2020

IGNITIS UAB

THE COMPANY'S ANNUAL FINANCIAL STATEMENTS

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS AS

ADOPTED BY THE EUROPEAN UNION, ANNUAL REPORT AND

INDEPENDENT AUDITOR'S REPORT

ignitis

www.ignitis.lt

UAB Ignitis

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Company code 303383884

CONTENT

The financial statements of UAB Ignitis were prepared and signed on 3 March 2021 by the Chief Executive Officer, Director of Finance and Operational Support Department and Head of Financial Reporting of UAB Ignitis grupės paslaugų centras (acting under Order No IS-18-20 of 18/12/2020):

Darius Montvila	**Artūras Bortkevičius**	**Joana Venclovienė**
General Manager	Director of Finance and Business Support Department	Head of Financial Reporting of UAB Ignitis grupės paslaugų centras, acting under Order No IS-18-20 of 18/12/2020

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Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Ignitis UAB

Opinion

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

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

Basis for opinion

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

Other information

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

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

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

- The financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the year then ended; and
- The Company's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Kęstutis Juozaitis
Auditor's licence
No. 000550

3 March 2021

UAB Ignitis, company code 303383884, Žvejų st. 14, LT-09310 Vilnius, Lithuania

STATEMENT OF FINANCIAL POSITION

All amounts in thousands of euro unless otherwise stated

	Notes	As at 31/12/2020	As at 31/12/2019
ASSETS			
Non-current assets			
Intangible asset	6	18,922	35,905
Property, plant and equipment	7	2,782	2,446
Right-of-use assets	8	1,238	485
Investments into subsidiaries	9	6,074	5,374
Loans granted	10	5,600	9,200
Investments in associated entities and other investments		177	103
Other receivables	15	15,297	3,043
Deferred tax assets	30	891	3,396
Total non-current assets		**50,981**	**59,952**
Current assets			
Inventories	11	28,577	43,372
Prepayments and deferred expenses	12	41,429	32,033
Advance income tax		-	479
Amounts receivable under contracts with customers	13	68,247	60,986
Loans receivable and interest	10	7	6
Derivatives	14	3,217	5,269
Other receivables	15	8,700	6,831
Cash and cash equivalents	16	23,291	23,409
Total current assets		**173,468**	**172,385**
TOTAL ASSETS		**224,449**	**232,337**
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	40,140	40,140
Reserves	18	468	468
Retained earnings		41,819	(254)
Total equity		**82,427**	**40,354**
Liabilities			
Non-current liabilities			
Interest-bearing loans and other borrowings	20	38,901	30,737
Provisions		153	93
Lease liabilities	22	693	326
Other payables and liabilities		-	14
Total non-current liabilities		**39,747**	**31,170**
Current liabilities			
Interest-bearing loans and other borrowings	20	9,909	79,577
Lease liabilities	22	555	160
Trade payables	23	39,301	40,055
Contract liabilities	24	13,795	20,097
Income tax payable		2,779	62
Provisions		57	21
Derivatives	14	2,762	2,528
Other current amounts payable and liabilities	25	33,117	18,313
Total current liabilities		**102,275**	**160,813**
Total liabilities		**142,022**	**191,983**
TOTAL EQUITY AND LIABILITIES		**224,449**	**232,337**

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

UAB Ignitis, company code 303383884, Žvejų st. 14, LT-09310 Vilnius, Lithuania

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in thousands of euro unless otherwise stated

	Notes	2020	2019 (restated)*
Revenue			
Revenue from contracts with customers	26	506,182	433,358
Other income		158	54
Total revenue		**506,340**	**433,412**
Cost of sales	27	(408,684)	(407,174)
GROSS PROFIT (LOSS)		**97,656**	**26,238**
Operating expenses		**(48,514)**	**(30,025)**
Amortization and depreciation	6, 7, 8	(18,471)	(5,312)
Wages and salaries and related expenses		(8,668)	(3,115)
Impairment of investments in subsidiaries	9	(5,300)	(2,500)
Business support services		(2,363)	(7,539)
Other costs	28	(13,712)	(11,559)
OPERATING PROFIT (LOSS)		**49,142**	**(3,787)**
Finance income/(expenses)			
Finance income		411	438
Finance expenses	29	(1,954)	(1,439)
Total finance income and expenses		**(1,543)**	**(1,001)**
PROFIT (LOSS) BEFORE TAX		**47,599**	**(4,788)**
Income tax and deferred tax income (expenses)	30	(5,526)	(547)
NET PROFIT (LOSS)		**42,073**	**(5,335)**
Total other comprehensive income (loss)		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**42,073**	**(5,335)**

** The amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2019; related adjustments disclosed in Note 5.*

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

UAB Ignitis, company code 303383884, Žvejų st. 14, LT-09310 Vilnius, Lithuania

STATEMENT OF CHANGES IN EQUITY

All amounts in thousands of euro unless otherwise stated

	Notes	Issued capital	Legal reserve	Retained earnings (restated)	Equity Total
Balance as at 1 January 2019		**8,370**	**468**	**1,811**	**10,649**
Net profit (loss) for the reporting period		-	-	(5,335)	(5,335)
Total comprehensive income for the period		**-**	**-**	**(5,335)**	**(5,335)**
Effect of business combinations of jointly controlled entities		31,770	-	3,270	35,040
Balance as at 31 December 2019		**40,140**	**468**	**(254)**	**40,354**
Balance as at 01 January 2020		**40,140**	**468**	**(254)**	**40,354**
Net profit (loss) for the reporting period		-	-	42,073	42,073
Total comprehensive income for the period		**-**	**-**	**42,073**	**42,073**
Balance at 31 December 2020		**40,140**	**468**	**41,819**	**82,427**

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

UAB Ignitis, company code 303383884, Žvejų st. 14, LT-09310 Vilnius, Lithuania

STATEMENT OF CASH FLOWS

All amounts in thousands of euro unless otherwise stated

	Notes	2020	2019
Net profit (loss)		42,073	(5,335)
Adjustments to reconcile net profit (loss) to net cash flows			
Amortization and depreciation	6, 7, 8	18,471	5,312
Change in impairment of receivables under contracts with clients	13	63	535
Change in allowance of inventories		262	-
Non-current assets (except financial assets) write-off expenses		50	-
Change in the fair value of derivatives		2,286	(2,288)
(Increase) decrease in deferred income tax	30	2,505	174
Income tax (gain) expenses	30	3,021	373
Impairment of investments in subsidiaries	9	5,300	2,500
Increase (decrease) in provisions		96	69
Elimination of results of financing and investing activities:			
- Interest income		(129)	(426)
- Interest expenses	29	1,990	1,411
- Other finance (income)/costs		(306)	28
- Dividend (income) expenses		(12)	(12)
Working capital adjustment:			
(Increase) decrease of impairment of receivables under contracts with clients		(7,198)	26,819
(Increase)/decrease in inventories		14,533	(5,584)
(Increase)/decrease in prepayments and deferred expenses		(9,396)	(20,668)
(Increase) decrease in other receivables		(15,740)	1,756
Increase/(decrease) in trade payables and contract liabilities		(7,056)	(45,446)
Increase/(decrease) in other current payables and liabilities		15,054	14,018
Income tax (paid)		(62)	-
Net cash flows from (to) operating activities		**65,805**	**(26,764)**
Cash flows used in investing activities			
(Purchase) of property, plant and equipment and intangible assets		(805)	(2,306)
Loans granted	10	(6,600)	(3,700)
Loan repayments received	10	4,200	6,998
Interest and interest on late payment received		165	236
Dividends received		12	12
Financial lease payments received		951	465
Acquisition/Increase in share capital of subsidiaries and associates.		(74)	-
Change in cash flows from investing activities due to business combinations	32	-	(22,117)
Net cash flows from investing activities		**(2,151)**	**(20,412)**
Cash flows from/(used in) financing activities			
Loans received		8,300	83,821
Repayments of borrowings		(69,904)	(23,296)
Lease payments	22	(522)	(142)
Interest and commission (paid)		(1,646)	(1,236)
Net cash flows from/(used in) financing activities		**(63,772)**	**59,147**
Net increase/(decrease) in cash and cash equivalents		**(118)**	**11,971**
Cash and cash equivalents at the beginning of the period	16	**23,409**	**11,438**
Cash and cash equivalents at the end of the period	16	**23,291**	**23,409**

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

All amounts in thousands of euro unless otherwise stated

1 General information

Ignitis UAB is a public limited liability company registered in the Republic of Lithuania. Ignitis UAB (hereinafter – the Company) is a limited liability profit-oriented entity registered with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company was registered on 2 September 2014, company code 303383884. The Company has been founded for an indefinite period. The Company's registered office address is Žvejų g. 14, LT-09310, Vilnius, Lithuania.

The Company's core line of business is the supply, purchase (import), planning and sale of natural gas and electricity to consumers. The Company supplies natural gas to corporate customers operating in the sectors of energy, industry and small commercial businesses, and to private customers, including supply of liquefied natural gas (hereinafter – LNG) through the Klaipėda LNG Terminal. The Company started the activity of independent electricity supply to household customers with effect from 1 November 2020. The Company is engaged in balancing of electricity consumption and issuing of energy origin certificates. In addition, the Company carries out the projects for the designing and construction of solar power plants, implementation of energy efficiency solutions, and development of electric car charging stations.

The Company commenced the natural gas supply activity on 1 November 2014. Lietuvos dujų tiekimas UAB was established to implement the requirements of the legal acts of the Republic of Lithuania aimed at the legal, functional and organisational separation of the natural gas supply and distribution activities. The separation of the distribution activity was effected through the sale of the natural gas supply activity with the assets, rights and obligations, attributable to it by AB Lietuvos Dujos, to newly established company AB Lietuvos Dujų Tiekimas based on the agreement on the purchase-sale of a part of business dated 15 October 2014. As at 1 October 2018, the name of UAB Lietuvos Dujų Tiekimas was changed to UAB Lietuvos Energijos Tiekimas, and as at 6 September 2019, the name of the Company was changed to UAB Ignitis.

The Company's parent company is AB Ignitis Grupė is the parent company (company code 301844044, registered address Žvejų st. 14, 09310 Vilnius, Lietuva), which owns 100% of shares of the Company as at 31 December 2020 and 2019. Until 6 September 2019, the name of the parent was UAB Lietuvos Energija, which was later changed to UAB Ignitis Grupė. As from 28 July 2020, UAB Ignitis grupė was converted to public limited liability company AB Ignitis Grupė. As at 31 December 2019, AB Ignitis Grupė was wholly owned by the State of Lithuania, represented by the Lithuanian Ministry of Finance. On 5 October 2020, AB Ignitis Grupė increased its issued capital, and on 7 October 2020, has executed initial public offering (hereinafter "IPO") of new shares. As at 31 December 2020, the shareholders of AB Ignitis Grupė were the Ministry of Finance of the Republic of Lithuania (73.08%), and retail and institutional investors (26.92%)

As at 31 December 2020, the Company's subsidiaries were as follows:

Subsidiary	Registered office	The Company's ownership interest, %	Main activities
Ignitis Eesti OÜ*	Narva mnt 5, 10117 Tallinn, Estonia	100	Retail trade in electricity
Ignitis Latvija SIA**	Cēsu iela 31, k-3 LV-1012 Ryga, Latvia	100	Retail trade in electricity and gas
Ignitis Polska Sp. z. o.o.***	Puławska g. 2A, Warsaw, 02-566, Poland	100	Wholesale and retail trade in electricity, retail trade in gas

* Geton Energy OÜ before the change of the name on 6 September 2019.
** Geton Energy SIA before the change of the name on 6 September 2019.
*** Geton Energy S.p.z.o.o before the change of the name on 6 September 2019.

In accordance with the provisions of Article 6.1.1 of the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the relief provided for in IFRS 10.4, the Company does not prepare consolidated financial statements, as the financial statements of the Company and it's subsidiaries are included in the consolidated financial statements of the parent company AB Ignitis Grupė.

The Company's management prepared these financial statements on 3 March 2021.

The Company's shareholder have a statutory right to request the amendment of these financial statements after their approval in accordance with the laws and regulations of the Republic of Lithuania.

2 Accounting policies

2.1 Basis of preparation of the financial statements

These financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU"), and present the financial position, results of operations and cash flows of the Company on a going concern basis. Management has concluded that the going concern basis of preparation of the accounts is appropriate. The financial statements have been prepared on an acquisition cost basis, except for derivatives, measured at fair value. These financial statements are presented in the Euro (EUR), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand.

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

2.2 Accounting Policies

The accounting policies adopted in preparing the Company's financial statements are the same as those applied in preparing the annual financial statements for the year 2019, except for the new effective standards as of 1 January 2020 described below.

2.2.1.1 Change in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020:

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

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

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "material" (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The management of the Group has assessed that these amendments have no impact on these financial statements.

- **IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

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

2.2.1.1 Change in accounting policies and disclosures (continued)

- **Interest Rate Benchmark Reform – IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7, Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The management of the Group has assessed that these amendments have no impact on these financial statements.

2.2.2 Standards, amendments and interpretations issued but not yet effective

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

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management of the Company has assessed that these amendments will have no impact on the financial statements.

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

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

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

  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018–2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases
    The amendments have not yet been endorsed by the EU. The management of the Company is currently assessing the impact of these amendments on the financial statements.

All amounts in thousands of euro unless otherwise stated

2.2.2 Standards, amendments and interpretations issued but not yet effective (continued)

- **Interest Rate Benchmark Reform– Phase 2– IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  On 27 August 2020, the IASB published "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of the interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendment applies to annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted. While application is retrospective, an entity is not required to restate prior periods. The management of the Company has assessed that these amendments will have no impact on the financial statements.

2.3 Foreign Currency

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from such transactions and from the translation of balances of assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the statement of profit or loss and other comprehensive income. These balances are translated using the exchange rate prevailing at the end of the reporting period.

2.4 Intangible assets

Intangible assets are stated at acquisition (production) cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on a straight-line basis over the useful lives established for intangible assets.

The following useful lives are applied to different categories of property, plant and equipment:

Category of intangible assets	Average useful life (in years)
Intangible assets identified during business combination:	
Provision of the balancing service	20
Trading of derivatives	20
Customer relation assets	15
Patents and licences	3-4
Computer software	3-4

2.5 Property, plant and equipment

Property, plant and equipment are such items of assets, which are under the Company's ownership and control; which are reasonably expected to bring economic benefits in future periods; which are going to be used longer than one year; the acquisition cost of which can be reliably measured.

Property, plant and equipment is stated at acquisition (production) cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated on a straight-line basis over the entire useful life established for property, plant and equipment.

The residual values and useful lives of property, plant and equipment are reviewed regularly and adjusted, if appropriate, according to the procedure established at the Company.

When assets are written off or otherwise disposed, the acquisition cost and related accumulated depreciation charges are derecognised from the financial statements, and gain or loss on such disposal is recognised in profit or loss. Gain or loss on disposal of property, plant and equipment is determined as the difference between proceeds and the net book value of assets disposed.

The following useful lives are applied to different categories of property, plant and equipment:

Category of property, plant and equipment	Average useful life (in years)
Equipment of solar power plants, electric car charging stations	5-10
Computer hardware and communication equipment	3-4
Other property, plant and equipment	4

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

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss, unless such an asset was previously revalued.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

2.7 Right-of-use assets

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

2.7.1 Initial measurement of right-of-use assets

At the commencement date, the Company measures the right-of-use asset at cost. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the particular commencement date, less any lease incentives received.

2.7.2 Subsequent measurement of right-of-use assets

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

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

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

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

1) Buildings: 3 to 5 years
2) Vehicles: 4 to 5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policy in section 2.6.

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

2.8 Investments in subsidiaries

Subsidiary is an entity directly or indirectly controlled by a parent company and in which a parent company usually has a shareholding of more than one half of the voting rights. The Company controls an entity when the Company 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.

In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount. Cost also includes directly attributable expenditure.

2.9 Financial Instruments

2.9.1 Financial assets

The Company classifies its financial assets into the following categories:

1) financial assets subsequently measured at amortised cost;
2) financial assets subsequently measured at fair value through other comprehensive income;
3) financial assets subsequently measured at fair value through profit or loss.

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

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

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

At initial recognition, the Company measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of a financial asset.

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

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

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

2.9.1.1 Financial assets measured at amortised cost

Loans granted by the Company and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

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

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

2.9.1.2 Financial assets at fair value through profit or loss

The Company measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company is trading in derivatives which are accounted for at fair value through profit or loss.

2.9.1.3 Effective interest method

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

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) without considering the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

2.9.1.4 Derecognition of financial assets

The Company derecognises financial assets in case of the following:

1) the rights to receive cash flows from the asset have expired;

2) the Company has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

3) the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:

    - if the Company has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;

    - if the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

2.9.1.5 Derivatives and hedge accounting

For the purposes of risk management and hedging strategy, the Company enters into hedging relationships, which are subject to formal designation and documentation.

Including the hedging instrument, the hedged item, the nature of the risk being hedged and description of how the Company will assess whether the hedging relationships meet the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

• there is "an economic relationship" between the hedged item and the hedging instrument;

• the effect of credit risk does not dominate the value changes that result from the economic relationship;

• the hedge ratio in the hedge relationship is the same as the quantity of the hedged item and of the hedging instrument that the Company actually uses for hedging purposes.

Presentation

The fair value of derivatives is presented in the statement of financial position, in the line items "Current assets" and "Current liabilities" (Note 14).

Changes in fair value and the result of financial derivatives that have been settled and that are held for hedge accounting but do not qualify for hedge accounting are disclosed in the profit or loss and other comprehensive income, in the line items "Other income", if the total result of such derivatives for the period is profit, or in the line item "Other expenses", if the total result of such derivatives for the period is loss (Note 28).

Changes in fair value and the result of financial instruments that have been settled and that are held for hedging and that qualify for hedge accounting are accounted for as follows:

2.9.1.6 Fair value hedges

The change in the fair value of the hedging instrument is recognised in the statement of profit or loss and other comprehensive income under other expenses or other income. The change in the fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying amount of the hedged item and is also recognized in the statement of profit or loss and other comprehensive income under other expenses or other income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss or other comprehensive income.

In 2020 and 2019, the Company applied hedge accounting for only 1 largest natural gas purchase price hedge transaction. Other natural gas and electricity purchase transactions were excluded from the hedge accounting.

2.9.1.7 Cash flow hedge reserve

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income part of the statement of profit or loss and other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss part of the statement of profit or loss and other comprehensive income in other income or expenses The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

The Company had no such transactions in 2020 and 2019.

2.9.2 Financial liabilities and debt instruments issued

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

2.9.2.1 Initial recognition and measurement of financial liabilities

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

2.9.2.2 Subsequent measurement

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

- Financial liabilities measured at FVPL
- Financial liabilities measured at amortised cost

2.9.2.3 Financial liabilities measured at fair value

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

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

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

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

2.9.2.4 Financial liabilities measured at amortised cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gain and loss is recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

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

2.9.2.5 Effective interest rate method

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

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

2.9.2.6 Presentation

Financial liabilities are classified as current unless the Group has an unconditional right to postpone repayment for at least 12 months after the end of the reporting period.

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

2.9.2.7 Derecognition of financial liabilities

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

2.10 Impairment of financial assets

2.10.1 Impairment of financial assets – expected credit losses

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

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

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

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

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

The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis. The Company's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward- looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Company measures the debt on a collective basis. The lifetime expected credit losses of trade receivables are recognised at the recognition of amounts receivable.

2.10.1 Impairment of financial assets – expected credit losses (continued)

When granting the loan the Company assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the measurement date. If it is determined that the financial position of the debtor has significantly deteriorated compared to the position prevailing at the time of the loan issue, the Company accounts for all the ECLs over the remaining life of the loan. The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption. Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

2.10.2 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:

1) significant financial difficulty of the borrower;
2) a breach of contract, such as a default or past due event;
3) 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;
4) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
5) the disappearance of an active market for that financial asset because of financial difficulties;
6) financial assets are purchased or granted at a deep discount that reflects the incurred credit losses.

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

The lifetime expected credit losses of loans receivable and trade receivables are recognised in profit or loss and other comprehensive income through the contrary account of doubtful receivables.

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

2.11 Inventories

The Company's inventories, which include natural gas in the storage facility and liquefied natural gas terminal (hereinafter – the LNGT) remaining at the year-end, and other inventories are stated at the lower of cost and net realisable value. The cost of the remaining natural gas in the pipeline and storage is established using the weighted average cost method, and of liquefied natural gas stored at the terminal – the acquisition cost. The weighted average price is calculated as the weighted average of the stock at the beginning of the month and the purchases during the month. Other inventories are estimated using the FIFO method.

2.12 Cash and cash equivalents

Cash consists of cash held in the Company's bank accounts. Cash equivalents represent short-term investments (with original maturities of three months or less) that are easily convertible into known cash amounts, the price risk of which is insignificant. For the purpose of the statement of cash flows, cash and cash equivalents comprise deposits in current bank accounts and other highly liquid short-term investments.

2.13 Employee benefits

2.13.1 Social security contributions

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

2.13.2 Non-current employee benefits

Under the laws of the Republic of Lithuania, each employee of retirement age who terminates his/her employment with the Company is entitled to receive a one-off payment. Employee benefits are recognised in the statement of financial position and they reflect the present value of future benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the date of the statement of financial position is estimated with reference to actuary 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.

2.13.3 Termination benefits

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

Actuarial gains or losses arising from adjustments based on experience or from changes in actuarial assumptions are recognised immediately within the Company's other comprehensive income in the statement of profit or loss and other comprehensive income. All past service costs are recognised immediately.

2.13.4 Other employee benefits

The Company’s employees receive long-service benefits. Long-term employee benefit obligation is recognised in the statement of financial position and reflects the present value of defined benefit obligation at the date of the statement of financial position. The present value of defined benefit obligation is determined by discounting the estimated future cash flows using the 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. Actuarial gains or losses are recognised immediately in profit or loss.

2.14 Lease Liabilities

2.14.1 Initial measurement of lease liability

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

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

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

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

2.14.2 Short-term and low-value lease

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

2.14.3 The Company as a lessor

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

2.14.4 The Company as a lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the earnings process contained in the lease. Contingent operating lease payments are recognised as expenses as incurred.

If lease incentives are received for the conclusion of operating lease agreements, such incentives are recognised as a liability. Lease expenses are reduced by the amount of accumulated incentives on a straight-line basis, unless another systematic basis is more representative of the time pattern of the earnings process contained in the lease.

2.14.5 Energy saving solutions – Finance lease –– the Company is a lessor

The Company provides energy saving services by preparing an energy saving project, for the implementation of which it is necessary to install special equipment and carry out construction works in the client‘s facilities. Based on the contract with the client, acquisition of special equipment can be financed by the client or the Company. For the contracts where acquisition of equipment and construction works is financed by the Company, the recognised sales revenue of the system correspond to the minimum payments accumulated by the Company and allocated to cover the value of the installed system. The acquisition cost of the installed system, net of the present value of unguaranteed residual value, is expensed. The costs incurred in relation to negotiation and finance lease organisation at the inception of lease are expensed.

Amounts receivable are accounted for at amortised cost. On initial recognition, amounts receivable are estimated by discounting all future payments of the client for the installed energy saving system. Subsequently, amounts receivable are estimated using the annual interest rate, which was used on initial recognition when discounting the future payments of clients, and by recognising interest income from financing activities.

Interest income from financing activities is recognised over the period of lease using the effective interest rate, which was used when discounting the future payments of clients on initial recognition. Interest income from financing activities is accounted for irrespective of whether such interest is stipulated in the contract with the client.

The installed systems are transferred into the ownership of a client at no extra pay following the receipt of a full payment under the contract.

2.15 Income Tax

The standard income tax rate in Lithuania was 15% in 2020 and 2019.

2.15.1 Current year income tax

The current income tax charge is calculated on the basis of taxable profit for the year. Taxable profit differs from profit recorded in the statement of profit or loss and other comprehensive income since it does not encompass items of revenue or expenses that are subject to tax or deductible for income tax purposes in the next year and also does not encompass items that are never subject to tax or never deductible for income tax purposes. A tax rate used to compute income tax is that applicable at the reporting date.

If derivatives are held until the maturity and are not disposed of before maturity, the result of their disposal (realisation) at maturity is offset with the operating result of the Company for the current year.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivatives. The losses from disposal of securities and/or derivatives can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

The carrying forward of tax losses is discontinued if the Company ceases the activities that gave rise to these losses, except when the Company ceases the activities for reasons that are beyond its control.

Tax losses can be carried forward between the group companies that meet the requirements laid down in the Republic of Lithuania Law on Corporate Income Tax. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

2.15.2 Deferred income tax

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities are recognised for all temporary differences, whereas deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax 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.

2.15.2 Deferred income tax (continued)

The Company reviews the carrying amount of a deferred tax asset at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available in future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current year income tax assets against liabilities and when they are related to income taxes levied by the same taxation authorities, and when the Company intends to settle current year income tax assets and the current year income tax liabilities on a net basis.

2.15.3 Current and deferred income tax for the period

Current and deferred income tax is charged or credited to profit or loss, except to the extent it relates to items recognised not in profit or loss (in other comprehensive income or directly in equity). In this case income tax is also recognised in other comprehensive income or directly in equity.

2.15.4 Transfer of accrued tax losses

Upon transfer of the accumulated tax losses to Group companies, the Company derecognises deferred tax asset on the tax losses carried forward and recognizes the consideration receivable in the statement of profit or loss and other comprehensive income under 'Deferred income tax expense'.

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

2.16 Revenue from contracts with customers

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

The Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:
- (i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and
- (ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

The Company's performance obligations set out in the agreements with customers are as follows:
- Natural gas sale to non-household and household customers (Note 2.16.1.1)
- Public electricity supply to household customers (Note 2.16.2.2)
- Electricity supply to non-household customers (Note 2.16.2.1)
- Revenue from the LNGT security component (Note 2.16.1.3)
- Revenue from project activities (Note 2.16.3)

The Company classifies each basic legal obligation as sales to non-household customers and sales to household customers.

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

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

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

2.16.1 Revenue, related to natural gas

Revenue, related to natural gas, include sale of natural gas to non-household and household customers and revenue from the LNGT security component. Revenue from the LNGT security component is received as compensation for the services of the designated supplier (Note 2.16.1.3).

The accounting policy for the supply of natural gas to household customers may be presented taking into account the components of the natural gas tariff paid by customers for the amount of gas consumed.

Final natural gas tariff to end customers comprise of the following components:

(a) Cost of gas (import) (Note 2.16.1.1).
(b) The cost for transfer of natural gas, which includes transmission over high-pressure and distribution over medium and low-pressure grids costs (Note 2.16.1.2).
(c) Fee for the LNGT security component (Note 2.16.1.3).

The Company, through the final gas tariff paid by customers for the amount of gas consumed, collects fees for the gas transfer services and the LNGT security component and transfers them to the gas transmission system operator. For more information on regulation of tariffs and profitability refer to Note 2.16.4,

2.16.1.1 Revenue from sale of natural gas to household and business customers

The Company operates as a natural gas supplier to household and business customers, and as designated LNGT supplier in the wholesale market.

Revenue from supply of natural gas to non-household customers is recognised on a monthly basis referring to the readings of measuring devices provided by them and verified by the distribution system operator (an accrual basis). Revenue from supply of natural gas to household customers is recognised on a monthly basis referring to the readings of measuring devices provided by them and adjustments to estimated mismatches between quantities of gas declared by household customers and quantities of gas used by them (an accrual basis).

2.16.1.2 Gas tariff component: the price for gas transfer (distribution and transmission) services

Gas distribution services are provided and purchased from the gas distribution system operator, gas transmission services – from the gas transmission system operator. The Company's management has identified that in respect of gas distribution and transmission services the Company acts as an agent. The management relied on the following arguments:

- For all transfer services the Company is not ultimately responsible, since the owners of the transmission and distribution grid take full responsibility, as provided for in the laws and regulations, and agreements with customers;
- The Company also does not bear inventory risk since price of transfer services is determined based on meter readings, i.e. transfer fee is charged to the Company only to the amount of electricity consumed by the end customer;
- The prices of transfer components are determined by the grid operator and approved by the NERC.

The Company accounts for revenue and expenses in one line item "Cost of sales" in the statement of profit and loss and other comprehensive income.

2.16.1.3 Revenue from the LNGT security component

Article 5(2) of the Law on the LNGT of the Republic of Lithuania provides that gas end-users must pay the LNGT security component fee, which is linked to the security of gas supply in the country. The price of LNGT security component is included in the price of gas transmission services. Fee for the LNGT security component is intended to cover the following:

- installation of LNGT, its infrastructure and connection and all fixed operating costs that are not included in other state regulated prices, and
- reimbursement of reasonable costs for the supply of the minimum quantity needed to ensure the necessary functioning of LNGT.

The Company collects fees for the LNGT security component from end-user through the natural gas tariff and transfers them to the gas transmission system operator, which as administrator distributes the LNGT funds to the LNGT service providers.

The Company operates as a natural gas supplier (see section below "The Company is a gas supplier to end-users") collecting the fee for the LNGT security component from end users, and as designated the LNGT natural gas supplier (hereinafter "designated supplier") (see section below "The Company is a designated supplier"), the function of which is to ensure the necessary operation of the LNGT by supplying the minimum quantity of natural gas.

2.16.1.3 Revenue from the LNGT security component (continued)

The Company is a gas supplier to end-users

The LNGT security component is an integral part of natural gas tariff to the customer. The Company collects fees for the LNGT security component directly from end-users and natural gas suppliers, who don't have a direct contract with the transmission system operator, and transfers them to the gas transmission system operator, responsible for administering fees for the LNGT security component. The Company's management has identified that in respect of fees for the LNGT security component the Company acts as an agent and recognises revenue on net basis. The management relied on the following arguments:

- the Company is not responsible for LNGT projects/initiatives, accordingly it is not responsible that fees collected for the LNGT security component are used for their intended purpose,
- the Company is not exposed to any inventory risk,
- the Company has no legal power to establish pricing of these components.

Income and disbursements of fees for the LNGT security component (regardless of whether the net of them is positive or negative) are recognised in the line item "Cost of sales" in the statement of profit or loss and other comprehensive income.

The Company is a designated LNGT gas supplier

The Company operates as a designated LNGT natural gas supplier. In order to maintain the LNG Terminal infrastructure in minimum mode, a certain amount of natural gas, which is to be supplied through the LNG Terminal, is required for filling, regasification or transmission and supply to the Lithuanian natural gas system or the international LNG market.

The Law on the LNG Terminal and the Description of the Natural Gas Supply Diversification Procedure determines that the required quantity shall be supplied by the designated supplier (nominated by the Ministry of Energy for 10 years) by concluding a contract with the LNG supplier.

To ensure the operation of LNG terminal, the designated supplier shall sell the required quantity on a competitive market, and therefore the costs incurred exclusively by the designated supplier due to the nature of its activities (whereas other suppliers don't incur) are compensated by the gas transmission system operator paying LNGT funds from the budget of the collected fees from the LNGT security component. The Company records these LNGT funds as revenue. Revenue from the LNGT is recognised by issuing VAT invoices to the natural gas transmission system operator with reference to its the reports received from natural gas transmission system operator and recorded in the line item "Revenue under contracts with customers" in the statement of profit or loss and comprehensive income. For more information on revenue from the LNGT security component refer to the item "LNGT revenue" in Note 26.

Revenue from the LNGT security component are subject to regulation (Note 2.16.4).

2.16.2 Revenue related to electricity

The Company's revenue related to electricity consists of revenue from trade in electricity and from the public supply of electricity. Electricity-related trading activity involves non-household and household customers. Household customers are supplied with electricity at the public electricity tariff in respect of electricity consumed. Non-household customers are billed for the electricity sold based on the bilateral agreement.

The accounting policy for the revenue from public electricity supply is presented by the Company taking into account the components of the tariff for public electricity supply levied on household customers (Note 2.16.2.2). The tariff consist of the following components:

(a) public electricity purchase costs;
(b) fee for public electricity supply services;
(c) electricity transfer services' price, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid;
(d) system service tariff;
(e) PSO fee.

For more information on regulation of public electricity tariff and profitability refer to Note 2.16.4.

For accounting policy of revenue from sale of electricity to non-household (business) customers refer to Note 2.16.2.1.

2.16.2.1 Revenue from sales of electricity to non-household customers

Revenue from sales of electricity to non-household customers comprise electricity tariff and fee for electricity supply services. The revenue is recognised in each reporting period according to invoices issued, in which the volume of electricity consumed is calculated. The volume of electricity consumed is calculated on the basis of declared readings.

2.16.2.2 Revenue from public electricity supply to household customers

Revenue from public electricity supply to household customers comprise public electricity purchase costs and fee for public electricity supply services. The revenue is recognised in each reporting period according to invoices issued, in which the volume of electricity consumed is calculated. The volume of electricity consumed is calculated on the basis of declared or actual readings. If the Company doesn't receive the data of electricity consumed according to the readings of meters due to specific reasons (customer's delays to present readings, fails of the remote meter's scanner or other agreements with the customer) the revenue from sale of electricity is recognised based on the average usage estimation method. By applying the average usage estimation method consumption of the electricity is calculated according to the historical 12 months data of electricity consumption, i.e. the average consumption for the certain period is calculated, and at the end of year is adjusted according to the actual readings.

Public electricity supply tariff component: transmission over high voltage grid and distribution over medium and low voltage grid

Electricity distribution and transmission services are acquired from transmission grid operator. The Company collects fees for these services through the public electricity tariff and transfers to aforesaid operator. The Company's management has identified that in respect of electricity distribution and transmission services the Company acts as an agent. The management relied on the following arguments:

- For all transfer services the Company is not ultimately responsible, since the owners of the transmission and distribution grid take full responsibility, as provided for in the laws and regulations, and agreements with customers;
- The Company also does not bear inventory risk since price of transfer services is determined based on meter readings, i.e. transfer fee is charged to the Company only to the amount of electricity consumed by the end customer;
- The prices of transfer components are determined by the grid operator and approved by the NERC.

The Company accounts for revenue and expenses related to these services in one line item "Cost of sales" in the statement of profit and loss and other comprehensive income.

Public electricity tariff component: system services

System services are provided by and acquired from the electricity transmission system operator. The Company collects fees for these services through the public electricity tariff and transfers to aforesaid operator. On the basis of the same arguments used to determine the agent's activities with regard to electricity transmission and distribution services, the Company's management has identified that the Company acts as an agent system services also. The Company accounts for revenue and expenses related to these services in one line item "Cost of sales" in the statement of profit and loss and other comprehensive income.

Public electricity tariff component: PSO fee

PSO fee is an integral part of public electricity tariff. The Company collects PSO fees through the public electricity tariff from the end-users connected to the electricity distribution network and transfers them to the PSO fund administrator UAB Baltpool. The Company's management has identified that in respect of PSO fees the Company acts as an agent. The management relied on the following arguments:

- the Company is not responsible for PSO projects / initiatives, accordingly it is not responsible that PSO fees collected are used for their intended purpose,
- the Company is not exposed to any inventory risk,
- the Company has no legal power to establish pricing of these components.

The Company accounts for revenue and expenses related to these fees in one line item "Cost of sales" in the statement of profit and loss and other comprehensive income.

2.16.3 Revenue from project activities

Project-based activity comprise a number of interrelated works. Accordingly, the promise of the seller to render solar park, power saving, electric car charging and other installation services to the customer is identified as a performance obligation in the agreement concluded with the customer. The performance obligation under the agreement concluded with the customer is to be carried as soon as the object specified in the contract has been transferred to the customer. The progress of completion of the performance obligation is measured using the input method. The Company has determined that the input method, on the basis of costs incurred, provides an appropriate measure of progress towards complete satisfaction of the performance obligation.

After the completion of construction and contractual works, the seller grants a warranty period for these works and goods used. Pursuant to paragraph B31 of IFRS 15, whether the warranty is required by law, the warranty is aimed at protecting customers from the risk of purchasing defective products, therefore, it is not deemed a separate performance obligation of the seller.

The agreement concluded with the customer indicates the total price that the seller will recognise as revenue upon execution of the performance obligation over the validity period of the agreement. The seller and the customer may agree that the consideration for contractual works might increase due to additional works or other costs, but no variable consideration arises in the agreement concluded with the customer as a result of this condition.

Revenue under the agreement concluded is recognised over the time based on a stage of completion percentage. At the date of preparation of the financial statements, the seller assesses the ratio between the actually incurred expenses and the expenses projected in the estimate to the agreement and accounts for the amount of revenue as the product of the price of the agreement and the established stage of completion ratio.

2.16.4 Regulation of tariffs and the Company's profitability

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

The Company does not recognise assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level, provided the difference will be recovered/refunded only through the provision of services in the future, except for electricity public supply regulatory differences as described in the paragraph below.

Electricity-related regulation

The NERC regulates public electricity tariff by establishing the public electricity price caps, transmission, distribution and public supply service price cap, specific PSO and system prices and by adding the difference between the actual electricity purchase price and forecasted electricity purchase price of previous period.

On 25 September 2020, the NERC adopted the resolution (see Note 4.3) to be complied with by the Company in case the Company no longer provides electricity public supply services: differences between the forecast and actual costs incurred by the Company in providing these services during the reporting period are assessed, obliging the Company to return the discrepancy to the distribution system operator, if actual costs incurred by the Company were lower than the revenues received from the distribution system operator, or by paying the difference to the Company by the distribution system operator, if the actual costs incurred by the Company were higher than the revenues received from the customers.

The Company recognises assets or liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level, provided the difference will be recovered/refunded regardless of the provision of services in the future (Note 4.3).

Before the effective date of the resolution adopted by the NERC on 25 September 2020, the Company did not recognise assets and liabilities resulting from the difference between the current year earnings and the regulated level, because the recovery/settlement of these regulatory differences depended on the future performance of the activity/provision of services.

Gas-related regulation

The NERC regulates gas tariff paid by customers for the amount of gas consumed, which is includes the price of gas transmission and distribution services and LNGT security component, in respect of which the Company acts as an agent.

Sale of liquefied gas to regulated suppliers is regulated through setting the sale prices.

Profitability of designated supply activities is regulated by the NERC. The Company generates a portion of its revenue from the sale of designated LNG supply quantities to commercial customers, with the remainder covered through the LNGT terminal security component. The security component of the LNGT depends on the projected gas prices and other costs for the upcoming year, the forecasted gas supply volumes, the deviation of the profit earned in previous periods from the regulated amount and other things. Actual costs incurred by the Company during the year may differ from those estimated when approving prices and the actual amount of supply may differ from the forecast. As a result, the Company's actual profit may deviate from the regulated level and the difference will affect the future LNG terminal security component and thus future revenue. The Company does not recognize a regulated asset or liability that is intended to equalize current year profits to a regulated level if the difference affects future supply prices and is recovered / refunded in the future provision of services.

2.17 Expense recognition

Expenses are recognised on an accrual basis during the reporting period in which they are incurred, regardless of the moment of cash payments made. Expenditures incurred during the reporting period, which cannot be attributed directly to income earned and which will not generate any income in future reporting periods, are recognised as expenses when incurred.

The amount of expenses is usually estimated by the amount of money paid or payable, excluding VAT.

Borrowing costs are recognised as expenses in profit or loss for that period in which they are incurred since the Company does not have assets qualifying for borrowing costs capitalisation.

2.18 Offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, unless such offsetting is required by IFRS and described in these accounting policies.

2.19 Contingencies

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

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

2.20 Related parties

Related parties are defined as shareholders, Board members, their close family members, state-owned enterprises (for disclosure purposes only those companies under the control of the Lithuanian Ministry of Finance with whom significant transactions were conducted or with significant outstanding balances) and companies that directly or indirectly (through the intermediary) control the Company or are controlled by, or are under common control with the Company, provided such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

The Company has chosen to apply the exemption provided for in IAS 24, Related Party Disclosures, regarding disclosure of transactions with, or under the control of, public authorities. The Company discloses all significant transactions with the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania or entities controlled by the Republic of Lithuania.

2.21 Fair Value

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

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

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

2.22 Business combinations

2.22.1 Business combination applying IFRS 3 (not common control entities)

Acquisition of subsidiaries that are not commonly controlled entities 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 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:

1) 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;

2) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company 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

3) 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 Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date) , 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.

2.22.1.1 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 as a bargain purchase gain.

2.22.1.2 Contingent consideration

When the consideration transferred by the Company 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' 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.

2.22.2 Business combination is achieved in stages

When a business combination is achieved in stages, the Company'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. 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, where such treatment would be appropriate if that interest were disposed of.

2.22.3 Common control business combinations

For a business combination of a common control entities 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 a common control entities, the Company assesses whether there is a "business substance" for which the following criteria are considered:

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

Accordingly, if the analysis of such criteria doesn't show that the transaction has a commercial substance to the merging parties, the Company applies the pooling of interest' method in such transaction and the Company is consistent with the method applied. By applying the pooling of interests' method, the business combination of a common control entities is accounted according to the following procedures:

1) the assets and liabilities of the entities in business combinations are stated at their carrying amounts equal to those reported in the consolidated financial statements of the ultimate parent company;
2) no newly arising goodwill is recognized on a business combination;
3) any differences between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognized directly in equity within retained earnings

Considerations and assessments performed by the management of the Company for the determination whether the business combination of a common control entities has a commercial substance are disclosed in the Note 32.

2.23 Events after the end of the reporting period

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

All amounts in thousands of euro unless otherwise stated

3 Financial assets and financial liabilities and risk management

3.1 Credit risk

As at 31 December 2020, amounts receivable from one of the Company debtor's represent 6% (31 December 2019: 11%) of the Company's total trade receivables. Five major debtors of the Company represent 25% of the Company's total trade receivables as at 31 December 2020 and 2019. The largest customers of the Company are large regulated energy producers or large industrial companies. The Company's debtors are powerful and stable companies.

The Company has the Risk Management Committee responsible for assessing the risk level of potential customers based on available information and expert conclusions, in view of which it reaches an optimal decision as to the possibilities of entering into electricity or gas sale and purchase contract. The Committee defines criteria for the assessment of solvency of customers and arranges a financial/expert verification with competent authorities. Based on information obtained, the Committee makes decisions as to the existence/absence of risk in respect of the relevant customers. The agreements on purchase and sale of electricity or gas are concluded with customers in view of the customer solvency risk assessment by applying customised settlement terms: longer settlement periods are applied to customers with a lower risk and customers with a higher risk are subject to more stringent settlement terms and (or) additional collaterals, including funds deposited in the Company's account, sureties, bills of exchange, etc. To manage the risk of counterparty default, the Company applies an approved Procedure for the Assessment and Management of Customer Solvency.

The Company measures receivables from Group entities on an individual basis, where the financial position and credit risk of each borrower are measured individually by analysing the borrower's financial statements, settlement discipline and other publicly available information about the debtor that may be affected by the debtor's credit assessment. The Company applies 0 per cent of the expected credit loss ratio to receivables from related companies due to immaterial credit risk.

The Company diversifies its free liquid funds held at banks and enters into transactions only with those financial institutions that have assigned to themselves or have been assigned by their controlling banks a long-term credit rating of not lower than 'A-' according to the rating agency Fitch Ratings or equivalent rating of other rating agencies.

Following the prudence criterion, the Company aims that not more than one-third of available monetary funds are held in the accounts of one financial institution for the period longer than 90 days. In a short period, not longer than 90 calendar days, due to objective reasons the Company may deviate from the latter limit, yet it aims that in any period not more than a half of available monetary funds are held in the accounts of one financial institution.

3.2 Interest rate risk

Interest rate risk mainly arises from current borrowings (that may be necessary to balance out the working capital) and from guarantees issued that are necessary to secure the fulfilment of liabilities arising from trading activities. As at 31 December 2020, the Company paid due interest for the part of the credit line of OP Corporate Bank plc which was used to secure the issuing of guarantees and letters of credit, AB SEB bankas and Luminor Bank AS under guarantee limit agreements, AB Ignitis Grupė for long-term financing agreements and for the limit of the credit which was used to balance the working capital under the Company account (cashpool). The Company did not use any derivatives to hedge against any interest rate risk.

As at 31 December 2020, the loans with fixed interest rate amounted to EUR 11,800 thousand (31 December 2019 – EUR 3,916 thousand) and all the remaining loans (Note 20) bear variable interest rate linked with EURIBOR.

The table below discloses the sensitivity of the Company's pre-tax profit to possible changes in interest rates, with all other variables held constant (changing the interest rate). Except for the current year's profit, there is no impact on the equity of the Company.

	Increase/decrease, %	Impact on profit before tax
2020		
EUR	0.15	(55)
EUR	(0.15)	55
2019		
EUR	0.15	(146)
EUR	(0.15)	146

All amounts in thousands of euro unless otherwise stated

3.3 Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding of committed credit facilities to meet its commitments at a given date. The Company's liquidity (total current assets/total current payables and current liabilities) and quick ratios ((total current assets – inventories) / total current payables and current liabilities) as at 31 December 2020 were 1.69 and 1.41, respectively (31 December 2019: 1.07 and 0.80, respectively).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on undiscounted contractual payments.

	On demand	Past due from 1 to 30 days	Past due from 31 to 90 days	Up to 90 days	Total
Lease liabilities	-	47	95	1,178	1,320
Loans and interest payable	-	9 728	69	40,225	50,022
Derivatives	-	-	2,762	-	2,762
Trade payables	-	38,198	1,103	-	39,301
Balance as at 31 December 2020		**47,973**	**4,029**	**41,403**	**93,405**
Lease liabilities	-	13	26	447	486
Loans and interest payable	-	6,758	13,514	94,386	114,658
Derivatives	-	-	2,528	-	2,528
Trade payables	-	39,979	76	-	40,055
Balance as at 31 December 2019	**-**	**46,750**	**16,144**	**94,833**	**157,727**

3.4 Foreign exchange risk

To avoid foreign exchange risk, the Company seeks to conclude the natural gas purchase and supply agreements in the same currency, and does not use any derivatives to hedge this risk.

3.5 Natural gas and electricity price risk

The purchase prices of natural gas and electricity depend on the prices of these resources in the global market. In the opinion of the Company's management, this risk is effectively managed in the following manner: the price of natural gas to non-household consumers is established on the basis of the same values of variable components, whereas the price to household consumers is established by including the developments in the prices of electricity and gas into the mechanism for the establishment of regulated prices. A fixed gas and electricity price was established for portion of non-household customers. In this case needed, natural gas and electricity price risk is managed through derivatives.

3.6 Measurement of financial instruments

3.6.1 Financial instruments measured at fair value

The Company recognises derivatives at fair value. On 31 December 2020, the Company accounted for EUR 3,217 thousand unrealised derivative gain in the line "Derivative assets", EUR 2,762 thousand unrealised derivative loss in the line item "Derivative liabilities". The table below presents information on assets and liabilities of derivative financial instruments by the fair value hierarchy level as at 31 December 2020:

Company	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Derivative assets	-	3,217	-	3,217
Derivative liabilities	-	2,762	-	2,762

The table below presents information on assets and liabilities of derivative financial instruments by the fair value hierarchy level as at 31 December 2019:

Company	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Derivative assets	-	5,269	-	5,269
Derivative liabilities	-	2,528	-	2,528

3.6.2 Disclosure of fair value of financial instruments subsequently not measured at fair value

The Company's principal financial assets and liabilities not measured at fair value are finance lease receivables, issued loans, trade and other receivables, trade and other payables, long-term and short-term borrowings. Fair value is defined as the amount for which an asset or service could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial assets and financial liabilities is based on quoted market prices, discounted cash flow models or option pricing models, as appropriate.

The following methods and assumptions are used to measure each type of financial asset and liability:

1) The amount of cash and cash equivalents, short-term trade and other receivables, short-term borrowings, short-term trade payables and other payables and short-term borrowings approximates their fair value due to short maturity period.

2) The fair value of non-current receivables (finance lease and loans issued and payables) is determined by reference to the market price of the same or similar loans or to the interest rate applicable on the same maturity date. Their fair value approximates their carrying amount where the discount rates on these accounts payable correspond to current market rates.

3) The fair value of non-current borrowings is determined by reference to the market price of the same or similar loans or to the interest rate applicable on the same maturity date. Their fair value approximates their carrying amount where the discount rates on these accounts payable correspond to current market rates.

The Company's financial assets and financial liabilities are considered to approximate their fair value and are attributable to the third level of the hierarchy.

On 31 December 2020, the breakdown was as follows:

Company	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Loans and borrowings	-	-	51,711	51,711

On 31 December 2019, the breakdown was as follows:

Company	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Loans and borrowings	-	-	108,532	108,532

All amounts in thousands of euro unless otherwise stated

3.7 Capital management

For capital management purposes the Company's capital consists of share capital, legal reserve and retained earnings. The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements, requiring to keep respective capital ratios in order to preserve its business and maximise return to the shareholders.

The Company manages the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, to repay capital to shareholders or issue new shares.

Pursuant to the Lithuanian Republic Law on Companies, the share 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 authorised share capital. As at 31 December 2020 and 31 December 2019, the Company complied with these requirements.

On 15 December 2020 the Board of Ignitis Group companies approved a common dividend policy, which sets uniform principles for the payment of dividends for all the group companies. The dividend policy is one of capital risk management tools. Based on the newly approved policy, distribution of dividends proposed by the Company will depend on the ratio of return on equity and net profit earned. Based on the dividend policy, appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. For the financial year or a period shorter than the financial year, at least 80% of the net profit for the financial period for which the dividends are proposed should be appropriated for the payment of dividends. The Company may be required to pay lower dividends, or it may be proposed not to pay dividends for the reporting period if at least one of the following conditions is met: (1) if the Company implements green generation investment projects; (2) the Company's ability to pay dividends is limited by the covenants set out in the financing agreements; (3) the Company implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania; (4) The Company's equity, after payment of dividends, would become less than the amount of the Subsidiary's authorised capital, mandatory reserve, revaluation reserve and reserve for acquisition of own shares; (5) The Company is insolvent, or would become insolvent upon payment of dividends; (6) The Company net financial debt (i.e. financial liabilities to credit institutions and other entities and financial leasing liabilities that do not include trade payables) at the end of the reporting period is equal to or greater than the Company's EBITDA for the last twelve months (from the end of the reporting period) multiplied by six (EBITDA, i.e. operating profit (loss) + depreciation and amortisation expenses + expenses on revaluation and provisions for emission allowances + impairment expenses of non-current assets + write-off expenses of non-current assets).

When financing its business activities, the Company follows the provisions of the financing strategies of AB Ignitis Grupė (hereinafter "the Group") group companies for 2020–2030 as approved by minutes No PR_2020_32 of the sitting of the Board of AB Ignitis Grupė dated 1 June 2020. In the ordinary course of business, the debt (net debt, Note 21) to EBITDA ratio must not exceed 5; the ratio of funds from operations (FFO) to net debt in the last twelve months may not be less than 23%. If the Company's performance or shareholders' decision results in the debt-to-EBITDA ratio higher than 5 and/or the FFO-to-debt ratio lower than 23%, the tolerance thresholds of debt-to-EBITDA and 12M FFO-to-debt ratio must be restored within 12 months following the breach reducing the level of the financial debt and restoring EBITDA and/or FFO.

The decision on the optimal capital structure (concerning the debt to equity ratio), as agreed with the Company, is passed by the Group Finance and Treasury Service, which is responsible for the organisation of financing of the group (group companies) and establishment of guidelines. The latter is done with reference to the prevalent situation in the financial markets, availability and costs related to debt and/or capital, risk appetite, etc.

Additional information on the Company's capital position is provided below in the table:

	As at 31/12/2020	As at 31/12/2019
Net debt (Note 21)	26,305	84,644
Equity	82,427	40,354
Total equity	82,427	40,354
Equity and net debt	**108,731**	**124 998**
Ratio (%)	**24**	**68**

4 Critical accounting estimates and judgements

The preparation of financial information in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

For the significant management judgements regarding the selection and application of the relevant accounting policies refer to Section 2 of the Accounting policy.

4.1 Impact of COVID-19 on critical accounting estimates and estimation uncertainties

4.1.1 Going concern

The Company's management assessed cash flows due to deferral of electricity and gas payments, reduction and slower recovery of electricity and gas consumption, as well as cash flows related to the risk of delays in major infrastructure projects, probability of bad debt growth, potential disruptions to funding sources, the risk of COVID-19 infection of workers performing critical functions. The assessment used all currently available information on the threats posed by COVID-19. The Company's management has not identified any threats to the Company's going concern when assessing the potential impact of key COVID-19 factors on the Company's results. The Group has taken actions to manage the risks that have arisen.

4.1.2 Assessment of expected credit losses

On 16 March 2020, by the decision of the meeting of the Government of the Republic of Lithuania (minutes No 14), the plan for economy stimulation and reduction of consequences caused by COVID-19 was adopted, recommending that the Company supports residents and companies by deferring payments for electricity and gas consumed.

The Company has reviewed its internal credit management procedures and established internal procedures for administering deferred payments. On 31 December 2020, actual deferred payments related to the first quarantine, ended on 16 June 2020, which have not yet been paid at the end of the year, did not exceed a total of EUR 0.1 million, although the total amount of approved deferred payments across all business segments after the first wave amounted to EUR 4.5 million. After estimating the expected credit losses due to COVID-19 as at 31 December 2020, deferred payments for business customers (B2B) and household customers (B2C) did not change significantly, but rather decreased due to the improving economic outlook for the coming years. As at 31 December 2020, the Company's management has determined that the future economic situation of COVID-19 does not significantly change the loss ratio matrix that is used to calculate the expected credit losses of the Company's financial assets comparing to that used as at 31 December 2019. Also the Company reviewed expected credit losses for financial assets, the assessment of which is performed individually, no significant impairment losses were identified due to COVID-19. General information on the impact of COVID-19 on the Company's operations is provided below.

4.1.3 Net realisable value of inventory

The supply of electricity and gas did not disrupt by COVID-19, for which there are no preconditions. During the quarantine, the consumption of electricity sold to B2B at a fixed price decreased, but the consumption of the "Spot" product increased. As the business activities were not disrupted due to COVID-19 the management evaluated that the book value of available natural gas inventory as of 31 December 2020 corresponds to the net realisable value.

4.1.4 Classification of financial instruments as current and non-current

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

4.1.5 Lease contracts: revised lease term and discount rate (incremental borrowing rate)

The management assessed all relevant facts and circumstances that create an economic incentives for the Company that is a lessee to exercise the following options or not:

- to exercise an option to extend the term of the lease;
- to exercise an option to purchase the underlying asset at the end of the lease; or
- not to exercise an option to terminate the lease earlier.

The Company did not experience any significant disruptions due to COVID-19 in business activity and development of ongoing projects. COVID-19 had no any impact on the Company's expectations to exercise or not the above options, neither the Company received any concessions. The management has concluded that COVID-19 did not cause the need to remeasure the lease liability and right of use assets.

All amounts in thousands of euro unless otherwise stated

4.1.6 Risk management of COVID-19 infection of employees

During the first and second quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. The Company's management was notified of more than 20 cases of infection (no deaths), both in the Company and in its subsidiaries. The Company together with Ignitis Group of companies has all the conditions for efficient work remotely and does not experience any disruption in the performance of direct functions of employees.

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

Due to the state of emergency, the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping people. On 16 March 2020, the Government took the decision (Protocol No.14) and in respect of which concluded a Plan for the economic stimulation and the implementation of measures directed to mitigate the spread of COVID-19 (hereinafter "the Plan"). One of the measures was to enable customers to defer or arrange in portions payments for the consumed electricity and natural gas. This means that the Company's customers were simply late in paying for the services. Requests for payments' deferrals were approved only during the first quarantine, i.e. from 16 March 2020 to 16 June 2020, for business customer's payments were deferred for the whole quarantine period and additional 3 month after the quarantine ended. Insignificant part exclusively was deferred for up to 9–12 months from the end of quarantine. The management didn't identify any significant financing component.

Due to the increased number of COVID-19 diseases throughout Lithuania, the second quarantine was announce for the period from 7 November 2020 to 31 January 2021, which was later extended until 31 March 2021. Compared to the first quarantine period, lesser restrictions were imposed on business.

The main factors affecting the Company's operations due to the COVID-19 situation described above are set out below:

Activity	Event after the reporting period caused by COVID-19 situation	Financial impact as at 31 December 2020
Public supply	Deferred payments under the Government's Business Support Plan	EUR 0.4 million deferred payments during the first wave, no losses were incurred due to bad debts
Electricity supply to B2B customers	Deferred payments under the Government's Business Support Plan	EUR 3 million deferred payments during the first wave, no losses were incurred due to bad debts
(Gas) supply to household customers	Deferred payments under the Government's Business Support Plan	EUR 0.1 million deferred payments during the first wave, no losses were incurred due to bad debts
Gas supply to B2B customers	Deferred payments under the Government's Business Support Plan	EUR 1 million deferred payments during the first wave, no losses were incurred due to bad debts
Designated supply	None	None
Wholesale	None	EUR 3.3 million of losses due to decrease in fixed- tariff electricity sales to B2B
Export	None	None
B2B and B2C projects	None	None

4.2 Overdeclaration of electricity and gas revenues and expenses

Based on the Company's historical data, it was identified that household consumers tend to declare a higher electricity consumption in the last months of the year than was actually consumed when electricity prices increase. Since the Company's revenue from electricity sales depends on the electricity consumption data declared, overdeclaration results in increase of the Company's revenue, therefore, the Company needs to estimate the amount of the overdeclared consumption to estimate the amount of deferred income. The estimate is based on historical consumption data. All assumptions are reviewed at each reporting date.

Based on the reports submitted by the gas distribution operator, the Company accounts for the difference between the amount of gas distributed by the operators and the amount of gas consumed and declared by household customers on a monthly basis.

4.3 Recognition of regulatory differences of electricity public supply services

On 25 September 2020, the National Energy Regulatory Council adopted a resolution No O3E-879 “Regarding the Approval of the Methodology of Setting Price Ceilings of Electricity Transmission, Distribution and Public Supply Services and Public Energy Price Ceilings”. The Resolution provides a methodology for setting an additional electricity distribution component (distribution operator’s distribution tariff) for household customers in order to compensate for regulatory differences between actual and established reasonable costs of the electricity public supplier. The additional component is paid by household customers through the price of electricity distribution service, which is one of the components of the public electricity tariff applied to the electricity consumed by household customers. This component is collected by the distribution operator from all electricity suppliers that sell electricity to household customers. The calculation of the regulatory difference includes the difference between the fixed electricity purchase price and the actual electricity purchase price, as well as the amount of costs resulting from the difference between the public supplier’s price in the public electricity price cap and the actual electricity distribution service price. If the difference is negative, the loss is offset by an increased additional component of future period, and accordingly, if the difference is positive, the Company’s profit for future period decreases due to a decrease in the additional component. Prior the effective date of the said resolution, the Company did not recognise this difference in the statement of financial position, as the recovery or payment was dependent on whether the Company would provide public electricity supply service to household customers in the future. Meantime, the resolution stipulates that the Company will be able to exercise the right to compensation for regulatory differences in the future regardless of whether the Company will further provide public electricity supply services. The compensation for the difference generated until 31 December 2020 is scheduled to be compensated by 31 December 2025 at the latest.

In view of the above, the Company recognises assets and liabilities of the difference to eliminate the discrepancies between the current year’s income and the regulated fee, regardless of the possible service-related difference in future.

As at 31 December 2020, EUR 3,114 thousand of current receivables which will be reimbursed to the Company within one year for public electricity supply services, has been included in the tariff of electricity distribution services provided to household customers and accounted for in the Company’s other receivables’ account, and EUR 12,324 thousand has been accounted for in non-current receivables (Note 15).

4.4 The Company is a designated supplier

4.4.1 Designated supplier

UAB LITGAS, which rights and obligations were taken over by UAB Lietuvos Energijos Tiekimas (UAB Ignitis from 2019), following the completion of the tender organised by the Ministry of Energy of the Republic of Lithuania (hereinafter “the Ministry of Energy”) under the procedure established by law, was appointed as the designated supplier for a period of 10 years by the order of the Minister of Energy of 10 February 2014, i.e. until 2024 (for more information on the designated suppliers activities see paragraph of Note 2.16.1.3 “Revenue from the LNGT security component”).

In 2014, the Company, having received all the necessary approvals of the Government of the Republic of Lithuania (hereinafter “the Government”) and the sole shareholder, selected Equinor ASA (former Statoil ASA) as the supplier of liquefied natural gas (LNG) by way of the public tender under the legislation in force at the time and entered into a 5-year LNG supply contract with the supplier. However, the agreement with Equinor ASA was renegotiated due to significant drop in the market price of natural gas and a decrease in gas demand in the Lithuanian energy sector, and, after receiving necessary approvals, was concluded on 19 February 2016. Under the updated agreement, lower LNG quantities and prices were agreed, however, for a longer term, i.e. until 2024. The agreement was signed in line with the terms and conditions approved by the Government of the Republic of Lithuania: the annual gas supply under the agreement was reduced from 5.98 TWh/year to 3.87 TWh/year (from 6 to 4 shipments), the agreement was extended from 2019 to 2024.

Article 2.3 of the Law on Liquefied Natural Gas Terminal of the Republic of Lithuania stipulates that the required quantity of LNG Terminal (hereinafter “LNGT Terminal”) is the minimum annual quantity of LNG calculated in accordance with the procedure established by the Government, coordinated with the State Energy Regulatory Council (hereinafter “the NERC”) and approved by the Government. The minimum annual quantity of regasified natural gas is the quantity of the natural gas, which is reasonably required to ensure the support of technological process of gasification at the LNG Terminal and LNG Terminal technical condition, which allows to start regasification, after the LNG Terminal regasification process has not been carried out, and to supply natural gas to the transmission system.

The Terminal operator (AB Klaipėdos Nafta), which submits the required quantity of the LNGT Terminal to the Government of the Republic of Lithuania for approval in accordance with the established procedure, on 8 April 2019 submitted to the Ministry of Energy the required quantity of LNGT Terminal for the entire residual 5-year Terminal operation period (from 1 January 2020 to 1 January 2025) – from 3.87 TWh to 5.98 TWh per year. The required quantity was agreed with the Company and approved by the NERC under the resolution No O3E-95 of 1 April 2019. The required quantity of the LNGT Terminal is also approved by the Government for future periods. The required quantity was approved under the Government resolutions for 2014–2019 and 2020.

4.4.2 Determining the required quantity

On 10 November 2020, the outgoing Government of the Republic of Lithuania was looking for ways to reduce the required amount of the Terminal for 2021 to two standard size LNG shipments. On 2 December 2020, a draft resolution of the Government of the Republic of Lithuania was registered with a proposal in Paragraph 1.1 to set the minimum annual gas quantity of the LNGT Terminal at 1.9 TWh (± 5%) for 2021 (i.e. two standard size LNG shipments). A lower minimum quantity of the LNGT Terminal approved by the Government of the Republic of Lithuania could lead to possible losses to the Company, as the Company is contractually obliged to purchase four standard LNG shipment from Equinor ASA. The LNG price per MWh provided for in the agreement with Equinor ASA is on average EUR 5–7 higher than the market price, and this price difference is compensated to the designated supplier through the regulatory model of the designated supply. Therefore, the Company’s management estimates that the adoption of the said draft resolution would lead to EUR 9.8–13.8 million losses for the Company.

4.4.2 Determining the required quantity (continuing)

In its letter No R2-(D)-6964 of 21 December 2020 the NERC indicated that, with decision "Regarding the coordination of the required quantity of the Liquefied Natural Gas Terminal" taken on 1 April 2019, NERC has approved the LNGT Terminal for the period from 1 January 2020 to 1 January 2025, i.e. from 3.87 TWh to 5.98 TWh per year.

On 30 December 2020, the Government adopted the resolution No 1482 approving the required annual natural gas quantity of the LNGT Terminal for 2021 – 3.87 TWh (± 5%), corresponding to four standard size LNG shipments (i.e. the same as was approved by the NERC resolution No O3E of 1 April 2019), with the possibility of adjusting this quantity during the current year.

The Government has obliged the Company to explore possibilities to optimise the cost of the designated supply. The Company is currently conducting negotiations with Equinor ASA. As the designated quantity is approved only for the year 2021, the risk of significant losses to the Company remains if the required quantity of less than 4 standard size LNG shipments is approved for 2022–2024. The Company estimates that such risk is minimal, as both the Terminal operator and NERC declared the required annual amount from 3.87 TWh to 5.98 TWh in their certificates for 2021–2024, i.e. from 4 to 6 standard size LNG shipments.

4.5 Assessment of impairment of investments in subsidiaries

As at 31 December 2020, the Company's management carried out an impairment test to determine existence of indications of impairment for investments into subsidiaries with reference to the external factors (changes in economic and regulatory environment, market composition, interest rate, etc.) and internal factors (return on investments, results of operations, etc.) that might have impact on impairment of investments into subsidiaries and receivables.

Having identified impairment indications for investments in subsidiaries as at 31 December 2020, the Company performed impairment testing for the following subsidiaries: Ignitis Latvija SIA ir SIA ir Ignitis Polska Sp.z.o.o. As a result of the impairment test, an additional impairment of EUR 5,300 thousand was recognised for the investment in Ignitis Latvia SIA as at 31 December 2020 (impairment of EUR 2,500 thousand was recognised as at 31 December 2019). The tests showed no impairment for the investment in Ignitis Polska Sp.z.o.o. Further information is provided for in Note 9.

As at 31 December 2020, there were no indications of impairment in respect of other investments in the subsidiaries of the Company, except for identified above.

4.6 ECL for accounts receivable and finance lease receivable

Impairment loss of amounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable under the original terms of receivables. Judgement is exercised based on financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (Note 13).

4.7 Measurement of fair value of derivative financial instruments

The Company attributes derivatives purchased on the Nasdaq Commodities Exchange to Level 1, derivatives which fair value is calculated by the management based on published prices of relevant products on the Nasdaq Commodities Exchange (active market) are attributed to Level 2 in a hierarchy.

The management of the Company attributes derivatives linked to the price zone of Lithuania / Latvia and Estonia / Finland to level 2 of the fair value hierarchy. Derivatives acquired directly from other market participants (over-the-counter contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange. Similarly, the Company's management attributes derivatives related to gas price indices to level 2 of the fair value hierarchy. Derivatives are purchased directly from the best-priced brokers that meet the credit rating requirements of the Company's Treasury Management Policy.

4.8 Application of IFRS 3 on the Company's business combinations

In 2020, customer service function (including employees) was relocated from UAB Ignitis grupės paslaugų centras to the Company (for more information see Note 32).

All amounts in thousands of euro unless otherwise stated

5 Result from derivatives classification

The Company has changed the presentation of derivatives in the statement of profit or loss and other comprehensive income. Following an in-depth analysis of the historical presentation of derivatives and market practices, the management has decided to reclassify derivatives to provide more reliable information to users of financial statements. The Company reclassified profit and losses recognised under closed derivatives which do not qualify for hedge accounting, and which qualify for hedge accounting, but are ineffective, as well as gains and losses from changes in the fair value of open derivatives. Reclassification was made in the statement of profit or loss and other comprehensive income from other income and selling expenses to other operating expenses (because the overall result from derivative transactions for the period is a loss). This presentation clarifies the overall effect of derivatives on the statement of profit or loss and other comprehensive income. The new accounting principles for derivatives are disclosed in Note 2.9.1.5. As a result of the above, the Company restated the statement of profit or loss and other comprehensive income for 2019 as follows:

	2019	Reclassifications	2019 (restated)*
Revenue			
Revenue from contracts with customers	433,358		433,358
Other income	4,002	(3,948)	54
Total revenue	**437,360**	**(3,948)**	**433,412**
Cost of sales	(416,044)	8,870	(407,174)
GROSS PROFIT (LOSS)	**21,316**	**4,922**	**26,238**
Operating expenses	**(25,103)**		**(30,025)**
Amortisation and depreciation	(5,312)		(5,312)
Wages and salaries and related expenses	(3,115)		(3,115)
Business support services	(7,539)		(7,539)
Impairment of investments in subsidiaries	(2,500)		(2,500)
Other costs	(6,637)	(4,922)	(11,559)
OPERATING PROFIT (LOSS)	**(3,787)**	**-**	**(3,787)**
Finance income/(expenses)			
Finance income	438		438
Finance expenses	(1,439)		(1,439)
Total finance income and expenses	**(1,001)**		**(1,001)**
PROFIT (LOSS) BEFORE TAX	**(4,788)**		**(4,788)**
Income tax and deferred tax income (expenses)	(547)		(547)
NET PROFIT (LOSS)	**(5,335)**		**(5,335)**
Total other comprehensive income (loss)	-		-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(5,335)**		**(5,335)**

This restatement did not affect the statement of financial position, statement of changes in equity and statement of cash flows for 2019.

All amounts in thousands of euro unless otherwise stated

6 Intangible assets

Dynamics of the Company's intangible assets during 2020 and 2019 provided below:

	Intangible assets identified during business combination	Computer software	Patents and licences	Software projects in progress	Total
As at 31 December 2019					
Acquisition cost	43,958	1,673	14	-	45,645
Accumulated amortisation	(9,110)	(622)	(8)	-	(9,740)
Net book value as at 31 December 2019	**34,848**	**1,051**	**6**	**-**	**35,905**
As at 31 December 2019					
Opening net book value	23,449	374	9	-	23,832
Additions	-	131	-	365	496
Increase from business combinations of jointly controlled entities (Note 32)	16,395	187	-	167	16,749
Reclassifications between categories	-	532	-	(532)	-
Amortisation charge	(4,996)	(173)	(3)	-	(5,172)
Net book value as at 31 December 2019	**34,848**	**1,051**	**6**	**-**	**35,905**
As at 31 December 2020					
Opening net book value	34,848	1,051	6	-	35,905
Additions	-	-	-	690	690
Reclassifications between categories	-	690	-	(690)	-
Amortisation charge	(17,332)	(339)	(2)	-	(17,673)
Net book value as at 31 December 2020	**17,516**	**1,402**	**4**	**-**	**18,922**
As at 31 December 2020					
Total acquisition cost	43,958	2,363	14	-	46,335
Total accrued amortisation	(26,442)	(961)	(10)	-	(27,413)
Net book value as at 31 December 2020	**17,516**	**1,402**	**4**	**-**	**18,922**

Assets identified during business combination: balancing services

The carrying amount of balancing services that were acquired in previous periods was EUR 8,605 thousand as at 31 December 2020 (31 December 2019: EUR 9,178 thousand). Amortisation is calculated over a period of 20 years. The Company has not identified any evidence of impairment of these intangible assets, and no impairment tests have been performed as at 31 December 2020.

Assets identified during business combination: hedging activity

The carrying amount of derivative trading activities that were acquired in previous periods as at 31 December 2020 and 2019 was EUR 6,225 thousand (31 December 2019: EUR 6,640 thousand). Amortization is calculated over a period of 20 years. The Company has not identified any evidence of impairment of these intangible assets, and no impairment tests have been performed as at 31 December 2020.

Assets identified during business combination: public electricity supply service, (excess profit under contracts)

The carrying amount excess profit from public electricity supply services, acquired in previous periods, was EUR 16.134 thousand as at 31 December 2019. An amortisation period of 5 years was set at the time of acquisition. Client contracts and relationships (excess profit from contracts with customers), value of this asset at the date of the acquisition was equal to the accumulated difference between regulated electricity acquisition price as part of electricity tariff and actual price paid in electricity spot markets, calculated at the moment of business acquisition. However, the Company's management assumed that the excess profit collected in 2020 covered the oldest price difference, therefore, the total amount of excess profit recognised in business combination has been recovered as at 31 December 2020, and the useful life of this asset has been revised, as a result of which it has been fully amortised until the end of the financial year.

The carrying amount of this assets is EUR 0 as at 31 December 2020.

Assets identified during business combination: public electricity supply service, client contracts and relationships

The carrying amount of client contracts and relations relate to public electricity supply that were acquired in previous periods as at 31 December 2020 was EUR 2,686 thousand (31 December 2019: EUR 2,896 thousand). Amortization is calculated over a period of 15 years. The Company has not identified any evidence of impairment of intangible assets, and no impairment tests have been performed.

Other disclosures related to intangible assets

As at 31 December 2020 and 2019, the Company did not have any commitments for the acquisition of intangible assets.

All amounts in thousands of euro unless otherwise stated

6 Intangible assets (continued)

As at 31 December 2020 and 2019, the cost of acquisition of fully amortised intangible asset, but still in use by the Company was as follows:

Category of assets	2020	2019
Computer software	27	27
Patents and licences	5	5
Cost of amortised assets, total	**32**	**32**

7 Property, plant and equipment

Dynamics of the Company's Property, plant, and equipment during 2020 and 2019 provided below:

	Solar plants	Construction-in-progress	Computer hardware and communication equipment	Other property, plant and equipment:	Total
As at 31 December 2018					
Acquisition cost	-	-	19	5	24
Accumulated depreciation	-	-	(19)	(5)	(24)
Net book value as at 1 January 2019	**-**	**-**	**-**	**-**	**-**
As at 31 December 2019					
Additions	-	1,847	-	1	1,848
Increase from business combinations of jointly controlled entities	156	423	-	41	620
Reclassifications between categories	499	(499)	-	-	-
Write-offs	-	(2)	-	-	(2)
Depreciation change	(14)	-	-	(6)	(20)
Net book value as at 31 December 2019	**641**	**1,769**	**-**	**36**	**2,446**
Net book value as at 1 January 2020					
Acquisitions	-	492	-	4	496
Reclassifications between categories	599	(2,277)	-	1,678	-
Reclassified from inventories	-	183	-	-	183
Write-offs		(49)	-	(1)	(50)
Depreciation change	(106)	-	-	(187)	(293)
Net book value as at 31 December 2020	**1,134**	**118**	**-**	**1,530**	**2,782**
Total acquisition cost	1,254	118	4	1,728	3,104
Total accrued depreciation	(120)	-	(4)	(198)	(322)
Net book value as at 31 December 2020	**1,134**	**118**	**-**	**1,530**	**2,782**

As at 31 December 2020 and 2019, the cost of acquisition of fully depreciated property, plant and equipment, but still in use by the Company was as follows:

Category of assets	2020	2019
Computer hardware, communication and other office equipment	4	4
Other property, plant and equipment	5	5
Cost of depreciated assets, total	**9**	**9**

The Company classifies electric car charging stations as other property, plant and equipment. In 2020, the Company started operation of 77 electric car charging stations, the assembly cost of which was EUR 1,678 thousand.

As at 31 December 2020 and 2019, the Company had no commitments to acquire property, plant and equipment.

All amounts in thousands of euro unless otherwise stated

8 Right-of-Use Assets

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

	Buildings and structures	Vehicles	Total
As at 31 December 2019			
Opening net book value	-	-	-
Additions:			
Whereof: recognised as right-of-use asset as at 01/01/2019	290	-	290
Whereof: lease contracts signed from 02/01/2019 to 31/12/2019.	512	-	512
Assets acquired in business combinations of jointly controlled entities	241	34	275
Write-offs and disposals	(440)	(32)	(472)
Depreciation change	(118)	(2)	(120)
Net book value as at 31 December 2019	**485**	**-**	**485**
As at 31 December 2019			
Acquisition cost	603	-	**603**
Accumulated depreciation	(118)	-	**(118)**
Net book value as at 31 December 2019	**485**	**-**	**485**
As at 31 December 2020			
Opening net book value	**485**	**-**	**485**
Acquisitions	1,258		1,258
Depreciation change	(505)		(505)
Net book value as at 31 December 2020	**1,238**	**-**	**1,238**
As at 31 December 2020			
Acquisition cost	1,861	-	1,861
Accumulated depreciation	(623)	-	(623)
Net book value as at 31 December 2020	**1,238**	**-**	**1,238**

The Company's lease expenses are recognised in the statement of profit or loss and other comprehensive income as follows:

	2020	2019
Depreciation change	505	120
Interest charges	33	7
Low-value lease expenses (other expenses)	9	5
Lease expenses, total	**547**	**132**

9 Subsidiaries

The Company's investments in subsidiaries as at 31 December 2020 included:

	Cost	Impairment	Carrying amount	Ownership interest (%)
Ignitis Latvija SIA	11,500	(7,800)	3,700	100
Ignitis Polska sp. z o.o.	2,339	-	2,339	100
Ignitis Eesti OÜ	35	-	35	100
Total	**13,874**	**(7,800)**	**6,074**	

The Company's investments in subsidiaries as at 31 December 2019 included:

	Acquisition cost	Impairment	Carrying amount	Ownership interest (%)
Ignitis Latvija SIA	5,500	(2,500)	3,000	100
Ignitis Polska sp. z o.o.	2,339	-	2,339	100
Ignitis Eesti OÜ	35	-	35	100
Total	**7,874**	**(2,500)**	**5,374**	

In 2020, the Company increased issued capital of Ignitis Latvija SIA by EUR 6,000 thousand through capitalisation of part of the loans.

All amounts in thousands of euro unless otherwise stated

9 Subsidiaries (continued)

Having identified impairment indications for investments in Ignitis SIA and performed impairment test, the Company recognised additional impairment of EUR 5,300 thousand for the investment in Ignitis Latvia SIA as at 31 December 2020 (the total impairment recognised as at 31 December 2020 was EUR 7,800 thousand, including impairment recognised as at 31 December 2019 – EUR 2,500 thousand). The impairment test was performed using the discounted cash flow method and using the following Company's assumptions:

1) Discounted Cash Flows (DCF) method has been used with cash flows forecasted over 10-year period of 2021-2030;
2) Average revenue growth has been estimated at 3.9% YoY taking as a baseline budget for 2021, with average EBITDA margin of 1.7% and net working capital NWC) of EUR 4.8 million;
3) WACC of 15% (pre-tax discount rate) and terminal growth rate of 2% has been applied to the model.
4) It is assumed that the Company will not pay income tax due to accumulated tax losses over the next five years.

Since the management estimate of recoverable value of investment into subsidiary includes significant assumptions, the below sensitivity of valuation to changes in key valuation inputs has been provided:

1) Increase of average EBITDA margin by 1% would further increase the recoverable value by EUR 2.8 million; and, respectively, drop of average EBITDA margin by 1% would further lower the recoverable value by EUR 2.8 million.
2) Increase of average NWC by 10% would further lower the recoverable value by EUR 0.4 million; and, respectively, drop of average NWC by 10% would further increase the recoverable value by EUR 0.4 million.
3) Increase of WACC to 5% would further lower the recoverable value by EUR 1.3 million; and, respectively, drop of WACC to 5% would further increase the recoverable value by EUR 3 million

Performance of subsidiaries in 2020 and financial position as at 31 December 2020 (unaudited):

	Equity	Total assets	Profit/(loss) before tax
Ignitis Latvija SIA	3,649	10,393	(2,883)
Ignitis Polska sp. z o.o.	1,622	3,863	(198)
Ignitis Eesti OÜ	92	178	49

Performance of subsidiaries in 2019 and financial position as at 31 December 2019:

	Equity	Total assets	Profit/(loss) before tax
Ignitis Polska sp. z o.o.	1,738	3,810	427
Ignitis Latvija SIA	535	11,998	(734)
Ignitis Eesti OÜ	42	78	(5)

In 2020 and 2019, the Company did not receive dividends from its subsidiaries.

As at 31 December 2020 and 2019, the Company had no significant contingent liabilities associated with its subsidiaries.

10 Loans granted

	As at 31/12/2020	As at 31/12/2019
Loans granted to subsidiaries	5,600	9,200
Net book amount as at 31 December	**5,600**	**9,200**

As at 31 December 2020, the Company had a loan of EUR 4 million issued to Ignitis Latvija SIA (31 December 2019: EUR 7.7 million). The credit was granted to finance the working capital and is repayable upon demand and the Company has no plans to demand its early repayment in 2021, and therefore, the loan granted was classified within 'Non-current loan granted' as at 31 December 2020. The Company considers that there are no indications that the loans will not be repaid when needed. The management did not identify any indications of impairment, based on improved profitability and future cash flows modelling of Ignitis Latvija SIA. The loan is subject to a variable interest rate, where the rate at 31 December 2020 and 2019 was 0.81% per annum.

All amounts in thousands of euro unless otherwise stated

10 Loans granted (continued)

As at 31 December 2020, the Company had a loan of EUR 1,600 thousand issued to Ignitis Polska Sp.z.o.o. (31 December 2019: EUR 1,500 thousand). The credit was granted to finance the working capital and is repayable until 27 June 2021, but the Company intends to extend the repayment term, therefore it was recognised as long-term loan as at 31 December 2020. Based on solid financial performance of Ignitis Polska Sp. z o.o., the management did not identify any indications of impairment. The loan is subject to a variable interest rate, where the rate at 31 December 2020 and 2019 was 0.63% per annum.

Movement of loans granted during 2020 and 2019 and reconciliation with cash flow statement:

	2020	2019
Balance as at January 1	**9,200**	-
Loans granted	6,600	3,700
Loans taken over in business combinations	-	12,498
Capitalised loans*	(6,000)	-
Loans recovered	(4,200)	(6,998)
Carrying amount as at 31 December	**5,600**	**9,200**

* Increase in issued capital of Ignitis Latvija SIA (Note 9).

11 Inventories

	As at 31/12/2020	As at 31/12/2019
Natural gas	24,949	40,797
Other inventories	3,890	2,575
Write-down of other inventories to net realisable value	(262)	-
Carrying amount	**28,577**	**43,372**

The acquisition cost of inventories written down to net realisable value was EUR 2,058 thousand as at 31 December 2020. There were no such inventories as at 31 December 2019.

Under the Lithuanian legislation the Company is required to store a quantity of natural gas in the underground storage facility as a reserve for the smallest (the most sensitive) consumers of the Company. As at 31 December 2020, the latter quantity comprised 394 GWh or EUR 5,806 thousand (31 December 2019: 394 GWh or EUR 6,906 thousand). The comparison of carrying amount and market values of the available natural gas showed no signs of impairment, therefore, the Company recorded no impairment.

12 Prepayments

	As at 31/12/2020	As at 31/12/2019
Prepayments for natural gas	7,710	8,880
Prepayments for electricity due to over-declaration by customers	-	5,194
Deposits related to Power Exchange	33,201	15,973
Other	518	1,986
Total	**41,429**	**32,033**

The Company continued trading in electricity on the NordPool power exchange through its wholesale and retail electricity sales activities. Under the regulations of the Power Exchange, the power purchase transactions need to be secured by depositing the collaterals in the amount of the transactions, which the Company has accounted for under prepayments.

All amounts in thousands of euro unless otherwise stated

13 Amounts receivable under contracts with customers

	As at 31/12/2020	As at 31/12/2019
Amounts receivable from non-household customers for natural gas	29,080	31,586
Amounts receivable from household customers for natural gas	2,881	3,479
Amounts receivable from non-household electricity consumers	22,869	14,612
Amounts receivable from household electricity consumers	18,881	16,748
Other	251	387
	73,962	66,812
Expected credit losses	(5,715)	(5,826)
Total	**68,247**	**60,986**

The standard period of settlement of amounts receivable under contracts with clients is 15 to 30 days.

The Company applies the loss ratio matrix to calculate these amounts. The Company applies two calculation methodologies: a loss ratio matrix is used to calculate the expected credit losses of natural gas and electricity household buyers, non-household – debtor's internal rating.

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

The valuation on the basis of the internal ratings assigned takes into account external and internal information about the debtor, which may be material to determine the debtor's ability to settle with the Company. External sources of information include financial status, court involvement, and debt to other entities, employee trends, arrests, and other information that is used as the basis for establishing a bankruptcy rating (bankruptcy probability model) or risk class. This external information is obtained through service agreements with third parties (Credit Agencies). The internal sources of information include the debtor's profile of actual settlements with the Company based on which the settlement rating is determined. Based on the ratio of bankruptcy ratings or risk classes to settlement ratings, the borrower is assigned internal rating on a scale from A to E, where A is the lowest risk and E is the highest risk grade. In doing so, expected credit losses are based on the internal ratings assigned to the borrowers.

Receivables from the customers with the first, second, third, fourth and fifth risk classes which have internal ratings of B, C, D and E, respectively, are subject to rates of expected credit losses of 0.12%, 1.03%, 4.23%, 15.99% and 97.30% (in 2019, 1.10%, 4.50%, 17.00% and 100%, respectively) respectively.

In 2020, the Company applied an overall assessment to the following loss matrix for household clients of electricity and gas supply:

	Loss ratios	
	Household customers NG (natural gas)	Household customers E (Electricity)
Not past due	0.32%	0.30%
Past due up to 1 month	1.29%	1.62%
Past due from 1 to 2 months	3.35%	4.40%
Past due from 2 to 3 months	6.73%	10.65%
Past due from 3 to 4 months	10.81%	17.60%
Past due from 4 to 5 months	15.53%	23.66%
Past due from 5 to 6 months	20.66%	29.19%
Past due from 6 to 7 months	25.53%	33.79%
Past due from 7 to 8 months	30.85%	37.86%
Past due from 8 to 9 months	36.62%	42.19%
Past due from 9 to 10 months	40.42%	46.06%
Past due from 10 to 11 months	44.59%	49.11%
Past due from 11 to 12 months	48.92%	51.93%
Past due over 1 year	84.99%	84.99%

All amounts in thousands of euro unless otherwise stated

13 Amounts receivable under contracts with customers (continued)

The following loss ratio matrix was applied by the Company to the household customers of electricity and gas as at 31 December 2019:

	Loss ratios	
	Household customers NG (natural gas)	Household customers E (Electricity)
Not past due	1.00%	0.60%
Past due up to 1 month	1.80%	3.60%
Past due from 1 to 2 months	4.50%	8.70%
Past due from 2 to 3 months	8.90%	19.60%
Past due from 3 to 4 months	14.10%	29.30%
Past due from 4 to 5 months	19.90%	37.20%
Past due from 5 to 6 months	26.10%	44.50%
Past due from 6 to 7 months	32.30%	50.80%
Past due from 7 to 8 months	38.40%	56.70%
Past due from 8 to 9 months	44.30%	62.20%
Past due from 9 to 10 months	50.50%	66.40%
Past due from 10 to 11 months	55.90%	70.20%
Past due from 11 to 12 months	61.30%	73.70%
Past due over 1 year	78.30%	85.90%

As at 31 December 2020, the Company's trade receivables under contracts with household customers were assessed using the loss ratio matrix:

	Carrying amount before credit losses	Impairment
Not past due	13,783	(43)
Past due up to 1 month	2,102	(34)
Past due from 1 to 2 months	508	(23)
Past due from 2 to 3 months	288	(30)
Past due from 3 to 4 months	207	(35)
Past due from 4 to 5 months	142	(33)
Past due from 5 to 6 months	149	(43)
Past due from 6 to 7 months	112	(37)
Past due from 7 to 8 months	56	(21)
Past due from 8 to 9 months	135	(56)
Past due from 9 to 10 months	81	(37)
Past due from 10 to 11 months	93	(45)
Past due from 11 to 12 months	63	(32)
Past due over 1 year	4,043	(3,444)
Total receivables under contracts with household customers	**21,762**	**(3,913)**

As at 31 December 2019, the Company's trade receivables under contracts with household customers were assessed using the loss ratio matrix:

	Carrying amount before credit losses	Impairment
Not past due	12,763	(86)
Past due up to 1 month	1,721	(56)
Past due from 1 to 2 months	531	(43)
Past due from 2 to 3 months	253	(44)
Past due from 3 to 4 months	121	(31)
Past due from 4 to 5 months	131	(43)
Past due from 5 to 6 months	100	(41)
Past due from 6 to 7 months	98	(46)
Past due from 7 to 8 months	91	(49)
Past due from 8 to 9 months	105	(61)
Past due from 9 to 10 months	67	(42)
Past due from 10 to 11 months	95	(65)
Past due from 11 to 12 months	107	(73)
Past due over 1 year	4,044	(3,530)
Total receivables under contracts with household customers	**20,227**	**(4,210)**

All amounts in thousands of euro unless otherwise stated

13 Amounts receivable under contracts with customers (continued)

Trade receivables of the Company under contracts with non-household customers on 31 December 2020 shall be assessed by means of an internal rating system:

Internal ratings	Carrying amount before credit losses	Impairment
A	33,865	(160)
B	11,555	(144)
C	4,533	(233)
D	1,181	(229)
E	1,066	(1,036)
Total receivables under contracts with non-household customers	**52,200**	**(1,802)**

Trade receivables of the Company under contracts with non-household customers on 31 December 2019 shall be assessed by means of an internal rating system:

Internal ratings	Carrying amount before credit losses	Impairment
A	35,341	-
B	4,258	(47)
C	4,892	(220)
D	898	(153)
E	1,196	(1,196)
Total receivables under contracts with non-household customers	**46,585**	**(1,616)**

Dynamics of expected credit losses of receivables under contracts with customers in 2020 and 2019:

	2020	2019
At the beginning of the reporting period	**5,826**	**4,953**
Increase in impairment recognised during the year	63	694
Impairment of public supply activities taken over from ESO	-	179
Reversal of impairment allowance unutilised	(173)	-
At the end of the reporting period, total	**5,716**	**5,826**

Changes in the impairment provision for amounts receivable under contracts with customers are recognised in the statement of profit or loss and other comprehensive income.

14 Derivatives

The Company's balances of derivatives were as follows:

	As at 31/12/2020	As at 31/12/2019
Derivative assets		
Gas transactions	289	5,036
Electricity transactions	2,928	233
Total derivatives	**3,217**	**5,269**
Derivative liabilities		
Gas transactions	2,202	1,120
Electricity transactions	560	1,408
Total derivative liabilities	**2,762**	**2,528**

All amounts in thousands of euro unless otherwise stated

14 Derivatives (continued)

During 2020, the result of realized and unrealized derivatives is presented in the statement of profit or loss and other comprehensive income as follows:

	2020	2019 (restated)*
Cost of sales		
Gain (loss) from derivatives realised	3,819	-
Other expenses		
Gain (loss) from derivatives realised	(21,104)	(2,634)
Result of the realised derivatives	**(17,285)**	**(2,634)**
Cost of sales		
Unrealised derivative income (expenses)	820	-
Other expenses		
Unrealised derivative income (expenses)	16,670	(2,288)
Result of the unrealised derivatives	**17,490**	**(2,288)**
Recognised in the cost of sales, total	**4,639**	**-**
Result of derivatives recognised in other income (expenses), total	**(4,434)**	**(4,922)**

** The amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2019; related adjustments disclosed in Note 5.*

15 Other receivables

	As at 31/12/2020	As at 31/12/2019
Other current amounts receivable		
Finance lease receivables	555	520
Other receivables	8,145	6,311
Net book amount as at 31 December	**8,700**	**6,831**

	As at 31/12/2020	As at 31/12/2019
Other non-current receivables		
Other receivables after one year	12,324	-
Finance lease receivables	2,973	3,043
Net book amount as at 31 December	**15,297**	**3,043**

The Company accounted for regulatory changes (EUR 3,144 and EUR12,324 respectively) in public electricity supply in other and other non-current receivables, as described in Note 4.3.

Payment deadlines under financial leasing contracts:

	As at 31/12/2020	As at 31/12/2019
Due within one year	636	595
Within 2–5 years	2,051	1,919
After 5 years	1,185	1,388
Total payments	**3,872**	**3,902**
Deferred interests		
Due within one year	(81)	(75)
Within 2–5 years	(204)	(192)
After 5 years	(59)	(72)
Total	**(344)**	**(339)**
Current value of financial leasing payments	**3,528**	**3,563**

All amounts in thousands of euro unless otherwise stated

16 Cash and cash equivalents

	As at 31/12/2020	As at 31/12/2019
Cash at bank	22,138	22,267
Cash in transit	1,153	1,142
Net book amount as at 31 December	**23,291**	**23,409**

The Company holds its cash only in the highest rated credit institutions. The management has not identified any indications of impairment for cash and has not recognized them in the statement of profit or loss and other comprehensive income.

As at 31 December 2020, the Company had a guarantee limit agreement with OP Corporate Bank plc for the amount of EUR 55 million. As at 31 December 2020, the limit of the guarantees was utilised in the amount of EUR 40.674 thousand (as at 31 December 2019, the withdrawn balance of the limit amounted to EUR 42.755 thousand).

The Company has an agreement on financial services (guarantee limit) with AB SEB Bankas, the total amount of which is EUR 99,700 thousand. On 31 December 2020, the total amount of the used guarantee limit of AB SEB bankas was EUR 44,719 thousand (as at 31 December 2019: EUR 55,063 thousand).

The Company has the guarantee limit agreement of EUR 450 thousand and long term credit agreement of EUR 735 thousand with Luminor Bank AS. On 31 December 2020 and 2019, the used a guarantee limit of Luminor Bank AS amounted to EUR 77 thousand.

To secure the liabilities, the Company had pledged EUR 9 thousand to Swedbank AB.

In order to balance its working capital, the Company has concluded cash-pool agreements with the companies of the AB Ignitis Grupė.

17 Issued capital

As at 31 December 2020 and 2019, the Company's share capital amounted to EUR 40,140,000 and was divided into 138,413,794 ordinary registered shares with par value of EUR 0.29 each. All the shares are fully paid.

18 Reserves

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 legal reserve was not fully formed on 31 December 2020 and 2019 and transfers to the legal reserve will be made by the decision of the shareholders at the next ordinary shareholders meeting.

19 Share-based incentive plan for management

On 16 September 2020, the main shareholder of the Company received a decision from the Ministry of Finance of the Republic of Lithuania, the authority implementing the rights of the sole shareholder of the Company, that Ministry of Finance approved Share Allocation Rules of the Company (hereinafter – the Rules). The Rules provide that employees of the Group, including members of the Management Board of the Group, will have the opportunity to participate in the share option program.

On 4 December 2020 the Supervisory Board of the Group approved the long-term strategic goals and their indicators for 2020–2023, their achievement evaluation criteria and the maximum number of shares offered to the managers related to the share options programme (hereinafter – the Programme) for the long-term promotion of the managers of the Group, including General Manager. The total number of shares offered – up to 601 unit.

On 18 December 2020, the agreement on the Group programme implementation was signed with General Manager of the Company.

Since the right to receive shares takes effect from 2021, the signed agreement did not have any impact on the Company's statement of financial position and statement of profit or loss and other comprehensive income.

20 Loans received

The Company received the following loans:

	As at 31/12/2020	As at 31/12/2019
Loan from AB Ignitis Grupė, the repayment date is 10 July 2028	11,800	3,500
Loan from AB Ignitis Grupė, the repayment date is 29 March 2024	27,000	27,000
Loan from Luminor Bank AS, the repayment date is 30 September 2022	101	237
Long-term loans and borrowings, total	**38,901**	**30,737**

All amounts in thousands of euro unless otherwise stated

20 Loans received (continued)

	As at 31/12/2020	As at 31/12/2019
Short term loans (Cashpool) payable to group entities (note 31)	9,774	79,442
Loan from Luminor Bank AS, the repayment date is 30 September 2022	135	135
Short-term loans and borrowings, total	**9,909**	**79,577**

The Company holds no collateral over any of loans received.

The Company has no loans to be repaid in foreign currencies.

The weighted average interest rates on the Company's borrowings payable are 2.36% (2019: 1.28%).

Non-current borrowings by maturity:

	As at 31/12/2020	As at 31/12/2019
Between 1 and 2 years	101	237
Between 2 and 5 years	27,000	27,000
After 5 years	11,800	3,500
In total	**38,901**	**30,737**

21 Net debt reconciliation

This note sets out an analysis of net debt and dynamics of net debt for each of the periods presented.

Net debt balances:

	As at 31/12/2020	As at 31/12/2019
Cash and cash equivalents	23,291	23,409
Short-term investments, term deposits and other financial assets	7	6
Long-term borrowings	(38,901)	(30,737)
Borrowings* payable within one financial year (including overdraft)	(9,909)	(79,577)
Lease liabilities	(1,248)	(486)
Unrealised derivatives	455	2,741
Net debt	**(26,305)**	**(84,644)**

For the purpose of net debt calculation, borrowings comprise only debts to financial institutions and other debts relating to financing.

The Accounting Standards do not provide a definition of net debt ratio, because, when considering the amendment to IAS 7, the standard-setting body did not gain consensus on the definition of that term and what should or should not be included in the calculation of net debt.

Reconciliation of net debt balances to cash flows from financing activities in 2020 and 2019:

Liabilities arising from financing activities	Other assets		Lease liabilities	Liabilities arising from financing activities	Derivatives	In total
	Cash/overdraft	Short-term investments, term deposits and other financial assets		Non-current and current borrowings	vehicles	
Net debt at 1 January 2019	**11,438**	**-**	**-**	**(22,451)**	**395**	**(10,618)**
Cash flows	11,971	-	142	(59,288)	-	(47,175)
Other non-cash changes	-	6	(628)	(28,575)	2,346	(26,851)
Net debt as at 31 December 2019*	**23,409**	**6**	**(486)**	**(110,314)**	**2,741**	**(84,644)**
Cash flows	(118)	-	555	-	-	437
Loans received	-	-	-	(8,300)	-	(8,300)
Loans repaid	-	-	-	69,904	-	69,904
Interest paid	-	-	-	1,856	-	1,856
Interest charges	-	-	(33)	(1,957)	-	(1,990)
Other non-cash changes	-	1	(1,284)	1	(2,286)	(3,568)
Net debt as at 31 December 2020*	**23,291**	**7**	**(1,248)**	**(48,810)**	**455**	**(26,305)**

All amounts in thousands of euro unless otherwise stated

22 Lease Liabilities

The Company's future payments under leases were as follows:

	As at 31/12/2020	As at 31/12/2019
Minimum payments		
Within one year	578	167
2–5 years	706	331
After 5 years	-	-
In total	**1,284**	**498**
Future finance costs		
Within one year	(23)	(7)
Within 2–5 years	(13)	(5)
After 5 years	-	-
In total	**(36)**	**(12)**
Carrying amount	**1,248**	**486**

23 Trade payables

The Company's trade payables:

	As at 31/12/2020	As at 31/12/2019
To electricity system operators	26,418	26,934
To natural gas system operators	9,134	4,189
To natural gas suppliers	2,015	3,428
To electricity suppliers	175	4,863
Other	1,559	641
In total	**39,301**	**40,055**

Terms and conditions applicable to current trade payables:

1) Trade payables are non-interest bearing and are normally settled within the term of 10 to 45 days.

2) Terms and conditions applicable to amounts payable to related parties are described in Note 31.

24 Contract liabilities

The Company's contract liabilities consisted of:

	As at 31/12/2020	As at 31/12/2019
Prepayments under contracts with customers	9,901	10,245
Deferred revenue from contracts with customers	3,592	9,837
Other liabilities under other contracts	302	15
In total	**13,795**	**20,097**

Dynamics of the Company's contract liabilities during 2020 and 2019 were as follows:

	2020	2019
Opening net book value	**20,097**	**18,517**
Recognised as income	(20,097)	(18,517)
Acquired during business combinations	-	273
Customer payments received	13,795	19,824
In total	**13,795**	**20,097**

All amounts in thousands of euro unless otherwise stated

25 Other current accounts payable and liabilities

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

	As at 31/12/2020	As at 31/12/2019
Accrued costs for electricity and gas and related services	21,332	6,496
Taxes payable	9,426	10,173
Other payables	2,359	1,644
In total	**33,117**	**18,313**

Accrued expenses for electricity and gas supply, and related services increased due to the late receipt of suppliers' invoices for the goods and services received, therefore, were accounted for by the Company as accruals.

26 Revenue from contracts with customers

Revenue recognised from contracts with customers:

2020	Non-household customers	Household customers	In total
Sales revenue of natural gas	144,979	47,328	192,307
Revenue from public supply of electricity	-	165,134	165,134
Retail trade in electricity	113,187	1,235	114,422
LNGT revenue	27,636	-	27,636
Revenue from project activities	1,521	5,162	6,683
Total for 2020	**287,323**	**218,859**	**506,182**

2019	Non-household customers	Household customers	In total
Sales revenue of natural gas	155,336	59,517	214,853
Revenue from public supply of electricity	-	137,190	137,190
Retail trade in electricity	50,568	-	50,568
LNGT revenue	29,371	-	29,371
Revenue from project activities	612	764	1,376
Total for 2019	**235,887**	**197,471**	**433,358**

All revenue from agreements concluded with customers is calculated with regard to the price of the transaction as defined in the agreement. The Company usually receives payments within 15–30 days after the delivery of goods or services. In rare cases, the terms of delayed payment might be agreed upon, however, any delay of payments cannot exceed 12 months, and therefore, the transaction price is not adjusted in view of the financing impact on revenue recognition. Revenue for the above streams is recognised over time.

Below is a summary of the Company's performance obligations related to electricity sales, which includes public electricity supply and sales to household and business customers, and natural gas sales, which include LNGT and natural gas sales to household and non-household customers:

1) By signing an agreement with a customer to sell electricity, the Company assumes performance obligation to sell electricity to the customer at the price specified in the agreement or announced publicly in company's website (for households). This performance obligation is satisfied over a period of time and the customer receives benefits as and when required. Customers are billed for their electricity use on a monthly basis based on their declared electricity consumption. Bills are due within 15 to 30 days. Customers do not have the possibility to recover money paid for goods previously provided to them. In some cases, the Company may require a deposit to be made prior to the provision of electricity by reference to the customer's credit rating.

2) By signing an agreement with a customer to sell natural gas, the Company assumes performance obligation to sell natural gas to the customer at the price specified in the agreement or announced publicly in company's website (for households). This performance obligation is satisfied over a period of time and the customer receives benefits as and when required. Customers are billed for their natural gas use on a monthly basis based on their declared natural gas consumption. Bills are due within 15 to 30 days. Customers do not have the possibility to recover money paid for goods previously provided to them.

Transaction price allocation to remaining performance obligations

All the Company's performance obligations entitle the Company to receive from the customer such amount that corresponds directly with the value of the Company's performance completed to date, therefore, the Company applies the practical expedient in paragraph 121 of IFRS 15 and elects not to disclose the allocation of transaction price to the remaining operating liabilities, except for projects in progress, under which the Company's revenue not yet earned amounted to EUR 3,677 thousand as at 31 December 2020 (31 December 2019: EUR 892 thousand).

All amounts in thousands of euro unless otherwise stated

27 Cost of sales

Cost of sales for 2020 and 2019 included:

	2020	2019 (restated*)
Purchase of electricity for supply purposes	219,625	199,005
Cost of natural gas acquisition	176,681	189,799
Expenses of natural gas transmission services	11,340	16,055
Expenses of natural gas storage	1,038	2,315
In total	**408,684**	**407,174**

** The amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2019; related adjustments disclosed in Note 5.*

28 Other expenses

The Company's other operating expenses in 2020 and 2019 were as follows:

	2020	2019 (restated*)
Negative result from derivatives	4,434	4,922
Expenses of payment collection from household customers and information processing	3,576	1,602
Telecommunication and information technology services	2,615	1,847
Consulting services	808	512
Write-offs of non-current and current amounts receivable (bad debts)	573	655
Allowance for inventories	262	-
Utility services	221	43
Transportation expenses	159	114
Impairment of receivables	63	535
Advertising	60	321
Other expenses	941	1,008
In total	**13,712**	**11,559**

** The amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2019; related adjustments disclosed in Note 5*

29 Finance expenses

The Company's finance expenses for 2020 and 2019 included the following:

	2020	2019
Interest expense on loans payable	1,957	1,337
Guarantee and surety fees	-	69
Interest and discount expenses on lease liabilities	33	5
Other finance expenses	(36)	28
In total	**1,954**	**1,439**

All amounts in thousands of euro unless otherwise stated

30 Income tax

As at 31 December 2020 and 2019, the Company's components of tax (expense) benefit:

	2020	2019
Current year income tax benefits/(expenses)	(3,021)	(373)
Transfer of tax losses to Ignitis Group of companies for consideration	-	1,554
Deferred income tax benefit/(expenses)	(2,505)	(1,728)
Income tax gain/ (expenses0 accounted for in the statement of profit or loss and other comprehensive income	**(5,526)**	**(547)**

Deferred income tax assets and liabilities are calculated using the income tax rate of 15%.

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

	2020	2019
Profit (loss) before tax	47,599	(4,788)
Income tax calculated at a rate of 15%	(7,140)	718
Expenses not deductible for tax purposes - permanent differences	(668)	(402)
Non-taxable income for income tax purposes	2,290	753
Disposed tax losses	-	(1,554)
Correction of prior periods income tax	37	-
Income tax of the permanent establishment in Latvia	(45)	(62)
Income tax benefit/(expenses)	**(5,526)**	**(547)**

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

	As at 31/12/2018	Recognised in profit or loss	Tax loss carryforward	Acquired from business combination of jointly controlled entities	As at 31/12/2019	Recognised in profit or loss	As at 31/12/2020
Provisions for doubtful debts	741	108	-	50	899	(2)	897
Accrued expenses	-	745	-	-	745	80	825
Other differences	37	38	-	18	93	199	292
Differences in depreciation rates of intangible assets	-	-	-	-	-	2,477	2,477
Tax loss carry-forward	5,205	(729)	(1,554)	1,187	4,109	(4,109)	-
Deferred tax assets before valuation allowance	5,983	162	(1,554)	1,255	5,846	(1,355)	4,491
Reversal of impairment (impairment) of net realisable value	-	-	-	-	-		
Deferred tax assets, net	**5,983**	**162**	**(1,554)**	**1,255**	**5,846**	**(1,355)**	**4,491**
Differences in depreciation rates	-	(166)	-	(152)	(318)	318	-
Accrued revenue from long-term projects	-	-	-	-	-	(700)	(700)
Unrealised value of derivatives	-	(19)	-	(2,113)	(2,132)	(768)	(2,900)
Deferred income tax (liabilities)	**-**	**(185)**	**-**	**(2,265)**	**(2,450)**	**(1,150)**	**(3,600)**
Deferred income tax, net	**5,983**	**(23)**	**(1,554)**	**(1,010)**	**3,396**	**(2,505)**	**891**

All amounts in thousands of euro unless otherwise stated

31 Related-party transactions

As at 31 December 2020, the parent company AB Ignitis Grupė was owned (73.08%) by the State of Lithuania, represented by the Lithuanian Ministry of Finance. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosures comprise transactions and balances of these transactions with the parent company, it's subsidiaries, associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

In 2020, the Company did not have any significant transactions with the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania or entities controlled by the Republic of Lithuania. Other related parties of the Company are EPSO G UAB Group companies controlled by the Republic of Lithuania.

The Company's transactions with related parties between January and December 2020 and the balances as at 31 December 2020 arising on these transactions are presented below:

Related Parties	Loans granted	Receivables	Loans received	Payables	Purchases*	Disposals
Subsidiaries of the Company	5,600	565	-	3	13,404	20,166
Associates of the Company	-	1	-	1,420	5,553	12
Group companies of AB Ignitis Grupė	-	5,813	9,427	32,615	227,426	34,005
Parent company Ignitis grupė AB	-	-	38,877	324	1,981	-
State-controlled EPSO G UAB Group companies	-	4,972	-	3,105	39,711	57,061
In total	**5,600**	**11,351**	**48,304**	**37,467**	**288,075**	**111,244**

* The total amount according invoices received from related parties disclosed in Purchases. If in some of the activities the Company acts as an agent, part of the amounts are offset in the line item "Revenue from contracts with customer" of the statement of profit or loss and other comprehensive income. EUR 221,427 thousand of acquisitions disclosed above in the account of AB Ignitis Grupė, and EUR 8,574 thousand – in the account of the Company subsidiaries, both amounts were offset during 2020.

The Company purchases electricity, transmission and distribution of electricity and gas, accounting, procurement, customer service, transport leasing and other services from related parties.

In 2020, the Company received EUR 12 thousand dividends from UAB Ignitis grupės paslaugų centras, which is related company of AB Ignitis Grupė (the total amount of dividends received in year 2019 was EUR 12 thousand).

The Company's transactions with related parties conducted during the period from January to December 2019 and balances arising on these transactions as at 31 December 2019 are presented below:

Related Parties	Loans granted	Receivables	Loans received	Payables	Acquisitions*	Disposals
Subsidiaries of the Company	9,200	209	-	1	871	625
Associates of the Company	-	567	511	963	9,772	-
Group companies of AB Ignitis Grupė	-	4,717	18,517	28,550	230,057	59,245
Parent company Ignitis grupė AB	-	-	90,755	51	1,343	-
State-controlled EPSO G UAB Group companies	-	5,036	-	4,205	44,714	58,442
In total	**9,200**	**10,529**	**109,783**	**33,770**	**286,757**	**118,312**

* The total amount according invoices received from related parties recorded in purchases. If in some of the activities the Company acts as an agent, part of the amounts are offset in the line item "Revenue from contracts with customer" of the statement of profit or loss and other comprehensive income. The amount of EUR 171,827 thousand disclosed above relates to acquisitions from AB Ignitis Grupė which were offset during 2019.

Terms of transactions with related parties

The payment terms set range from 30 to 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables.

Related party guarantees

The parent company has signed a surety agreement to secure the guarantee issued by AB Swedbank.

Doubtful receivables

As at 31 December 2010 and 2019, the Company did not recognise a bad debt allowance for expected credit losses for receivables from related parties due to low credit risk.

All amounts in thousands of euro unless otherwise stated

31.1 Compensation to key management personnel

Compensation to key management personnel

	As at 31/12/2020	As at 31/12/2019
Employment-related payments	595	583
Whereof: Termination benefits and benefits to Board Members	-	91
Number of key management personnel	5	5

Company's Chief Executive Officer, senior management and members of the Board are considered to be key management personnel.

32 Business combinations

Common control business combination in 2020

On 3 October 2019, when the Project Management Committee of the parent company AB Ignitis Grupė approved the project plan for the merger UAB Verslo aptarnavimo centras into UAB Ignitis grupės paslaugų centras, it was decided at the same to relocate the part of the customer service activities carried out by UAB Verslo aptarnavimo centras to UAB Energijos skirstymo operatorius and UAB Ignitis. On 26 November 2019, the decision of the Board of UAB Verslo aptarnavimo centras to relocate client service function of the company entered into force as of 1 January 2020. Thus, 172 employees were relocated from UAB Verslo aptarnavimo centras to the Company from 1 January 2020.

The decision to relocate customer service function was taken in view of the following:

1) The Directive 2009/72/EC of the European Parliament and of the Council, adopted on 13 July 2009, introduced an obligation for Member States to take appropriate action to ensure effective competition between suppliers and market-based supply prices. Accordingly, a similar obligation was transferred to the National Energy Independence Strategy of the Republic of Lithuania, the last version of which was approved by Resolution No XIII 1288 (42.2.2) of the Parliament of the Republic of Lithuania on 21 June 2018. For effective implementation of the strategy, a draft law amending the Law on Electricity of the Republic of Lithuania (TAIS No 19 13226(2)) was submitted to the Government of the Republic of Lithuania as early as 2019, which aims at gradual phase-out of regulated electricity prices and creating the preconditions for the effective development of the market for electricity supply services. Amendments to the Law were adopted in May 2020.
2) The legal acts of the Republic of Lithuania related to the liberalisation of the electricity supply market enter into force from 1 July 2020, i.e. UAB Ignitis will gradually end its public electricity supply activities and become an independent electricity supplier, while AB Energijos Skirstymo Operatorius will further act as a provider of distribution and guaranteed electricity supply services. Therefore, in order not to give a competitive advantage to UAB Ignitis over other independent electricity suppliers, the customer service function of AB Energy Distribution Operator and UAB Ignitis should be separated.
3) In the context of the upcoming changes described above, the relevance of consolidation of the customer service activities, covering all the processes, of Ignitis Group company UAB Verslo aptarnavimo centras in individual companies became more evident, thus ensuring the smooth organisation of customer service of the distribution system operator AB Energijos Skirstymo Operatorius and the future of the independent supplier UAB Ignitis.

UAB Verslo aptarnavimo centras started its customer service activities on 1 January 2016. Following a decision by the Board of the Company to develop customer service activity in line with LE START principles, the activity was relocated from ESO, UAB Lietuvos dujų tiekimas and UAB Energijos tiekimas (both operating as one company UAB Ignitis) to UAB Verslo aptarnavimo centras. The purpose of the activity relocation was to standardise customer service processes within the group, to efficiently use the costs for this activity.

Although Ignitis Grupė applies the acquisition method to business combinations in accordance with IFRS 3, the management of the Company, having considered all circumstances related to both reorganisations, namely:

1) This transaction was carried out between related entities ultimately controlled by the same parent (meets the definition of common control transactions). Therefore, IFRS 3 does not apply directly to this transaction. However, IFRS 3 criteria are used to determine whether a transaction meets the definition of a business.
2) In accordance with IFRS 3, a business is a set of activities and assets that is capable of providing goods and services. But for the purpose of this reorganisation, no tangible resources have been transferred. Employees could be classified as economic resources, but an entity does not have control over those resources as interpreted in the context of IAS 16, 38 and other IFRSs. In addition, IFRSs do not make it possible to account for employees on the balance sheet. It should also be noted that no remuneration was paid as a result of the staff relocation. In the same way, the relocated activity does not have specific identifiable tangible fixed assets, nor any intangible assets included in the balance sheet (licences, rights, patents). Only the obligation of accrued unused leave and accrued bonuses of relocated employees for 2019 were recorded in the balance sheet of VAC together with separated activities. After the relocation of employees, these amounts were transferred to the Company accordingly.
3) The Company has no intention to manage the relocated employees as a separate business and to earn direct income under contracts with third parties. The employees will be tasked to perform administrative functions.

The management of the Company has concluded that the relocation of customer service employees to the Company is not considered as an acquisition of part of the business, as it does not meet the requirements for the business to be qualified as identifiable in accordance with the criterion set.

32 Business combinations (continued)

Business combinations accounted for in 2019

Acquisition of electricity public supply business in year 2018

As a part of implementation of the provisions of the European Union's Third Energy Package, under the Business Share Purchase and Sale Agreement of 21 September 2018, starting from 1 October 2018 AB Energijos Skirstymo Operatorius transferred to the Company the business part of public electricity supply service. The sale price was determined by performing an independent valuation of a part of the public supply business.

The Company applied the acquisition method for accounting for this business combination in accordance with IFRS 3. Under the latter method, the acquisition cost is measured as the sum of fair values of assets given, liabilities incurred and equity instruments issued by the Company in exchange for the control of the part of the business being acquired.

The purchase price of the business unit was paid in cash (EUR 27.441 thousand) in accordance with the contract by 29 March 2019.

During business combination, the Company took over the assets – amounts receivable for electricity and liabilities, trade payables, and advances received in relation to the acquired part of business, which were accounted for in the Company's financial statements.

In this business combination the Company has also identified an intangible assets that was acquired. Intangible assets were carried in the statement of financial position of the Company at acquisition cost, which was the fair value of it at the time of acquisition. The fair value of intangible assets arising from a business combination was determined on the basis of management valuation performed in year 2019.

As at 31 December 2018, the management has not yet completed the initial assessment of accounting for the business combination because the period provided in paragraph 45 of IFRS 3 for the combination has not yet expired and valuation of intangible asset acquired took more time than initially expected.

During 2019, the Company has assessed the progress of the planned state deregulation of the supply of electricity to household customers and conducted the necessary analysis and completed the initial recognition of the acquired intangible asset by identifying and allocating it and setting amortization terms for it. As a result, at the end of the initial recognition accounting, the Company has reviewed comparative information presented in its financial statements and made a depreciation adjustment. Namely, one intangible asset comprising of two components of different useful life has been identified:

1) Client contracts and relationships (excess profit from client contracts) valued at EUR 21,045,000, amortization rate is set to 5 years. Value of this asset is equal to the accumulated difference between regulated electricity acquisition price as part of electricity tariff and actual price paid in electricity spot markets, calculated at the moment of business acquisition. Depreciation period represents management judgement as to the period over which this difference can reasonably be collected through future electricity tariff adjustments.

2) Client contracts and relationships, valued at EUR 3,140,000, amortization rate is set to 15 years. Valuation of the asset has been performed using DCF and MEEM methods. Valuation is based on the assumption that deregulation of public supply starts in 2021. Useful life of the asset is based on the best management judgement. DCF modelling supports management view, as terminal cash flow beyond year 15 is negligible.

Under the provisions of the agreement for the acquisition of public supply activities concluded with ESO of 21 September 2018, ESO will compensate the Company a half of the difference generated until 21 September 2018 between the revenue determined by the National Energy Regulatory Council (hereinafter 'NERC') and the actual (regulated) revenue incurred. This amount will result from the difference between the purchase price of electricity determined by NERC and the actual price paid, if NERC is not going to compensate this difference between the revenue determined by the NERC and the actual (regulated) revenue incurred to the Company when setting electricity purchase prices for the period from 2019 to 2021.

At the conclusion of the agreement for the transfer of public supply activities, the difference of EUR 23,927 thousand was identified between the revenue determined by the NERC and the actual (regulated) revenue incurred. Part of this regulatory asset, amounting to EUR 2,500 thousand, was included in public supply tariff for year 2020, however full amount was collected within 2020 due to favourable market fluctuations as electricity price in the market were lower than forecasted.

32 Business combinations (continued)

Common control business combinations in year 2019

For the purpose of implementing the new strategy and gradually consolidating electricity and natural gas trading and supply activities, Ignitis Group UAB implemented two reorganisations in 2019: UAB LITGAS was merged with UAB Ignitis on 1 January 2019, and UAB Energijos Tiekimas – on 1 June 2019.

Although AB Ignitis Grupė applies the acquisition method to business combinations in accordance with IFRS 3, the management of the Company, having considered all circumstances related to both reorganisations, namely:

1. Paragraph 2(c) of IFRS 3 specifies that the requirements of the standard are not applicable to merges of common control entities or business entities. Paragraph B1 of the Standard clarifies that the Standard does not apply to combination of entities or businesses that are jointly controlled. Common control business combination is a business combination in which all the combining entities or business units are controlled by the same party or parties before and after the business combination and that control is not temporary. Prior to the merger, the major and sole shareholder of LITGAS and ET was Ignitis Grupė, therefore the acquisition of these entities is considered the “Combination of jointly controlled entities or businesses” as defined in IFRS 3 paragraph B1.

2. No cash payment was made in the transaction and there was no borrowing from third parties for the purpose of the merger.
    a. After the first merger, the share capital of the UAB Ignitis increased by an amount equal to the share capital of LITGAS, i.e. EUR 13,050,000 (thirteen million and fifty thousand euro) to EUR 21,420,000.30 (twenty-one million and four hundred and twenty thousand euro and thirty cents). During the reorganization there was no difference in the price of the shares exchanged and no payment was made to the shareholder as the shares were exchanged at par. The shareholder structure has not changed since the reorganization, the 100 percent stake in the reorganized company remains under the control of UAB Ignitis Group.
    b. After the second merger, the share capital of UAB Ignitis increased by an amount equal to the share capital of ET, i.e. EUR 18,720,000 (eighteen million seven hundred and twenty thousand euro) to EUR 40,140,000,266 (forty million one hundred and forty thousand euro, twenty-six cents). During the reorganization there was a difference of 0.04 EUR exchangeable shares, which, in line with the legislation of Republic of Lithuania, was paid to the UAB Ignitis group as the shareholder of the company that will be closed after the reorganization. The shareholder structure has not changed since the reorganization, the 100 percent stake in the reorganized company remains under the control of UAB Ignitis Group.
    c. In both cases, valuation of values of shares exchanged has been performed based on financial statements as of 31 December 2018, i.e. not at fair value. Significant difference in potential fair value of shares exchanged further supports management decision not to apply acquisition method.
    d. From the perspective of UAB Ignitis Group and the Company, the merger has no commercial basis as it does not create new assets, the shareholder structure after reorganization (both in case of UAB LITGAS and UAB Energijos Tiekimas) remains unchanged, 100% of shares in companies remains under UAB Ignitis Group’s control.

Based on the above considerations, the Company has decided to apply the IFRS 3 exception foreseen in paragraph 2(c) to accounting for business combinations of: UAB LITGAS and the Company (reorganization on 1 January 2019) and the Company and UAB Energijos Tiekimas (reorganization on 1 June 2019) and apply the method of pooling of interest according which assets and liabilities of combined business are added to the Company based on their accounting values as at the date of combination. Any difference between share capital given to the shareholder for the businesses acquired and the net assets acquired under business combination is recorded as adjustment to retain earnings in the statement of changes in equity.

All amounts in thousands of euro unless otherwise stated

32 Business combinations (continued)

Following the reorganisation of LITGAS UAB, the Company took over the activities of its designated LNG supplier, which includes the supply of liquefied natural gas to the LNG terminal. The table below shows assets and liabilities of the combined entity as at 1 January 2019.

	LITGAS UAB
Non-current assets	
Investments in associated entities and other investments	22
Deferred tax assets	628
Total non-current assets	**650**
Current assets	
Inventories	17,564
Prepayments	81
Advance income tax	778
Amounts receivable under contracts with customers	18,917
Loans receivable and interest	6,998
Other receivables	4
Cash and cash equivalents	287
Total current assets	**44,629**
Total assets	**45,279**
Liabilities	
Current liabilities	
Trade payables	30,045
Other current amounts payable and liabilities	4,033
Total liabilities	**34,078**
Identifiable net assets on combination	**11,201**
Increase in issued capital due to reorganisation	**13,050**
Difference between the identifiable net assets merged and increase in issued capital, accounted for within retained earnings	**(1,849)**
Changes in equity items on combination	
Issued capital	13,050
Retained earnings	(1,849)

All amounts in thousands of euro unless otherwise stated

32 Business combinations (continued)

After the reorganisation of UAB Energijos Tiekimas by way of merger, the Company took over the following activities: Electricity supply to commercial customers, balancing of electricity consumption, issue of guarantee certificates of origin of energy, wholesale trade in electricity futures, implementation of projects for the designing and construction of solar power plants, implementation of energy efficiency solutions, and development of electric car charging stations. The table below shows assets and liabilities of the combined entity as at 1 June 2019.

	UAB Energijos Tiekimas
Non-current assets	
Intangible asset	16,749
Property, plant and equipment	620
Right-of-use assets	276
Subsidiaries	7,874
Other receivables	1,744
Deferred tax assets	141
Total non-current assets	**27,404**
Current assets	
Inventories	389
Advance income tax	487
Amounts receivable under contracts with customers	6,377
Loans receivable and interest	5,500
Derivatives	175
Other receivables	13,958
Cash and cash equivalents	5,037
Total current assets	**31,923**
Total assets	**59,327**
Liabilities	
Long-term loans	3,838
Provisions	34
Lease liabilities	200
Deferred income tax liability	1,621
Total non-current liabilities	**5,693**
Current liabilities	
Short-term loans	23,324
Lease liabilities	76
Trade payables	2,041
Contract liabilities	273
Income tax payable	359
Provisions	7
Derivatives	117
Other current amounts payable and liabilities	3,598
Total current liabilities	**29,795**
Total liabilities	**35,488**
Identifiable net assets on combination	**23,839**
Increase in issued capital due to reorganisation	**18,720**
Difference between the identifiable net assets merged and increase in issued capital, accounted for within retained earnings	**5,119**
Changes in equity items on combination	
Issued capital	18,720
Retained earnings	5,119

33 Contingent liabilities and assets

Guarantees issued and received

Between January and June of 2020, the Company did not sign any new guarantee agreements.

As at 31 December 2020, no other guarantees were received by the Company from other entities.

Litigations

On 17 December 2018, the Company applied to the Vilnius Court of Commercial Arbitration for damages of EUR 1,676,989.06 due to the defendant's failure to purchase all the required amount of liquefied natural gas assigned in 2015 and payment of default interest of EUR 122,755.60. The next hearing is scheduled for 21 May 2021. The case is not yet closed.

34 Events after the reporting period

There were no significant events after 31 December 2020 and until the date of approval of the financial statements.

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All amounts in thousands of euro unless otherwise stated

ANNUAL REPORT OF IGNITIS UAB FOR THE FINANCIAL YEAR 2020

The annual report of Ignitis UAB was prepared in accordance with the requirements set in the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Republic of Lithuania Law on Companies. The Company's securities are neither listed nor traded in the regulated market. The Company's Articles of Association do not establish other requirements for the contents of the annual report in addition to those stipulated in the Law of the Republic of Lithuania on Financial Reporting by Undertakings. Further in this report Ignitis UAB is referred to as Ignitis or the Company.

Basic data about the Company

Company name:	Ignitis UAB*
Legal form:	Private Limited Liability Company
Issued capital	EUR 40,140,000.26
Date of registration:	As at 02 September 2014
Place of registration:	Register of Legal Entities
Company code:	303383884
Registered office address:	Žvejų st. 14, LT-09310 Vilnius
Register name:	Register of Legal Entities
Telephone:	+370 694 98266
Fax:	+370 5 278 2503
E-mail:	info@ignitis.lt
Website:	www.ignitis.lt

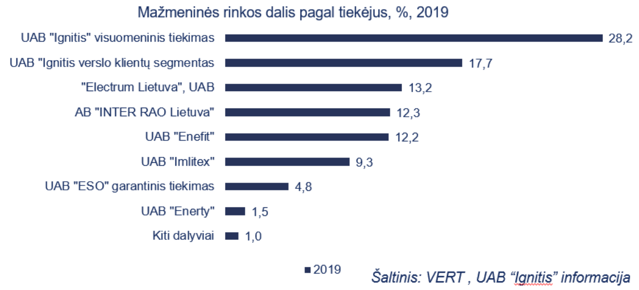
Description of the Company's activities and service market

UAB Ignitis is part of Ignitis Group of energy companies controlled by the State.

The Company's core line of business is the supply of electricity and natural gas. The Company also develops a wide range of smart services, offers the market innovative energy saving, heating, electric car charging, solar power generation solutions and other energy products based on technological innovations. The Company is also engaged in planning and/ balancing of electricity consumption, trading of guarantees of origin and derivatives.

Electricity supply

The Company supplies electricity and natural gas to corporate customers operating in the sectors of energy, small commercial businesses, and to private customers. In 2020, UAB Ignitis had about 30% of the market in the Business Customer Segment, and intends to maintain a similar market share in the future. The Company supplies electricity to approx. 9.4 thousand business customers.



Ignitis operates under the public supply service licence issued by the National Energy Regulatory Council (hereinafter "the NERC"). Until 2020, UAB Ignitis had approx. 100% of the household electricity market through public supply activities, however, after the beginning of market liberalisation, public supply activities will be carried out until 2023 in accordance with the procedure established by legal acts.

On 7 May 2020, the Law on Electricity was amended. The amendments to the law have paved the way for the liberalisation of the electricity supply market. During the first phase of the liberalisation of public supply, consumers consuming over 5 MWh per year had to choose an independent supplier by the end of 2020. At the end of 2020, there were a total of 8 independent electricity suppliers on the market capable of supplying electricity to household customers, including Ignitis. Of approximately 100 thousand customers in Phase I, majority chose an independent supplier already in 2020. The Company was selected by 67% of Phase I customers.

Gas supply activity

Ignitis holds 99.84% of the household consumer market (H1 2020, NERC data). The Company has a total of around 610 thousand natural gas consumers.

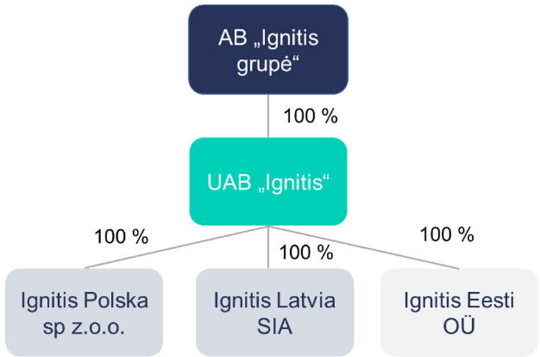
In the business segment, Ignitis was one of 17 entities providing supply in 2020. Ignitis market share in 2019 (excluding gas consumed by AB Achema for its own use) was 73.3%. Increasing competition on the local market resulted in a slight reduction in market share in 2020, and, based on preliminary data, estimates approx. 50–60%.

As in previous years, the Company traded in gas on the Get Baltic Gas Exchange.

From 2019, UAB Ignitis ensures designated supply of required volume for liquefied natural gas (LNG) Terminal. The Company took over this activity after LITGAS, another company of the Group of companies of Lietuvos Energija, merged into it. In order to maintain the LNG Terminal infrastructure in minimum mode, a certain amount of natural gas (so-called "mandatory"), which is to be supplied through the LNG Terminal, is required for filling, regasification or transmission and supply to the Lithuanian natural gas system or the international LNG market. The Law on the LNG Terminal of the Republic of Lithuania and the Description of the Natural Gas Supply Diversification Procedure determines that the required quantity shall be supplied by the designated supplier (nominated by the Ministry of Energy for 10 years) by concluding a contract with the LNG supplier. To ensure the operation of LNG Terminal, the designated supplier shall sell the required quantity on a competitive market, and therefore only the costs incurred exclusively by the designated supplier due to the nature of its activities (whereas other suppliers don't incur) are compensated.

Revenue from designated supply activity are regulated by NERC. These revenue is aimed to compensate the reasonable costs of the designated supplier, which are largely occur due to the difference between the price paid by the designated supplier for the required supply volume for the LNG Terminal and the weighted average actual price of imported liquefied natural gas to Lithuania as determined by NERC. Since NERC does not include normative profits to this activity, the designated supply activity generates no direct profits for the Company. As result of the designated supply activity in 2020, the Company received EUR 27,636 thousand of revenue, but this revenue did not cover all the costs incurred in the activity, thus EUR 6,266 thousand of costs incurred in 2020 will be covered in subsequent periods.

Activities in foreign markets



UAB Ignitis has 3 subsidiaries. Ignitis Latvia SIA was established in 2013. In 2020, over 0.8 TWh of electricity was supplied to more than 200 companies in Latvia. The gas retail portfolio continued to expand. About 2 TWh of gas was also exported to Latvia via Ignitis headquarters in Latvia.

Ignitis Polska Sp. Z.o.o. Was established in 2017. In Poland, the Company continued to develop its business of speculative derivatives trading not only on the PolPx Polish Exchange, but also on Nasdaq. In 2020, electricity and gas retail activities were also launched in Poland: contracts were signed with about 100 business customers for the supply period 2021–2024.

Ignitis Eesti OU was established in 2013. During 2020, Ignitis electricity supply activity in Estonia grew strongly, the customer base expanded. Annual electricity supply increased from 2.25 GWh to 18.5 GWh.

At the beginning of 2020, Ignitis entered the Finnish market. Gas is supplied to Finnish customers through the gas pipeline connection Balticconnector. The Company became one of the first players in the competitively open Finnish gas market. Among the Company's customers are the largest industrial companies in Finland. In total, Ignitis supplied about 3 TWh of gas and accounted for 14% of the Finnish gas market.

All amounts in thousands of euro unless otherwise stated

Energy from renewable sources

Ignitis actively contributes to the development of renewable resources in Lithuania. In terms of number of solar power plants sold to residents, Ignitis holds 14% of the national market. In 2020, over 800 solar power plants were installed on roofs for residents, and approx. 1.54 MW solar power plants were built for business.

Ignitis operates the platform “Saulės parkai”, which offers private customers fast and easy way to acquire or rent part of a remote solar power plant. In 2020, the platform “Saulės parkai” was used to settle transactions in total for EUR 5 million and to finance 11 projects. The platform has more than 1,500 registered users.

Ignitis also operates “Ignitis ON” platform, which brings together a network of electric car charging stations (currently 80 charging stations) and has 4,792 users.

Ignitis provides lighting modernisation services to municipalities, medical facilities, municipal and commercial undertakings. Despite the COVID-19 restrictions, 9 lighting modernisation projects with a total value of around EUR 184 thousand were carried out in 2020. The estimated total annual energy savings amounted to 617 MWh.

Objective overview of the Company’s financial position, performance and development

Significant Events during the Reporting Period

- **1 January 2020:** launch of gas supply to Finland.
- **1 January 2020:** the organizational structure of the Company changed due to relocation of the customer service function to the Company from the external service provider.
- **7 May 2020:** The amendments to the Law on Electricity have paved the way for the liberalisation of the electricity supply market.
- **28 May 2020:** NERC announced final prices for electricity and natural gas applicable for private customers from 1 July 2020. The average electricity price decreased by 7.8%, natural gas – 18.3%.
- **1 June 2020:** UAB Ignitis introduced the fastest electric vehicle charging station in the Baltic States. The latter is considered as the most powerful and fastest in Lithuania – the amount of energy needed to drive 100 km can be charged in just 3 minutes. The new charging station has a continuous power supply of 320 kW. To date, the most powerful of160 kW capacity, ultra-fast charging station in the region has been installed in Tallinn, the capital of Estonia.
- **28 July 2020:** Ignitis Polska, a Polish subsidiary of Ignitis, entered the country’s market of electricity and natural gas supply for business customers. Strengthening the position in the Polish market is one of the goals set in the renewed long-term corporate strategy of Ignitis Group.
- **13 August 2020:** The Company has started cooperation with Estonian start-up Fusebox, which plans to become the first independent electricity demand aggregator in Lithuania. A new demand aggregation service in the country’s electricity market, also known as a “virtual power plant”, is essential when contributing to energy security and more efficient use of energy.
- **7 September 2020:** Ignitis, an independent electricity supplier, invited private customers to enter into electricity supply contracts.
- **25 September 2020:** the platform “Ignitis saulės parkai” offered a unique innovation in Lithuania – remote solar power plants for business.
- **1 October 2020:** The Company has suspended the sale of gas boilers, and from now on offers only heating solutions using renewable energy sources – air pumps. This decision was driven by willingness to contribute to lower environmental pollution and intention to reduce CO_2.

Objective overview of the Company's financial position, performance and development (continued)

- **On 11 November 2020,** the NERC approved electricity prices for household customers for 2020 applicable as of 01 January 2021. On average, electricity prices for household consumers are growing by about 4.1%.
- **30 November 2020:** natural gas prices approved for the first half of 2021.
- **10 December 2020:** Ignitis together with other Ignitis Group companies signed a consumer education and consultation agreement with the Ministry of Energy In such a way, Ignitis, ESO and Ignitis Gamyba committed to teach and consult the users on effective usage of energy and to help the user to reduce costs of energy consumption and to contribute to improvement of energy efficiency.

Business environment

Ignitis is an exclusive company in the region that has secured gas supplies from three different sources. The Company has long-term LNG supply contracts, but also purchases gas on the market for short-term LNG transactions, moreover, it acquires piped natural gas and actively uses Inčukalns underground gas storage facility in Latvia.

In 2020, the Company was actively operating in the wholesale market, purchased and sold gas in the Gas Exchange, and conducted trading with other players of the wholesale market, i.e. provided gas stream balancing services.

In 2020, natural gas consumption in Lithuania continued to grow. In 2020, 25.1 TWh (terawatt hours) were consumed in Lithuania, or 7% more than in 2019, when gas consumption growth was recorded at 5 per cent In general, the increase was driven by extremely favourable gas prices and, in particular, competitive LNG price levels. Due to the favourable prices on world markets, gas made a comeback as a fuel in the Lithuanian sector of power generation, and this year the country has consumed the largest amount of gas in the last five years.

In 2020, the Company continued its retail and wholesale electricity trade in Lithuania by further acquiring its electricity portfolio on the power exchange of the Northern European countries Nord Pool (hereinafter "NP") or through bilateral contracts. The Company continued the trading in electricity derivatives on the Stock Exchange NASDAQ Commodities. Trading of derivatives serves to mitigate electricity price fluctuation risks.

Seeking to meet the requirements in terms of the quality of services, the Company continuously focuses on enhancing the compliance of its sales and services with customer needs, improvement of customer service, and consistent optimisation of business processes and development of services.

The Company's project activities for both private and business customers – solar energy, lighting solutions, heat solutions, electric vehicle charging infrastructure solutions – were actively developed. Over the years, the Company's solar park portfolio has increased, reaching 6 MW per year. The Company also holds 14% of the solar power plants market in the private sector.

In 2020, the Company also engaged in sales of green electricity and supplied Lithuanian business customers with 1.5 TWh of green electricity, which is 48% more than in 2019. Ignitis is also one of the first in the Baltic States to provide customers with solutions to neutralise the greenhouse gas footprint.

The most important foreseeable events and trends in 2021 that might have impact on the Lithuanian natural gas and electricity markets are the following:

- The LNG prices are expected to remain competitive (save for certain exceptions), thereby leading to the likelihood of further competition in terms of LNG and natural gas across the region.
- In 2021, preparations will be made for Phase 2 of the electricity supply market liberalisation.
- Preparations for the launch of the GIPL will take place. The built gas link between Poland and Lithuania will ensure gas supply from Western Europe and other sources through Poland to Lithuania, other Baltic States and Finland. This connection will operate in both directions and, at a time when market conditions were favourable, gas from Klaipėda LNG terminal can be transported to the Polish gas market or other European countries.
- Launch of the third 1,600 MW reactor at the Olkiluoto Nuclear Power Plant in Finland. This may affect electricity prices and the value of derivatives purchased by the Company.

Description of Key Risks and Uncertainties Faced by the Company Information about financial risk management, hedging instruments in respect of its main categories of transactions qualifying for hedge accounting, and exposure to price risk, credit risk, liquidity risk and cash flow risk, in relation to the use by the Company of financial instruments and, where material for the assessment of assets, equity, liabilities, revenue and expenses

Financial risk

In performing its activities, the Company is exposed to credit risk, liquidity risk, interest rate risk, foreign exchange risk, and natural gas and electricity price risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's financial performance.

Counterparty risk

The Company diversifies its free liquid funds held at banks and enters into transactions only with those financial institutions that have assigned to themselves or have been assigned by their controlling banks a long-term credit rating of not lower than 'A-' according to the rating agency Fitch Ratings or equivalent international credit rating of other rating agencies.

When performing its activities and concluding transactions with business partners or customers, the Company is also exposed to counterparty risks due to their possible non-payment for the services or goods provided. The Company's internal legislation provides for principles of assessment of solvency risk of business partners and customers, control mechanisms, frequency of monitoring and defined responsibilities of structural units:

i. Wholesale activities are carried out only on high-reliability organised trading platforms (e.g. Nasdaq, Nord Pool, ICE, etc.) by providing acceptable minimum reliability criteria. In the case of bilateral transactions, each business partner is also assessed against the established minimum reliability criteria and by providing the business partner with a defined risk limit, the level of use of which is assessed taking into account both the amount of possible defaults under each transaction with the Company and additional costs that the Company would need to incur to replace such transactions with other (due to existing liabilities relating to other operational partners or customers) in line with the commodity prices at that time on the markets.

ii. In retail activities, counterparty risk management is distinguished both by customer segments (private or business customers) and by the products or services offered by the Company. In the case of business customers, an advanced internal rating system using both external and internal information held by the Company is implemented. This allows to assess the level of solvency risk of a new or existing customer and to make appropriate, timely and internal decisions in order to maintain the Company's targets related to receivables within the tolerance limits. In the case of private customers, the Company's internal information about the customer payment status is used and, depending on it, defined debt management actions are carried out, including notification, potential supply restriction, judicial recovery or other actions provided for in the agreements with the clients.

The Company has also implemented the following:

i. A monitoring system for business partners and customers that allows for the prompt recording of significant changes in financial, negative or other general information about the counterparty and for timely preventive action;

ii. Assessment of eligible business partners (or customers) and transactions for corruption risk, which is an integral part of the assessment of the financial counterparty and aims to properly implement the objectives of Anti-corruption policy of UAB Ignitis grupė (https://www.ignitisgrupe.lt/lt/antikorupcijos-politika).

Liquidity risk

Liquidity risk is managed by planning the movement of cash flows of the Company. Cash flow forecasts are made to minimize liquidity risk. Short-term financing (credit lines, cashpool of Ignitis Group) from both the financial institutions and the shareholders is used to manage short-term mismatches of cash flows (inflows and outflows).

Interest rate risk

Interest rate risk mainly arises from current borrowings (that may be necessary to balance out the working capital) and from guarantees issued that are necessary to secure the fulfilment of liabilities arising from trading activities. All loans granted are subject to variable rates, the Company does not use any instruments to manage the exposure to the risk of variations of interest rates.

Foreign exchange risk

Purchase/sale contracts of the Company are denominated mostly in the euro. They may be denominated in another currency, but only in rare cases and to a limited extent. As a result, changes in exchange rates of foreign currencies do not have a significant impact on the Company's equity.

Risk of fluctuation in energy commodity prices

The purchase prices of natural gas and electricity depend on the prices of these resources in the exchanges. In the opinion of the Company, this risk is managed effectively by determining the natural gas and electricity price for business and private customers on the basis of the same variable component values, and, in case of regulated activities, by including the developments in the prices of electricity and gas into the mechanism for the establishment of regulated prices for private customers.

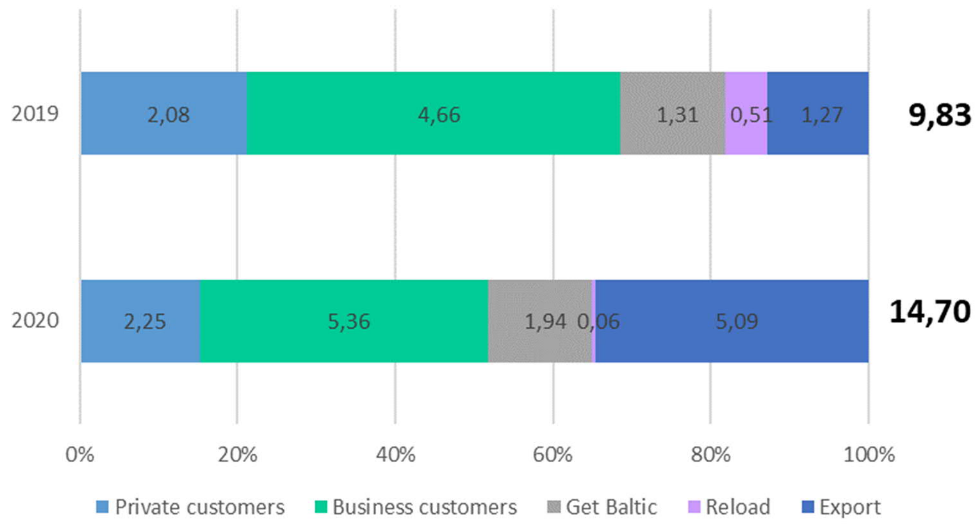
For the purpose of independent supply, part of the natural gas and electricity demand is supplied to business customers under long-term fixed-price contracts. The risk of fluctuation in electricity and gas prices under these contracts is hedged through derivative transactions on organised trading markets or bilateral transactions. The potential financial impact of the part of the portfolio which is not hedged, arising due to liquidity shortages of hedging products in markets or changing customer consumption forecasts, shall be measured by taking into account the prices of emerging futures on commodity markets and the value at risk of the positions concerned, and this impact shall be managed by setting risk tolerance limits, monitoring their level of use and performing other active actions aimed at reducing naked options provided for in UAB Ignitis Grupė and the Company's internal legislation.

Analysis of performance indicators and financial results

Natural gas supply

During January-December 2020, Ignitis supplied 14,700 thousand MWh of natural gas to its customers. This is the largest amount of natural gas supplied since the start of the Company's activities. Of which 5,357 thousand MWh of natural gas was supplied to business customers and 2,250 thousand MWh of natural gas was supplied to private customers in Lithuania. 3.048 MWh was supplied to customers in the Finland market. 2,044 thousand MWh of natural gas was supplied to customers in the Latvian market. The volume of LNG reloaded totalled 59 thousand MWh of natural gas. 1,942 thousand MWh of natural gas was sold on Get Baltic Gas Exchange. Total gas sales increased by 49%, compared to 2019, mainly due to the entrance of the Finnish market and sales on the stock exchange as from 2020. Sales in Latvia increased by 61%.

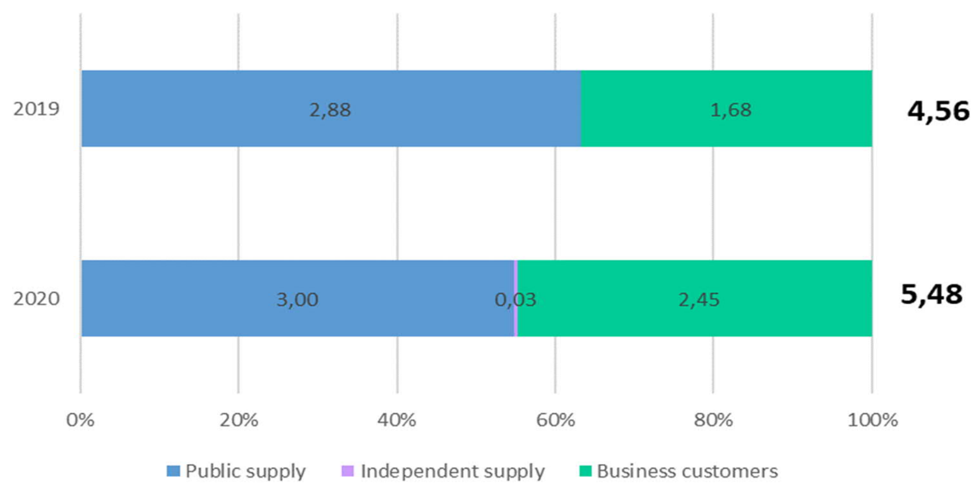
Chart no. 1. Natural gas sales structure by segment, TWh



Electricity supply

During 2020, the Company supplied EUR 3,000 million kWh of electricity to public supply customers. EUR 28 million kWh was sold to customers who chose the Company as an independent supplier, and an increase of 46% was also observed in the activity of supplying electricity to business customers in 2020.

Chart no. 2. Electricity sales structure by segment, TWh



All amounts in thousands of euro unless otherwise stated

Table 1. Ignitis key financial indicators, thousand EUR

	2020	2019 (restated*)	Change
Revenue from contracts with customers	506,182	433,358	72,824
Other income	158	54	104
Cost of sales	(408,684)	(407,174)	1,510
Operating expenses	(24,694)	(22,213)	2,483
EBITDA	72,962	4,025	68,937
EBITDA margin, %	14.41	0.93	
Adjusted EBITDA	13,031	8,011	5,020
Net profit (loss)	42,073	(5,335)	50,278
	As at 31/12/2020	**As at 31/12/2019**	**Change**
Assets	224,449	232,337	(7,888)
Equity	82,427	40,354	42,073
Liabilities	142,022	191,983	(49,961)
Borrowings	48,810	110,314	(61,504)
Return on equity (ROE)[1]	68.5	(20.9)	
Return on assets (ROA)[2]	18.4	(2.9)	
Liabilities to equity ratio[3]	1.7	4.8	
Gross liquidity ratio[4]	1.7	1.1	
Critical liquidity coefficient[5]	1.4	0.8	

* The amounts listed above differ from the amounts within the Annual Report for 2019. The adjustments are disclosed in Note 5 to the notes to the financial statements.

1 Net profit (loss) of the past 12 months / (Equity at the end of the period + Equity at the beginning of the period)/2

2 Net profit (loss) of the past 12 months / (Assets at the end of the period + Assets at the beginning of the period)/2

3 Total liabilities at the end of the period / Total equity at the end of the period

4 Current assets at the end of the period / Current liabilities at the end of the period

5 (Current assets at the end of the period - Inventories at the end of the period) / Current liabilities at the end of the period

All amounts in thousands of euro unless otherwise stated

Revenue

In 2020, the Company's revenue under contracts with its customers amounted to EUR 506.2 million, i.e. 19% more than in 2019. Revenue growth resulted from the entry of Finnish market, higher revenues from natural gas export activities and lower electricity acquisition costs compared to those identified in public supply activities.

Table 2. Structure of revenue from contracts with customers by activities, EUR thousand EUR

	2020	2019	Change
Sale of natural gas to private customers	53,428	65,028	(11,600)
Sale of natural gas to business customers	106,267	139,561	(33,294)
Sale of natural gas for export	61,862	39,624	22,238
Public supply	165,244	137,190	28,054
Independent supply	1,235	-	1,235
Supply of electricity to business customers	107,473	48,657*	58,816
Other income	10,673	3,298	7,375

*Activity commenced on 1 June 2019.

In 2020, the Company gained profit of EUR 42.1 million (in 2019, the Company incurred loss of EUR 5.3 million). The Company's operations were profitable due to lower purchase prices of gas and electricity compared to prices established for the public electricity supply service and gas supply for private customers. The regulatory difference (unearned revenue) of EUR 15.4 million was accounted for public electricity supply as at 31 December 2020. This difference will be recovered in subsequent periods (see Note 4.3 to the notes to the financial statements).

In 2020, the Company did not pay any dividends.

Table 3. EBITDA

EBITDA, thousand EUR	2020	2019	Change
Profit (loss) before tax	47,599	(4,788)	52,387
Finance income	411	438	(27)
Finance costs	(1,954)	(1,439)	515
Depreciation and amortisation (including depreciation under IFRS 16)	(18,471)	(5,312)	13,159
Impairment and write-off of property, plant and equipment, impairment of investment in subsidiaries	(5,349)	(2,500)	2,849
EBITDA	**72,962**	**4,025**	**68,937**

EBITDA = Profit (loss) before tax + finance costs – finance income + depreciation and amortisation (including depreciation under IFRS 16)+ impairment and write-offs of non-current assets, and impairment of investment in subsidiaries

In 2020, the Company's adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation), i.e. EBITDA after elimination mismatches between the expenses and revenue included in the gas and electricity prices for household customers and those actually incurred, between the projected and actual LNG acquisition and realisation prices and quantities, and change in the market value of open financial derivative instruments, amounted to EUR 13.0 million.

All amounts in thousands of euro unless otherwise stated

Table 4. Adjusted financial performance results

	2020	2019
EBITDA	**72,962**	**4,025**
Mismatches between the expenses and revenue included in the gas prices for household customers and those actually incurred	(5,761)	(10,526)
Mismatches between the projected and actual LNG acquisition and realisation prices and quantities	6,266	939
Mismatches between the expenses and revenue included in the electricity prices for household customers	(28,100)	9,209
Adjustments of revenue and expenses of the supply of electricity due to overdeclaration and accrual	(15,711)	943
Change in market value of open financial derivative instruments	(17,522)	2,219
Write-offs and impairments of short term and long-term receivables and inventories	897	1,190
Total adjustment effects	(59,931)	3,974
Adjusted EBITDA	**13,031**	**7,999**

More details about the Company's financial performance results are disclosed in the notes to the financial statements of Ignitis for the year 2020.

Information on environmental and personnel-related topics

The Company's activities comply with the requirements stipulated in the environmental legislation.

In 2020, the Company used a system of variable remuneration and employee performance management. Remuneration of the Company's employees consists of a fixed and a variable component. The fixed component of remuneration is established based on the job position and the competence level, which is attributed after an assessment of the competences necessary for the position, education, responsibilities and the significance of decisions for the Company. The variable component of the remuneration is paid for measurable performance results, i.e. with respect to each position for the achievement of set objectives.

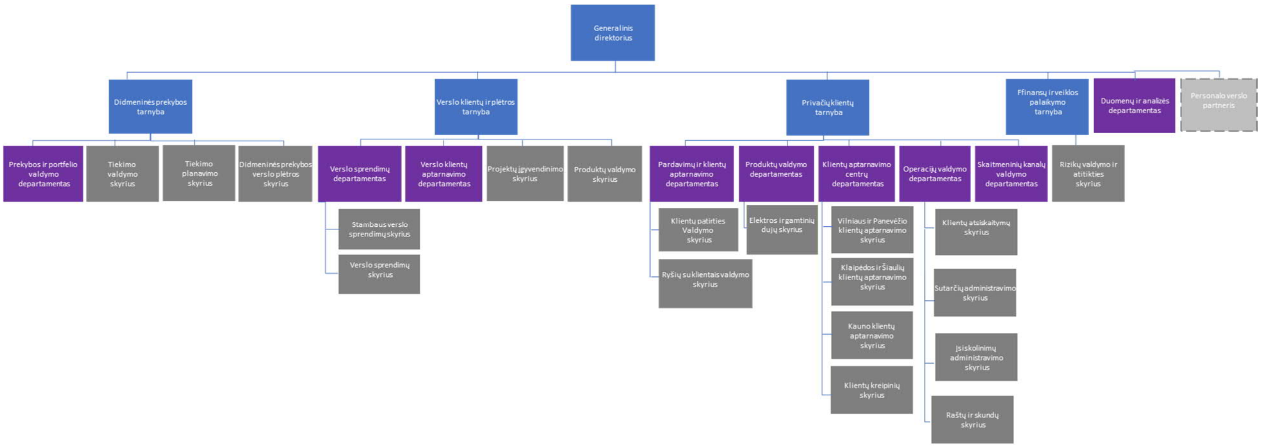
As at 31 December 2020, the Company had 285 employees, whereof 26 employees were on child care leave (31 December 2019: the Company had 104 employees, whereof 11 employees were on child care leave).

76% of the Company's employees have higher university education.

In 2020, The Company's remuneration fund amounted to EUR 8.7 million (2019: EUR 3.4 million). The increase in the payroll was due to the relocation of the customer service function from Ignitis Group company to the internal structure of the Company.

All amounts in thousands of euro unless otherwise stated

Chart no. 3. The Company's organisational structure



Employees of the Company

Table 5. Breakdown of headcount by category of employees and average salary

Employee category	Headcount As at 31/12/2020	Average monthly salary* (pre-tax), EUR January-December 2020
CEO	1	9,791
Top level executives	4	7,854
Mid-level executives	40	4,553
Specialists	240	1,927
In total	**285**	**2,433**

* The average salary consists of a fixed component (salary, annual leave, short-term sick pay, work on weekends and holidays in case of emergencies, etc.) and a variable component (proportionally calculated for 1 month).

References to or additional explanations of data reported in the annual financial statements

All financial data presented in this annual report is consistent with the Company's audited financial statements.

Information on own shares held or acquired by the Company, the number of own shares acquired or disposed of during the reporting period, their nominal value and percentage of issued capital they represent, and information on payment for own shares, provided they are acquired or disposed of in return for a consideration.

At the beginning of the reporting period, the Company had no own shares, nor acquired any during the reporting period.

Information on the Company's branches, representative offices and associates

The Company has no branches and representative offices.

The Company has three subsidiaries:

Company	Registered office	The Company's ownership interest as at 31 December 2020	Issued capital	Main activities
Ignitis Eesti OÜ	Narva g. 5, 10117 Tallinn, Estonia	100 per cent	EUR 35,000	Retail trade in electricity
Ignitis Latvija SIA	Darzciema st. 60, LV-1048, Riga	100 per cent	EUR 11,500,000	Retail trade in electricity
Ignitis Polska Sp. z o.o.	Puławska g. 2A, Warsaw, 02-566, Poland	100 per cent	EUR 2,339,216.23 (PLN 10,000,000)	Wholesale and retail trade in electricity, retail trade in gas

All amounts in thousands of euro unless otherwise stated

Information on the Company's branches, representative offices and associates (continued)

The Company's investments in associates as at 31 December 2020 included:

Associate	Registered office	The Company's ownership interest as at 31 December 2020	Carrying amount	Main activities
Ignitis Grupės Paslaugų Centras UAB	A. Juozapavičius st. 13, 09311 Vilnius	1.68 per cent	EUR 177,000	Provision of information technology and telecommunications and other services to shareholders

Significant events after the end of the reporting period

The Company intends to establish a subsidiary in Finland in the first half of 2021. It is expected that by establishing a new company, a simpler, faster and more efficient way to operate on the Finnish market will be created, which would strengthen the Company's service development and sales opportunities.

The Company's operation plans and forecasts

Given the constant changes in business environment, the Company seeks to diversify its activities in terms of both geographical coverage and development of its products and services to ensure that it meets the needs of customers and offers the best possible solutions.

Activities in subsidiaries abroad are expanded. Ignitis Latvia will develop the electric vehicle charging network and will sell renewable energy solutions. Ignitis Polska will start trading gas derivatives and will grow its gas and electricity retail portfolio. In Finland, the establishment and development of a subsidiary of Ignitis is envisaged.

Information on the Company's research & development activities

The Company plans to continue a sustainable development of its current activities aimed at improving profitability and efficient use of assets in a long run. Research will be conducted on as-needed basis.

The Company did not conduct any research and development activities in 2020.

Financial instruments in use

Mark-to-market accounting is applied to the financial and hedging instruments measured at fair value and used by the Company.

Information on the other executive positions held by the Company's Manager, members of the Board, and members of the Supervisory Board and the most significant information on their principal workplace

Based on the Articles of Association effective at 31 December 2020, the management bodies of the Company include as follows:

- the General Meeting of Shareholders;
- the Supervisory Board
- the Board;
- CEO.

The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company. The competence of the General Meeting of Shareholders, the procedure of its convocation and decision-making are established by laws, other legal acts, and the Company's Articles of Association.

Supervisory Board

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

All amounts in thousands of euro unless otherwise stated

Members of the Supervisory Board (during the reporting period)

Full name	Participation of the Supervisory Board members in other activities	Beginning of the term of office	End of the term of office
Vidmantas Salietis Member of the Supervisory Board	Principle workplace: Ignitis Group UAB (company code 301844044, address: Žvejų st. 14, LT-09310 Vilnius), Member of the Board, Director for Commerce and Services Other executive positions: Gamybos Optimizavimas UAB (company code 304972024, address: Žvejų g. 14, LT-09310 Vilnius), Member of the Board Elektroninių Mokėjimų Agentūra UAB (company code 136031358, address: Žvejų st. 14, LT-09310 Vilnius) Chairman of the Board; NT Valdos UAB (company code 300634954, address: Smolensko st. 5, LT-03202 Vilnius), Chairman of the Board Ignitis Polska sp. z o.o. (company code 0000681577, address: Puławska st. 2, Building B, Warsaw, 02-566, Poland), Member of the Supervisory Board	1 June 2019	31 May 2023
Dominykas Tučkus Member of the Supervisory Board	Principle workplace: Ignitis Group UAB (company code 301844044, address: Žvejų st. 14, LT-09310 Vilnius), Member of the Board, Director for Infrastructure and Development Other executive positions: Ignitis Gamyba AB (company code 302648707, address: Elektrinės st. 21, LT-26108 Elektrėnai), Chairman of the Supervisory Board Ignitis Renewables UAB (company code 304988904, address: Žvejų g. 14, LT-09310 Vilnius), Member of the Board Vilniaus Kogeneracinė Jėgainė UAB (company code 303782367, address: Žvejų st. 14, LT-09310 Vilnius), Chairman of the Board KŪB Smart Energy Fund powered by Ignitis grupė (company code 304596351, Antakalnio st. 17, 10312 Vilnius), Member of the Advisory Committee.	1 June 2019	31 May 2023
Paulius Dambrauskas, Independent member	UAB AL holdingas (company code 3002288643, address: Ulonų st. 2, LT-08245 Vilnius), Executive Director	1 June 2019	31 May 2023

The Board

The Board is a collegial management body provided for in the Articles of Association of the Company. Board members are elected for the term of office of four years and removed from office by the Supervisory Board. The Board consists of 5 members and elects the Chairman, the CEO of the Company, from among its members. The Board members have to ensure the appropriate performance of the Company activities.

All amounts in thousands of euro unless otherwise stated

Members of the Board (during the reporting period)

Full name	Participation of Board members in other activities	Beginning of the term of office	End of the term of office
Darius Montvila Chairman of the Board	Principle workplace: Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), CEO, Chairman of the Board Other executive positions: UAB Ignitis grupės paslaugų centras (company code 303200016, address: A. Juozapavičius st. 13, Vilnius), Member of the Board Ignitis Latvija SIA (company code 40103642991, address: Cēsu st. 31, LV-1012, Riga, Latvia), Chairman of the Supervisory Board Ignitis Polska sp. z o.o. (company code 0000681577, address: Puławska st. 2, Building B, Warsaw, 02-566, Poland), Member of the Supervisory Board Vilniaus Perkūno Rotary Klubas (company code 125078659, address Jogailos st. 4, LT-01116 Vilnius), Member the Board Honorary Consul of the Federal Democratic Republic of Nepal in Vilnius	1 June 2019	31 May 2023
Haroldas Nausėda	Principle workplace: Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), Director for B2B Clients and Expansion, Member of the Board Other executive positions: Ignitis Eesti OÜ (company code 12433862, address: Narva st. 5, 10117 Tallinn, Estonia), Member of the Board.	1 June 2019	31 May 2023
Andrius Kavaliauskas	Principle workplace: Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), Head of B2C at Ignitis, Member of the Board	1 June 2019	31 May 2023
Artūras Bortkevičius	Principle workplace: Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), Director of Finance and Business Support Department, Member of the Board Other executive positions: Ignitis Latvija SIA (company code 40103642991, address: Cēsu st. 31, LV-1012, Riga, Latvia), Member of the Supervisory Board Ignitis Polska sp. z o.o. (company code 0000681577, address: Puławska st. 2, Building B, Warsaw, 02-566, Poland), Member of the Supervisory Board	1 June 2019	31 May 2023
Tadas Adomaitis	Principle workplace: Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), Head of wholesale trading, Member of the Board	1 June 2019	31 May 2023

All amounts in thousands of euro unless otherwise stated

General Manager

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

Full name	Position Start of term of office	Position End of term of office	Number of shares held at the Company
Darius Montvila	2 April 2019	1 April 2024	-

General Manager Darius Montvila