at UAB Ignitis renewables, Laurynas Jocys, Chief Financial Officer at UAB Ignitis renewables, and Paulius Žukovskis, Head of Financial statements and consultations at UAB Ignitis grupės paslaugų centras, acting under Order No IS-22-22 of 04/04/2022, hereby confirm that, to the best of our knowledge, UAB Ignitis renewables consolidated and the stand-alone financial statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of UAB Ignitis renewables consolidated and stand-alone assets, liabilities, financial position, profit or loss and cash flows for the period, the Annual Report 2021 includes a fair review of the development and performance of the business as well as the condition of UAB Ignitis renewables and its group companies together with the description of the principle risks and uncertainties it faces.

Thierry Aelens	Laurynas Jocys	Paulius Žukovskis
Chief Executive Officer	Chief Financial Officer	Ignitis grupės paslaugų centras UAB Head of Financial statements and consultations acting under Order No IS-22-22 of 04/04/2022

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