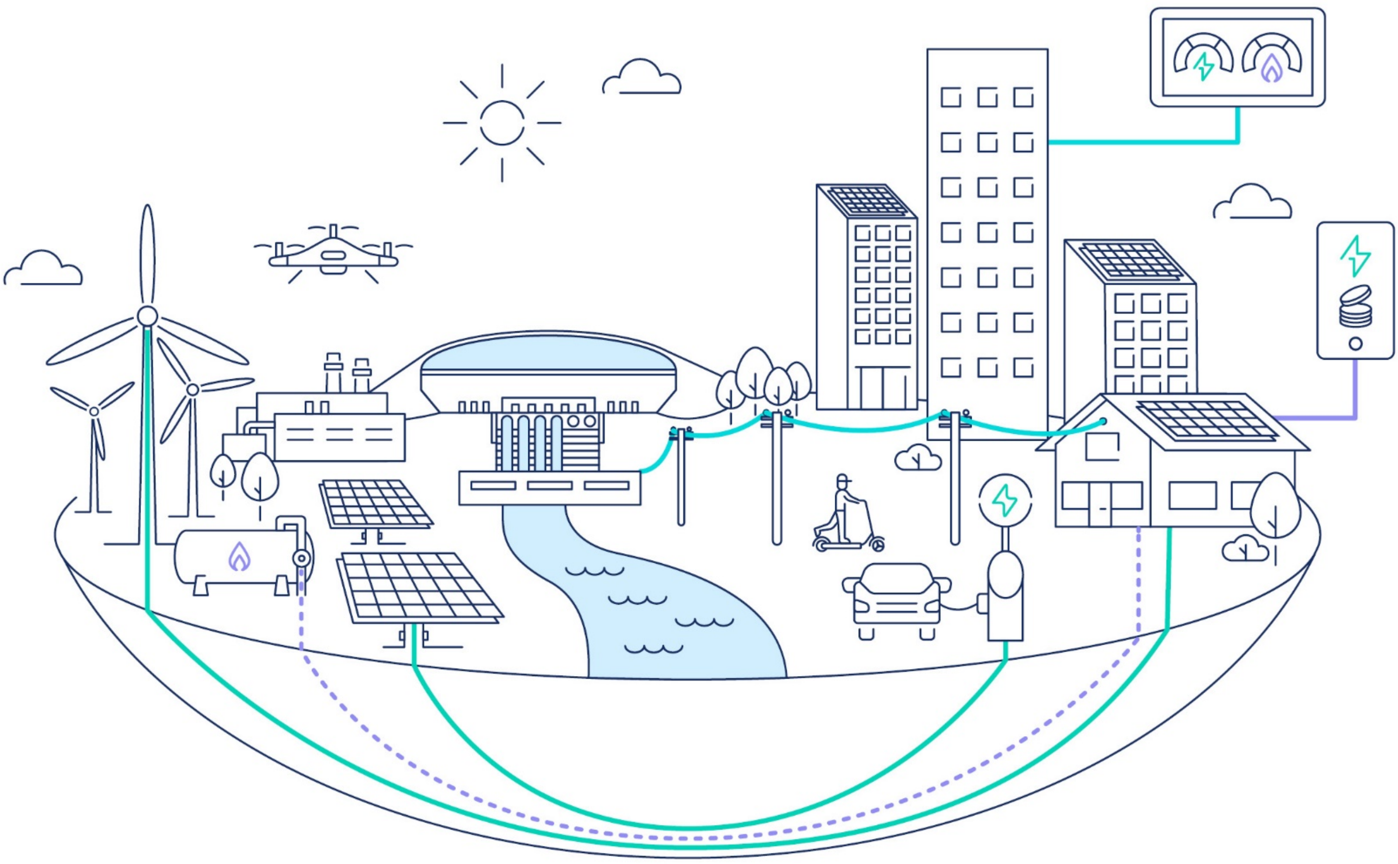
UAB IGNITIS

Annual report for the year 2021

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



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Overview

1.1 CEO's statement

2021 will go down in history as the year of record-high energy prices across the region and market volatility. European climate neutrality goals and energy decentralisation result in a significant transformation of the sector in which the Company operates. By responding to market uncertainty as well as the changing needs of our consumers we have managed to maintain market leadership in Lithuania and to strengthen our positions in foreign markets.

The Lithuanian electricity market is facing fundamental changes. The beginning of last year marked the beginning of liberalisation of the retail electricity market. During the process more than 90 thousand residents had to become clients of independent electricity suppliers. The Company has handled this change extremely well as we have been chosen by 7 out of 10 clients; therefore, gaining the leading market position as an independent supplier. We are actively preparing for the second and third stages of the liberalisation process.

The second half of the year has been unusual in the commodity market. Due to the COVID-19 pandemic and the consequent recovery of the economy and consumption as well as geopolitical tensions and other reasons, we have witnessed unprecedent increases in electricity and natural gas prices. Consequently, in November the Parliament of the Republic of Lithuania approved the amendments to the Laws on Electricity and Natural Gas of the Republic of Lithuania (related to household consumers), postponing the 2nd stage of the liberalisation of the electricity supply market by 6-months (from January to July 2022) as well as approved the scheme for the Company to amortise increased electricity and natural gas prices for household consumers.

With regard to the legislation approved by the Parliament and increased financing needs of the Company, in 2021 the Company concluded two loan agreements with the total value of EUR 404 million. The Company attracted both external and internal financing therefore guaranteeing its ability to continue as a going concern and ensuring smooth operations in the future.

Strengthening its regional positions, in 2020 the Company began supplying natural gas to the Finish business market and quickly gained a significant market share which it successfully maintained in 2021. After the trust of clients was secured, a subsidiary was founded in Finland in February 2021.

Other Ignitis subsidiaries also demonstrated strong operating results and sustainable growth in 2021. The subsidiary operating in the Latvian market successfully increased its activity volumes and profitability and reached the 1 TWh electricity supply portfolio. The subsidiary operating in Poland expanded its product portfolio and successfully began supply of electricity and natural gas to business clients in the retail market.

Furthermore, the Company continues providing services of a designated supplier. In 2021, the Government of the Republic of Lithuania confirmed the mandatory supply volume for the LNG terminal for 2022-2024, ensuring activities of the LNG terminal and allowing the Company to minimise the risks of possible losses related to liabilities arising from long-term LNG supply contracts.

Despite the changes that took place in the energy market in 2021, the Company demonstrated sustainable results – adjusted EBITDA amounted to EUR 27.7 million and remained at a similar level as last year, while gross revenue amounted to EUR 876 million and grew by 73% compared to 2020.

We are thankful to our clients who have put their trust in Ignitis during the transformation of the energy sector. We never stop to invest in innovative and sustainable solutions which satisfy the needs of our customers, and our efforts to meet their expectations will continue in 2022.

1.2 Business highlights

During the reporting period

January

- Based on the amendments of the Law on Electricity as approved by the Parliament on 7 May 2020, the residents of the 1st stage of the electricity market liberalisation began to buy electricity from the chosen independent supplier.

April

- On 1 April, all the necessary decisions were taken for establishment of a subsidiary in Finland. Subsidiary Ignitis Suomi Oy was established on the basis of these decisions.

June

- On 22 June, the Company's Board approved the appointment of Artūras Bortkevičius to the position of the Company's CEO and Member of the Board.

August

- In August, conditions of the supply contract with Equinor ASA were amended. The amendment of the contract established a more favourable supply structure of LNG cargoes. In addition, after the amendment the difference between the price paid for LNG cargoes under the contract and the average price of natural gas import to the Republic of Lithuania will become a lot more stable.

October

- On 12 October, a short-term loan agreement for up to EUR 104 million was concluded with AB SEB bank.
- Construction of one of the largest rooftop solar power plants in Lithuania (power 2.1 MW) was completed.

November

- A credit agreement for EUR 35 million was concluded with AB SEB bank. The credit agreement was concluded following contractual obligations to increase the volume of collaterals with regard to Equinor ASA.
- On 4 November 2021, the Parliament approved the amendments to the Law on Electricity of the Republic of Lithuania and postponed the 2nd stage of the liberalisation of the electricity supply market from 1 January 2022 to 1 July 2022.
- On 4 November 2021, the amendments to the Laws on Energy and Natural Gas provided a possibility to outline (in a coordinated manner with NERC) the differences between the prices set for consumers and the factual commodity market prices in future periods.
- On 17 November 2021, the Republic of Lithuania made a resolution to amend the Government Resolution of 7 November 2012 No 1354 'On the Order of Natural Gas supply diversification approval'. The Resolution determined the mandatory supply volume for the liquefied natural gas (hereinafter – LNG) terminal for 2022-2024, which equates to the currently effective mandatory LNG supply volume and the volume determined in the contract concluded with Equinor ASA, i.e. four standard size LNG shipments.
- On 23 November, a long-term credit agreement for up to EUR 300 million was concluded with the parent company.

- On 30 November 2021, the National Energy Regulatory Council (NERC) approved natural gas prices for residents for the 1st half of 2022.
- On 30 November 2021, NERC approved electricity tariffs for household consumers set by the Company as the public electricity supplier and to be applied to customers consuming less than 5000 kWh/year who have not chosen an independent electricity supplier.
- On 30 November 2021, after completion of the selection procedure, Darius Šimkus was appointed as the Company's new Chief Financial Officer and Member of the Board.

After the reporting period

January

- An additional LNG cargo from USA was purchased in order to guarantee stability for supply of natural gas.

February

- On 23 February 2022 Military conflict escalated in Ukraine which led to uncertainties in commodity prices, especially natural gas, and challenges related to physically ensuring supply of natural gas.
- Another unscheduled LNG cargo from USA was purchased.

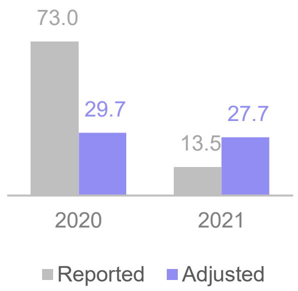
March

- On 2 March 2022, the Company concluded an overdraft with AB Swedbank for up to EUR 150 million.
- On 17 March 2022, the Company concluded an overdraft with AB Swedbank for up to EUR 150 million.

1.3 Performance highlights

Financial performance

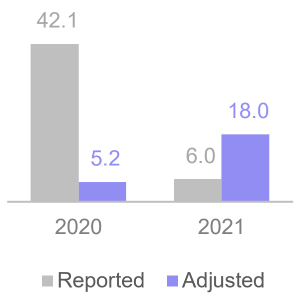
EBITDA, Adjusted EBITDA APM
EURm



EBITDA amounted to EUR 13.5 million in 2021 and was 81% or EUR 59.5 million lower, and adjusted EBITDA amounted to EUR 27.7 million and was 7% or EUR 2.0 million lower compared to the same period of 2020:

- Adjusted EBITDA decreased due to Negative change in electricity business (EUR -40.4 million), which was driven by independent supply activity mainly due to ineffective "proxy" hedges, as spread between Lithuanian and Finish price zones has increased, especially in Q4, and there was limited availability of products in the Lithuanian and Latvian market. This result was offset by improved gas activity result (EUR +39.2 million), which was driven by temporary effect from stored natural gas inventory due to the applied weighted average cost accounting method. Inventory effect resulted mainly from a combination of increasing gas prices (+313% in average TTF index) and higher volume of stored gas (+27% on average).
- The main reasons for the decrease in EBITDA were the positive difference (EUR +42.6 million) between regulated and factual prices which occurred in the public electricity supply activity in 2020 and did not exist in 2021, and the negative difference between the set prices and factual costs (EUR -71.0 million) in the activity of gas supply to residents, resulting from record increases in natural gas prices for year 2021. Opposite effect resulted from temporary regulatory differences of public supply activity, which will be returned to consumers in future periods, and due to higher stored volume from previously purchased gas as the applied weighted average cost accounting method and record high natural gas prices had a positive effect on the result.

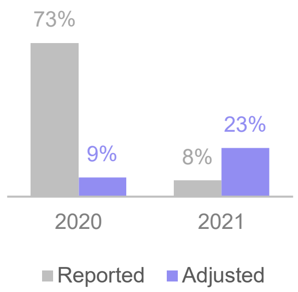
Net profit, Adjusted net profit APM
EURm



In 2021 net profit amounted to EUR 6 million and was 86 % or EUR 36.1 million lower, and the adjusted net profit amounted to EUR 18 million and was 246 % or EUR 12.7 million higher compared to the same period of 2020:

- In 2021 net profit decreased due to the negative change in EBITDA (EUR -53,1 million, see the comment on EBITDA) which was compensated by lower amortisation costs (EUR +15.7 million). The main reason for lower costs was accelerated amortisation of intangible assets acquired during a business combination in 2020.
- Adjusted net profit increased due to lower amortisation costs in 2021 (EUR +15.7 million).

ROE (12-month), Adjusted ROE (12-month) APM
%

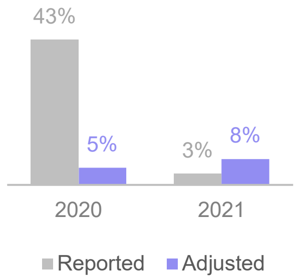


During the year, ROE decreased by 65%, while the adjusted ROE increased by 14%:

- ROE decreased due to the negative change in net profit (EUR -36.1 million, see the comment on net profit) and increased average equity (EUR +20.2 million) resulting from application of the hedging accounting policy for derivative financial instruments and the positive result of the unrealised effective derivatives accounted under this policy (EUR +22.4 million at the end of 2021).
- Adjusted ROE increased due to adjusted profit growth (EUR +12.8 million, see the comment on the adjusted net profit), and decreased due to higher average equity (EUR +20.2 million).

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

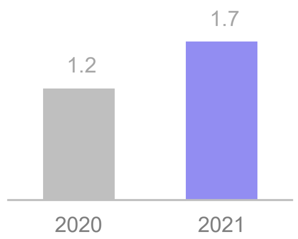
ROCE (12--month), Adjusted ROCE (12-month) APM
%



During the year, ROCE decreased by 40%, while the adjusted ROCE increased by 3%:

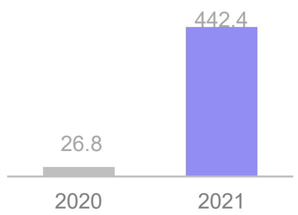
- ROCE decreased due to higher net debt (EUR 189.6 million on average during the year, see the comment on net debt) and lower EBIT (EUR -38.4 million), the main reasons for its change are disclosed under information on EBITDA.
- Adjusted ROCE grew due to higher net debt and adjusted EBIT gain (EUR +19 million), the main reasons for its change are disclosed under information on EBITDA.

Investments APM
EURm



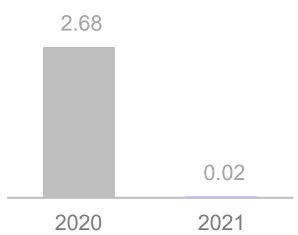
In 2021 and 2020, investments were mainly related to updates and development of information systems, robotisation of day-to-day operations and solutions for the clients on the Company's website.

Net debt / EBITDA
EURm



In 2021, net debt amounted to EUR 442.4 million and grew by 1,553% or EUR +416.5 million. The main reason for the increase was higher need for working capital given the unusual situation in the commodity market. Given the rapid growth in market prices, the government approved the scheme which provided the Company with the opportunity to amortise higher gas and electricity prices for residents (EUR +196.0 million). Due to price increases in the market the Company also paid more for inventories (EUR +121.1 million), and the need for deposits under derivative contracts increased (EUR +67.9 million). The Company will not incur losses due to amortisation of electricity and gas prices as the differences between the factual commodity prices and the approved tariffs for household consumers will be arranged in future periods, including compensation of borrowing costs.

FFO (12-month) / Net debt APM
%

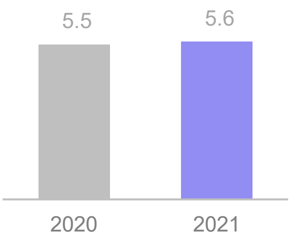


Funds from operations (FFO) /net debt decreased significantly due to the increase in net debt (EUR +416.5 million – see the comment on net debt) and the decrease in FFO (EUR -67.1 million compared to 2020). The main reason for the decrease in FFO was lower EBITDA in 2021 (EUR -59.5 million, see the comment on EBITDA) and the increase in the income tax paid (EUR +7.3 million) compared to the same period of 2020.

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

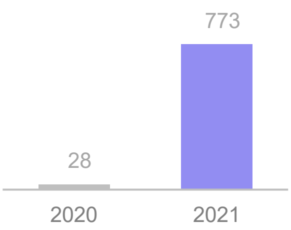
Operating performance

Electricity sales APM
TWh



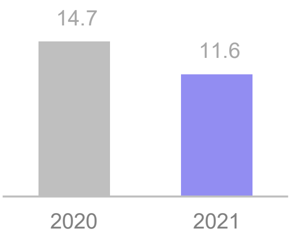
In 2021, electricity sales increased up to 5.6 TWh and grew by 2.6% compared to 2020. Electricity volume sales grew due to increased sales to business clients (+10.6% due to increased number of business customers and more active economy). However, sales to residents decreased by 3.9% and amounted to 2.9 TWh due to the liberalisation process which began in 2021 and during which electricity sales to public supply clients decreased by almost a third, while electricity supply volume to independent supply clients increased more than 26 times.

Independent supply electricity sales
GWh



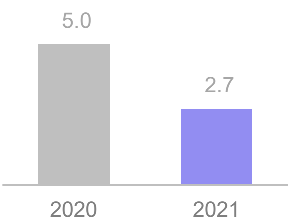
In 2021, independent supply electricity sales increased significantly and amounted to 773 Gwh. The sales increased rapidly mostly due to 1st stage of the electricity supply market liberalisation process since 1 January 2021 during which more than 90 thousand residents had to choose an independent supplier, of which more than two thirds expressed confidence in us and chose our Company as their supplier.

Natural gas sales
TWh



In 2021, natural gas sales amounted to 11.6 TWh and decreased by 21.3% compared to the same period of 2020. Sales decreased mainly due to lower sales to business clients in Lithuania and in the natural gas exchange – 40.7% and 42.2%, respectively. Sales to business clients decreased due to growing competition and single large-volume contracts concluded in 2020 which did not occur in 2021. Meanwhile sales to residents increased by 26.1% due to lower air temperature and remote work following the pandemic.

Natural gas export
MWh



In 2021, the Company successfully continued its natural gas export activities. Natural gas was sold in Latvia, Estonia and Finland. The largest export market remained Finland, same as in 2020. The overall decrease in natural gas export volumes amounted to 42.2% which can be explained by lower sales to business clients in Latvia and Finland. Sales to business clients in Latvia decreased mostly due to one-off natural gas contracts concluded in 2020 which did not occur in 2021. The decrease in sales in Finland was affected by higher competition.

Business overview

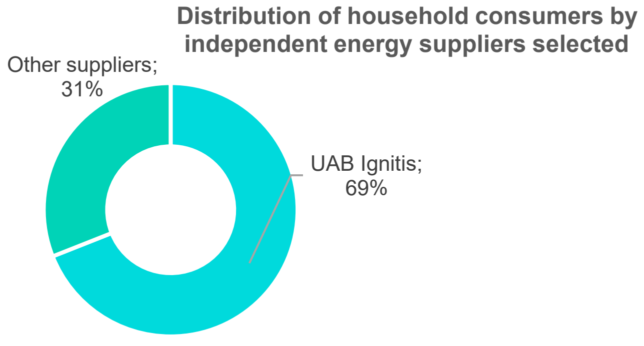
2.1 Business profile

Business model

The main activity of the Company is supply of electricity and natural gas - we are the largest supplier of electricity and gas in Lithuania, we provide energy services to a total of more than 1.6 million residents of the country, whereas the subsidiaries are successfully developing their activities in Finland, Poland and other Baltic states. The Company is also developing a range of smart services, it proposes to the market innovative energy saving and heating solutions, provides electric vehicle charging, electricity balancing services, solar power generation solutions and other energy-related proposals based on technological innovations. Other activities of the Company - planning and (or) balancing of electricity consumption, trade in guarantees of origin, and trade in derivative financial instruments.

Supply of electricity

The Company supplies electricity to residents and to companies of energy, industrial and small commercial sectors. In 2021, the Company held 35% of market in the sector of business customers and intends to maintain a similar share of the market in the future. The Company supplies electricity to approximately 16.4 thousand business customers.



Source: www.vert.lt, data as of 23 February 2022

The Company has a national electricity supplier's licence issued by the National Energy Regulatory Council (hereinafter - NERC). Before 2020, the Company held about 100% of the electricity market share of residential households by carrying out the public supply activities; however, under the legislation, the public supply activity will be carried out until 2023 as a result of the started market liberalisation.

On 1 January 2021, the first stage of the public supply liberalisation took place during which the consumers consuming more than 5 MWh annually switched to independent supply. As at 31 December 2021, in total there were 7 independent electricity suppliers in the market that were able to supply electricity to residential consumers among which the Company is the market leader and which is chosen as an independent supplier by more than 2/3 of total residents.

In 2021, the Company sold 5.62 TWh of electricity in total, whereof 2.71 TWh - to business customers and 2.91 TWh - to private customers.

Gas distribution activity

The Company represents 99.79% of residential household market share (NERC data as of the first half of 2021) and has approximately 610 thousand consumers of natural gas.

In the sector of business customers, the Company is one of 19 subjects having supplied gas during 2021. In 2021, the Company maintained its market share which, regardless of the gas by AB Achema for its own needs, comprised 50-60%.

As in the previous years, alongside the activity of gas supply, the Company also was trading gas in the Get Baltic wholesale gas exchange.

Since 2019, the Company has ensured the designated supply function for the liquefied natural gas (LNG) terminal. The Company took over this activity after the company LITGAS of Ignitis Group was merged with the Company. Keeping the LNG terminal infrastructure operational requires that a certain amount of natural gas – the so-called ‘mandatory quantity’– be supplied through the LNG terminal: degassing it to fill repositories or reloading and delivering it to the public gas grid or the international LNG market. Lithuania’s Law on the LNG Terminal and the Description of the Natural Gas Supply Diversification Procedure both stipulate that the designated supplier (appointed by way of tender for 10 years by the Ministry of Energy) must procure the mandatory quantity, entering into a contract with a supplier of LNG. The designated supplier sells the mandatory quantity of LNG on the competitive market, being compensated only for expenses which it incurred due to the nature of its activity as the designated supplier and which other natural gas suppliers do not incur.

In 2021, the Company’s gas supply and sale of gas on the wholesale exchange comprised 11.57 TWh in total, whereof 8.74 TWh are attributed to business customers and 2.84TWh are attributed to private customers.

Energy from renewable sources

The Company contributes actively to the development of renewable sources in Lithuania. According to the Company’s data, given the number of solar power plants sold to residents, the Company represents 12% of the national market. More than 700 solar power plants were installed on residents’ roofs, and business customers had around 3.5 MWh of solar power plants constructed during 2021.

The Company also manages a solar platform Saulės Parkai which enables private and business customers to acquire or lease part of the remote solar power plant quickly and easily. In 2021, transactions concluded through the platform Saulės Parkai amounted to EUR 5.2 million, and 4 projects with the total capacity of 9.1 MW were funded. As at 31 December 2021, there were 8,592 registered users of the platform.

The Company also manages the platform Ignitis ON which unifies the network of electric vehicle charging stations (currently, there are 82 charging stations) and has more than 8 thousand users.

The Company provides lighting modernisation services to municipalities, medical institutions, municipal and commercial undertakings. 4 lighting modernisation projects have been implemented during 2021.

The Company also contributes to the CO_2 neutrality strategy of AB Ignitis Group by concluding long-term electricity acquisition contracts directly with renewable energy producers and by increasing the supply of green electricity to the customers.

2.2 Business environment

2021 as a year marked with unprecedented changes energy commodities market. Skyrocketing electricity and natural gas prices forced governments across the Europe to find mechanisms to reduce the burden on the customers. We believe that in Lithuania a balanced solution was reached between the Government and market players as a scheme to amortize the increase in electricity and natural gas prices was introduced in the second half of 2021. Essentially, the Group is amortizing the increase in prices (e.g. the difference between the tariff set by the regulator (NERC) and the wholesale commodity prices) and the Government commits to return the difference through regulated distribution tariffs over the period of 2023–2027, including the financing costs. In relation to that, the second stage (out of three stages, which are based on consumption intensity) of electricity market deregulation (B2C related) was postponed by 6 months (from January to July 2022). However, it is not expected to affect the overall target of having fully deregulated electricity household consumers market by the end of 2022. At last, the Government of the Republic of Lithuania confirmed the mandatory supply volume for the LNG terminal amounting to 4 cargoes per year for the whole 2022–2024 period, reducing the uncertainty of designated supply activities, which will benefit all customers, which are currently experiencing the all-time high natural gas prices.

Natural gas

The Company is exceptional in the region as it has ensured natural gas supply from three different sources. The Company has long-term LNG supply contracts, it also purchases natural gas in the market of short-term LNG transactions, acquires natural gas supplied through pipelines and actively uses the underground natural gas storage of Inčukalns in Latvia.

In 2021, the Company actively operated both in the retail supply market and the wholesale market, it purchased and sold natural gas on gas exchanges and traded with other participants of the wholesale market – it also provided gas flow balancing services.

Natural gas market during 2021 was volatile and prices shifted upwards on a global scale. Prices almost quadrupled during the course of 2021, compared to 2020. A number of events were driving the market, including competition for LNG cargoes in 2021, an increase in coal and emission allowance prices, lower-than-average 2021 winter temperatures and a hot summer, lower renewable energy generation as well as maintenance of the major supply routes to Europe and lower pipeline flows to Europe from outside of the European Union. Some of them were driving the demand up, while others restricted additional supplies to reach the market, leading to a tension within the market. High natural gas prices in Europe were highly volatile varied throughout the year 2021, for several days of December they reached record highs - 180 EUR/MWh.

Average natural gas price in 2021, EUR/MWh	2021	2020	Δ, %
Natural gas - TTF ICE	38.6	9.4	*310.6%*

Regardless of high natural gas prices, consumption of natural gas in Lithuania remained stable in 2021. In 2021, natural gas consumption in Lithuania was lower by 24 TWh or 4% than in 2020 when an increase of 7% in natural gas consumption was recorded as compared to 2019.

Electricity

In 2021, the Company was engaged in the activity of wholesale and retail trade of electricity in Lithuania, it acquires electricity portfolio on the Northern Europe's electricity exchange Nord Pool (hereinafter - NP) or via bilateral agreements. The main competitors in the retail market of electricity supply are as follows: UAB Elektrum Lietuva, UAB Enefit, AB Inter RAO Lietuva, and UAB Perlas Energija. It is notable that the Company maintains the leading position in the retail market despite increasing competition in the market.

In the market of electricity as well as in the one of natural gas, there were unusual price fluctuations in 2021 – the average system price was 470.0% higher in 2021, compared to the same period last year. The largest increase of 166.2% within our home market was captured in Lithuania, where prices in 2021 reached 90.5 EUR/MWh, and the absolute hourly price record in Lithuania was 1,000.1 EUR/MWh in December 2021. Meanwhile, the price level in neighbouring countries of Latvia and Estonia followed closely behind – in Latvia and Estonia prices increased by 161.2% and 157.3% to 88.8 EUR/MWh and 86.7 EUR/MWh respectively. Prices in the Poland electricity exchange increased by 89.5%. The increase in electricity prices resulted from the economic recovery after COVID-19, also high prices of oil, natural gas, carbon emission and pollution allowances.

Electricity prices in 2021, EUR/MWh	2020	2021	Δ, %
Nord Pool System price	10.9	62.3	*471.6%*
Lithuania	34.0	90.5	*166.2%*
Latvia	34.0	88.8	*161.2%*
Estonia	33.7	86.7	*157.3%*
Finland	28.0	72.3	*158.2%*
Poland	45.6	86.4	*89.5%*

In 2021, the Company performed distribution of green electricity and provided 2.2 TW of green electricity to Lithuanian business customers, which is an increase of 44% compared to the same period in 2020.

Other activities

The Company traded derivative financial instruments on the NASDAQ Commodities exchange and using Over-the-Counter contracts. Trade in financial instruments is used for the purpose of hedging, and it enables to reduce the risk of price fluctuations of electricity and natural gas.

Seeking to meet the requirements for the quality of services rendered, the Company is continuously improving compliance of goods and services with customer needs, it is improving customer services and carrying out consistent optimisation of activity processes and development of services.

Project based activity of the Company both for private and business customers has been actively developed - solutions related to solar energy, lighting and thermal solutions, and infrastructure for charging electric vehicles. During the year, the portfolio of solar parks in the Company's solar platform increased more than twice and exceeded 13 MW as at the end of the year. On the basis of internal data, the Company holds 32% of the market of remote solar plants in the private sector. The Company is also among the first ones in the Baltic states that started providing solutions of neutralisation of the greenhouse gas footprint to customers.

Activities abroad

The Company has 4 subsidiaries. Ignitis Latvija SIA was founded in 2013. During the year 2021 over 1 TWh of electricity was provided to more than 200 Latvian companies, the subsidiary had successfully increased volumes of retail trade in natural gas.

Ignitis Polska Sp. Z.o.o. Was founded in 2017. The Company developed its derivatives trading business by exploiting fluctuations of market prices, and was trading not only on PolPx exchange of Poland, but also on Nasdaq Commodities. In 2021, electricity and natural gas retail activities were also launched in Poland: contracts were signed with about 150 business customers for the supply period of 2021–2024.

Ignitis Eesti OU was established in 2013. In 2021, the subsidiary successfully continued its activities in the market for retail supply of electricity.

Since the beginning of 2020, the Company has entered the Finnish natural gas supply market. Natural 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 natural gas market. Among the Company's customers are the largest industrial companies in Finland and the largest natural gas distribution operator. Having obtained customer confidence and seeking to continue successful activity development in Finland, the Company established a subsidiary Ignitis Suomi Oy in 2021.

The most important foreseeable events and tendencies of 2022 that may affect the Lithuanian markets of natural gas and electricity:

- Supply of electricity to customers belonging to Stage 2 of the electricity supply market liberalisation will be started on 1 July 2022; whereas, customers belonging to Stage 3 will have to select an independent supplier until 18 December 2022;
- Geopolitical situation in Ukraine is closely monitored; The results of the military conflict have been instantly reflected in the markets of electricity and natural gas, unusual and significant fluctuations in prices of commodities have been observed. As the first month subsequent to the beginning of the conflict has shown, its further development and continuity, at least in a short term, will have a material impact on prices of commodities in 2022.
- As a result of various geopolitical reasons, an increased demand for gas to be acquired through the LNG gas terminal in Europe is projected.
- Successful preparation for the launch of the Gas Interconnection Poland - Lithuania (here on further - GIPL) is carried out, diversification options of energy supply chains and potential economic benefits are analysed. The built gas interconnection between Poland and Lithuania is expected to be launched on 1 May 2022 and will ensure gas supply from Western Europe and other sources through Poland to Lithuania, other Baltic States and Finland. This interconnection will operate in both directions and, at a point of time when market conditions are favourable, natural gas from Klaipėda LNG terminal will be able to be transported to the Polish gas market or other European countries.

2.3 Strategy

Overview

The Company is part of the Ignitis Group and performs its activities with the aim to ensure implementation of the strategy of Ignitis Group updated in 2020 which is applicable to all companies of the group.

Sustainability is at the core of the Strategy. Ignitis Group is accelerating changes that will contribute to reduction of greenhouse gas emissions worldwide, is transforming business models by developing and scaling smart energy-related solutions, is expanding business within its region, and is exploring new opportunities in the markets undergoing substantial energy-related changes.

In the Strategy, Ignitis Group focuses on four key strategic priorities. Firstly, it is creating sustainable future where there is no place for coal or nuclear energy. Environmental, social, and governance (ESG) criteria are an integral part of the strategic goals with strong commitment to a more sustainable future. Ignitis Group aligns its business targets with the United Nations' Sustainable Development Goals, and it is committed to reducing net carbon dioxide (CO_2) emissions to zero by 2050. Ignitis Group also thrives to align its businesses with science-based targets to a 1.5°C-compliant business model. Second, it is ensuring resilience and flexibility of the energy system, as well as enabling energy transition and evolution. Third, it is growing renewables to meet regional energy commitments. It targets to reach 4 GW of the installed green generation capacity by 2030. Fourth, it is capturing growth opportunities and developing innovative solutions to make life easier and energy smart.

Ignitis Group focuses on the 'home' markets – the Baltic countries, Poland, and Finland. It also explores new opportunities in countries on the substantial energy transition path.

We pursue our strategic priorities with a strong focus on financial discipline. Engaged people, agile teams, learning culture, organisation with strong governance model and digital approach are the integral parts of the Strategy of Ignitis Group.

To ensure strategy implementation on an annual basis Ignitis Group announces a strategic plan with targets and KPIs set for the next 4-year period that, in their activities, are followed by and for the implementation thereof responsible are the subsidiaries of the group.

Our values

RESPONSIBILITY

Care. Do. For Earth.
Starting with myself.

PARTNERSHIPS

Diverse. Strong.
Together.

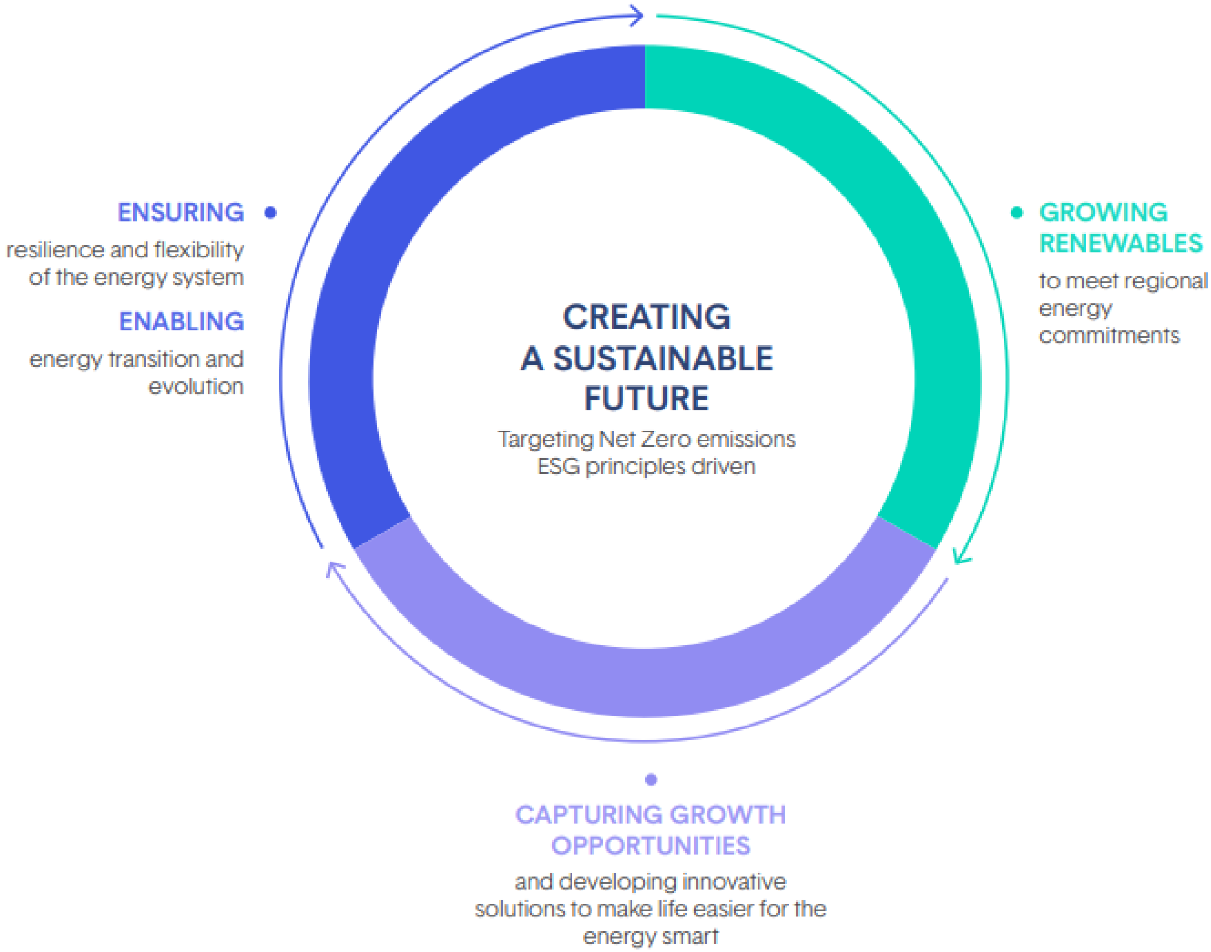
OPENNESS

See. Understand. Share.
Open to the world.

GROWTH

Curious. Bold.
Everyday.

In our **vision,** we transform for a **more sustainable world**.



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

Activity plans

The Company's activity plan is based on the Strategy of Ignitis Group. The Company has 4 strategic directions:

- to develop energy smart products and provide final customers with a wide and diversified range of smart, sustainable and environmentally friendly energy solutions;
- to maintain and strengthen regional leadership and profitable activity;
- to promote digitalisation of the Company's processes and sales channels by upgrading the IT infrastructure;
- to develop entrepreneurial culture in the Company, to strengthen employees engagement and motivation;
- to improve customer service quality.

In 2021, the Company met the expectations of the shareholders and the Supervisory Board by having achieved the majority of the set goals:

- The Company has achieved and exceeded the set financial targets.
- During Stage 1 of the market liberalisation, it acquired and maintained a leading position in the market of independent supply.
- It has successfully implemented priority operational measures and ensured smooth operation during the year of changes in the Company.
- It improved employee experience and applied high standards of personnel management.

The Company's activity plans for 2022:

- To expand activity volumes of electricity and natural gas supply in Lithuania and abroad by proposing innovative, added-value energy solutions.
- To develop innovations in cooperation with partners and to seek for helping customers to become energy smart and to implement environmentally friendly solutions.
- To upgrade the IT infrastructure, improve customer experience by provision of services using digital channels.
- To contribute to expansion of energy production from renewable sources by conclusion of long-term energy acquisition contracts with producers and by exploiting existing competencies of balancing services provision.

Investments

Overview

The key object of the Company's activity infrastructure is the IT systems and programs as well as expansion of electric vehicle charging stations on the Ignitis ON network. The Company has more than 1.6 million private customers and more than 20 thousand business customers. The Company serves a large customer base daily; thus, it is continuously searching for solutions to enhance company-customer relation and to simplify daily operations both for customers and employees. The Company also invests in renewable energy related solutions for customers. One of the best-known products of such investments is the largest fast-charging network of electric vehicles in Lithuania - Ignitis ON.

Ongoing and planned investments

In 2022, it is planned to invest more than EUR 5.2 million, 51% whereof will be directed towards expansion of IT systems, and the remaining 49% - towards the ongoing project-based activities.

The funds for IT investments will be allocated to development of the solar park platform, service solutions of business (B2B) and private (B2C) customers, partial automation of trading, development and updating of the systems used by employees. Investments indented for project-based activities will mainly be used for expansion of leasing activities of solar power plants and the Ignitis ON network of electric vehicle stations - it is planned to build approximately 60 stations during next year.

Results

3.1 Annual results

Revenue

In 2021, the Company's revenue increased by 73.2% compared to 2020 and amounted to EUR 876.8 million. The main reasons for the change in revenue are:

1. **Higher revenues from energy supply (EUR +200.4 million).** Revenue growth from electricity supply resulted from the increase in market prices of electricity (+166%) and higher sales volumes (+11%). Revenue from electricity supply increased both in the sector of business customers and private customers. The increase in revenue from energy supply to business customers (EUR +126.7 million) was driven by a higher average market price (+166%) and higher sales volumes (+3%). Sales of electricity to private customers increased (EUR +46.0 million) due to increased market prices, the start of independent supply activity (increase in sales volumes by 26 times), while the increase in revenue from public supply activity was driven by increased tariff in order to reduce the difference between the tariff and the actual acquisition price (EUR +52.2 million). Positive impact was partially offset by the decrease in public supply volumes (-29%) due to the electricity market liberalisation.
2. **Higher revenues from natural gas supply (EUR +153.6 million).** Revenue growth from supply of natural gas and trade activities resulted mainly from the increase in export of natural gas (EUR +78.3 million) and higher sales to business customers (EUR +60.1 million) due to a higher average price of natural gas (in 2021, the average price of TTF gas index increased approximately by +311% compared to the same period in 2020).
3. **Higher other revenues (EUR +14.5 million).** The growth resulted mainly from the increase in revenue from derivative financial instruments which were realised in the first half of 2021 and for which effectiveness was not calculated (EUR +10.4 million) as well as derivative financial instruments which were realised in the second half of the year and were ineffective for the purpose of financial reporting (EUR +8.6 million). Positive result was offset by decrease of revenue (EUR -5,7 million) from the change of the fair value of open financial derivative instruments arising from ineffective positions.

Revenue by nature of activity, EUR million

	2021	2020	Δ	Δ,%
Supply of electricity	476.8	279.5	*197.3*	*70.5 %*
Supply of natural gas	376.6	219.9	*156.7*	*71.3 %*
Revenue from project based activities	8.9	6.7	*2.2*	*32.8 %*
Other revenue	14.5	0.2	*14.3*	*7,150.0 %*
Revenue	**876.8**	**506.3**	***370.5***	***73.2%***

54% of total Company's revenue comprises revenue from electricity supply. The Company sells electricity in the territory of the Republic of Lithuania. Electricity is sold to both B2B and B2C clients. In 2021, 2.9 TWh of electricity was sold to household consumers and 2.7 TWh - to business customers.

Revenue by country, EUR million

	2021	2020	Δ	Δ,%
Lithuania	734.9	445.2	*289.7*	*65.1 %*
Other[1]	141.9	61.1	*80.8*	*132.2 %*
Revenue	**876.8**	**506.3**	***370.5***	***73.2 %***

[1] *Other – Latvia, Finland, Estonia*

Other revenue of the Company in 2021 comprised sales of natural gas abroad. The major portion of natural gas was provided to the Finnish market (2.6 TWh) where the Company has actively carried out sales since 2020.

Revenue by type, EUR million

	2021	2020	Δ	Δ,%
B2B sales revenue	544.9	280.9	*264.0*	*94.0 %*
B2C sales revenue	331.9	225.4	*106.5*	*47.3 %*
Revenue	**876.8**	**506.3**	***370.5***	***73.2 %***

Sales revenue for business comprises 62% of total revenue of the Company. Most of revenue receivable from residents (approx. 82%) comes from regulated activity.

Expenses

Purchases of electricity, gas and other services

In 2021, the Company's purchases of electricity and gas amounted to EUR 838.3 million and increased by 105.1% compared to 2020. The growth resulted from the increase in purchases of electricity (EUR +309.2 million) and natural gas (EUR +119.8 million) mainly due to increased market prices.

Operating expenses

In 2021, the Company's operating expenses (hereinafter - OPEX) amounted to EUR 23.6 million and remained at the level of the year 2020.

Other expenses

Depreciation and amortisation expenses decreased due to accelerated amortisation of intangible assets related to customer relationships in 2020, which did not exist in 2021. The main reason for the accelerated amortisation was a shorter payback period of assets than it was anticipated at the moment of asset take-over.

Write-off and impairment expenses of long-term and short-term receivables decreased as a result of impairment of investments of EUR 5.3 million in the subsidiary in Latvia made by the Company in 2020, which did not exist in 2021.

Expenses, EUR million

	2021	2020	Δ	Δ,%
Purchases of electricity, gas and other services	**838.3**	**408.7**	***429.6***	***105.1 %***
Purchases of electricity and related services	522.9	213.7	*309.2*	*144.7 %*
Purchases of gas and related services	308.8	189.0	*119.8*	*63.4 %*
Other	6.6	6.0	*0.6*	*10.0 %*
OPEX APM	**23.6**	**23.8**	***(0.2)***	***(0.8 %)***
Wages and salaries and related expenses	9.3	8.7	*0.6*	*6.7 %*
Other	14.4	15.1	(0.7)	*(4.6 %)*
Other expenses	**4.1**	**24.7**	***(20.6)***	***(2.7 %)***
Depreciation and amortisation	2.8	18.5	*(15.7)*	*(84.9 %)*
Write-offs and impairments of short-term and long-term receivables, inventories and other	1.3	6.2	*(4.9)*	*(79.0 %)*
Total	**866.1**	**457.2**	***408.9***	***89.4 %***

Adjusted EBITDA

In 2021, the Company's adjusted EBITDA amounted to EUR 27.7 million and was lower by 6.7% or EUR 2.0 million than in the same period of 2020. In 2021, adjusted EBITDA margin was 3.2% (5.3% in the same period of 2020).

The change in adjusted EBITDA resulted mainly from:

1. Positive change in results from activity of supply and trade of natural gas (EUR +39.2 million). The main reason for the positive change was higher natural gas reserves in storage facilities which were accumulated mainly in the first half of the year and due to the applied accounting method of the weighted average cost and a record-increase of natural gas prices the Company was able to record a lower cost of sales and better result from activity in 2021.
2. Negative result from activity of supply and trade of electricity (EUR -40.4 million) was driven by negative change from electricity supply to business (EUR -27.4 million) mainly due to ineffective hedging transactions as the difference between Lithuanian and Finnish markets increased (especially in Q4); in addition, there was limited availability of products within price zones of Lithuania and Latvia. Negative result from independent supply to households (EUR -6.6 million) was mainly caused by the selected strategy of entry in the market and higher than projected power consumption by customers having fixed price contracts. The result from public supply activity was worse (EUR -2.7 million) as well due to lower regulatory return after NERC amended the formula for calculating the regulatory return in the Methodology for determining public price caps of electricity transmission, distribution and public supply services.

Adjusted EBITDA by nature of activity, EUR million

	2021	2020	Δ	Δ,%
Gas distribution and trading activity	56.7	17.6	*39.1*	*222.2 %*
Electricity supply and trading activity	(27.1)	13.3	*(40.4)*	*(303.8 %)*
Other activities	(1.9)	(1.2)	*0.7)*	*(58.3 %)*
Adjusted EBITDA APM	**27.7**	**29.7**	***(2.0)***	***(6.7 %)***

Changes in EBITDA adjustments

To simplify our reporting and align it with requirements of International Financial Reporting Standards (hereinafter - IFRS), management adjustment related to accounting of fair values in the statement of profit or loss was removed from reported figures for 2021 and comparable figures for 2020. The Company uses derivative financial instruments for hedging of gas and electricity supply contracts, however, until July 2021, the Company did not apply hedging accounting according to IFRS, and the total change in fair values of derivative financial instruments was accounted for in the statement of profit or loss. Management adjustment was used seeking for elimination of temporary fluctuations of fair values of derivative financial instruments related to other periods.

From July 2021, the Company has prepared and started applying hedge accounting policy in accordance with IFRS. Having implemented the amendments, the change in the fair value of a hedging instrument that meets the qualifying criteria for hedge accounting is accounted in the reserve of derivative financial instruments. Therefore, management adjustment of this result is no longer needed.

Considering the changes in management adjustments mentioned above, and to further simplify our reporting, it has been decided to remove management adjustments regarding impairment and write-off of short-term and long-term receivables and write-offs of inventories. These adjustments were not material for the Company's figures; however, in some cases they overcomplicated the interpretation of the Company's results for the intended users.

The Company applied these changes in EBITDA adjustments in parallel with Ignitis Group.

EBITDA adjustments

1. 2021 elimination of the difference (EUR +75.5 million) between higher actual acquisition prices of natural gas as compared to product prices set by the regulator. Having gas prices risen to a record heigh in 2021 and tariffs being recalculated only twice a year, especially high increase in temporary regulatory differences has been observed.
2. 2021 elimination of the inconsistencies (EUR -57.9 million) between the actual and projected LNG acquisition and realisation prices and volumes related to the Company's activity of designated supply.
3. 2021 differences arising from public supply activities comprise elimination of differences between income and expense due to evaluation of over-declaration effects (Note 4.4). Due to amendments to legislation and the means and period of repayment of those differences provided therein, recognition of regulatory differences has been changed. Differences between the actual and the set prices are accounted for within revenue immediately, EBITDA adjustments are made only in respect of evaluation of over-declaration effects.

EBITDA adjustments, EUR million

	2021	2020	Δ	Δ,%
EBITDA APM	**13.5**	**73.0**	***(59.5)***	***(81.5 %)***
Adjustments:				
Temporary regulatory differences arising from the activity of gas supply to residents (1)	75.5	(5.8)	*81.3*	*1,401.7 %*
Temporary regulatory differences arising from the activity of designated supply (2)	57.9)	6.3	*(64.2)*	*(1,019.0)*
Temporary regulatory differences arising from the activity of public supply (3)	3.4)	(43.8)	*40.4*	*92.2*
Total EBITDA adjustments	**14.2**	**(43.3)**	***57.5***	***132.8 %***
Adjusted EBITDA APM	**27.7**	**29.7**	***(2.0)***	***(6.7 %)***
Adjusted EBITDA margin APM	*3.2 %*	*5.3 %*	*n/a*	*(2.1 pp)*

Net profit

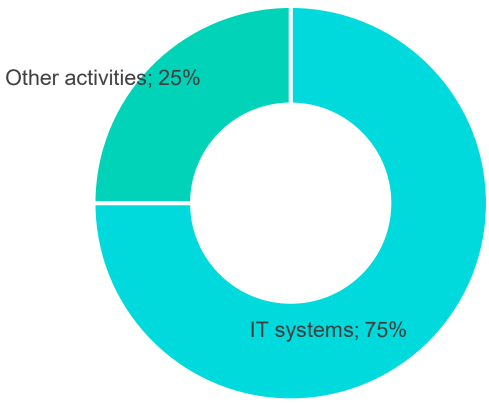
Adjusted net profit amounted to EUR 18.0 million in 2021 (EUR +12.7 million compared to the same period in 2020). Adjusted net profit increased due to lower income tax expenses (EUR +3.4 million), lower depreciation and amortisation (EUR +15.7 million) and impairment expenses of investments in subsidiaries (EUR +5.3 million) which did not exist in 2021.

Reported net profit decreased to EUR 6.0 million in 2021 (EUR -36.1 million compared to the same period in 2020). The decrease resulted mainly from negative EBITDA (EUR -59.5 million) which was offset by lower amortisation expenses (EUR +15.7 million).

Investments

In 2021, investments amounted to EUR 1.7 million (EUR +0.5 million compared to the same period in 2020). The largest investments were made in modernisation and installation of IT systems.

Investments by nature of activity in 2021, %



Statement of financial position

Assets

As of 31 December 2021, total assets reached EUR 814.3 million (EUR +589.9 million compared to 31 December 2020). The growth was mainly influenced by the increase in value of inventories, the increased need for collaterals resulting from higher values of the derivative financial instruments portfolio, the increase in trade receivables and receivable temporary differences arising from supply activities. The common reason for the growth of the mentioned asset groups is the significant increase in market prices of commodities.

Equity

As of 31 December 2021, equity amounted to EUR 71.1 million (EUR - 11.3 million compared to 31 December 2020). The change in equity was mainly influenced by dividends paid out in 2021 (EUR - 39.7 million) which were offset by the revaluation reserve of derivative financial instruments (EUR +22.4 million) accounted for in relation to applying hedge accounting since 1 July 2021.

Liabilities

As at 31 December 2021, liabilities amounted to EUR 743.2 million (EUR +601.2 million compared to 31 December 2020). The increase was driven by the increase in Company's borrowings (EUR +466.1 million) , which are meant to cover temporary differences between the tariffs of electricity and natural gas and actual prices. The significant growth of other current payables and liabilities (EUR +98.7 million) resulted mainly from the increase in negative market values of open financial derivative instruments.

Balance sheet, EUR million

	31/12/2021	31/12/2020	Δ	Δ,%
Non-current assets	165.2	51.0	*114.2*	*223.9%*
Current assets	649.1	173.4	*475.7*	*274.3%*
TOTAL ASSETS	814.3	224.4	*589.9*	*262.9%*
Equity	71.1	82.4	*(11.3)*	*(13.7%)*
Total liabilities	743.2	142.0	*601.2*	*423.3%*
Non-current liabilities	290.4	39.7	*250.7*	*631.5%*
Current liabilities	452.8	102.3	*350.5*	*342.6%*
TOTAL EQUITY AND LIABILITIES	814.3	224.4	*589.9*	*262.9%*
Asset turnover APM	1.69	2.22	(0.53)	*(23.8%)*
ROA APM	1.1%	18.4%	n/a	*(17.3 pp)*
Common liquidity ratio APM	1.43	1.70	(0.27)	*(15.9%)*
Working capital/Revenue *(12 months) APM*	58.1%	15.7%	n/a	*42.4 pp*

Financing

Net debt

As of 31 December 2021, net debt amounted to EUR 442.4 million, an increase of 1,557.0% or EUR 415.6 million compared to 31 December 2020.

FFO (12-month) / Net Debt ratio decreased significantly from 267.5% to 2.5% due to the increase in net debt. Net debt has significantly increased as a result of temporary regulatory differences and the increased working capital of the Company.

Net debt, EUR million

	31/12/2021	31/12/2020	Δ	Δ,%
Total non-current financial liabilities	**288.9**	**39.6**	***249.3***	***629.5%***
Non-current loans	288.8	38.9	*249.9*	*642.4%*
Lease liabilities (IFRS 16)	0.1	0.7	*(0.6)*	*(85.6%)*
Total current financial liabilities	**226.4**	**10.5**	***215.9***	***2,056.2%***
Current loans	226.2	9.9	*216.5*	*2,184.8%*
Lease liabilities (IFRS 16)	0.2	0.6	*(0.4)*	*(66.6%)*
Financial debt APM	**515.3**	**50.1**	***465.2***	***928.5%***
Cash, cash equivalents and cash in escrow account	**72.9**	**23.3**	***49.6***	***212.9%***
Cash and cash equivalents	72.9	22.1	*50.8*	*229.9%*
Cash in escrow account	0.0	1.2	*(1.2)*	*(100.0%)*
Net debt APM	**442.4**	**26.8**	***415.6***	***1,557.0%***
Net debt / adjusted EBITDA (12-month) APM	15.99	0.90	15.09	*1,676.6%*
Net debt */ EBITDA (12-month)* APM	32.72	0.37	32.35	*8,743.2%*
FFO (12-month) / Net debt APM	1,1%	267.5%	n/a	*(266.4 pp)*
Financial debt / Equity APM	7.25	0.61	6.64	*1,088.5%*
Equity level APM	0.09	0.37	*(0.28)*	*(75.6%)*

Dividends

On 15 December 2020, the Management Board of Ignitis Group approved an updated dividend policy of the controlled subsidiaries, according to which:

1. governance bodies of the subsidiaries are proposing appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year to be at least 80% of the net profit for the financial period for which the dividends are proposed;
2. governance bodies of the subsidiaries may propose to distribute profit for the payment of dividends for the financial year or a period shorter than the financial year if a company incurred loss during the reporting period but has retained earnings accrued from the previous reporting periods. This provision is applicable only if there is an imperative need of the parent company to receive dividends in implementing the dividend policy of the parent company;
3. governance bodies of the subsidiaries may propose to set a lower share of profits than it is set out in sub-paragraph 1 for the payment of dividends for companies or they may propose not to pay dividends for the reporting period if at least one of the following conditions is met:

    3.1. a subsidiary implements green generation investment projects in accordance with the strategy of Ignitis Group;

    3.2. a subsidiary's ability to allocate dividends is limited by the covenants set out in the financing agreements;

    3.3. a subsidiary 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;

    3.4. a subsidiary's equity, after payment of dividends, would become less than the amount of the Company's authorised capital, mandatory reserve, revaluation reserve and reserve for acquisition of own shares;

    3.5. a subsidiary is insolvent, or would become insolvent upon payment of dividends;

    3.6. a subsidiary's net financial debt at the end of the reporting period is equal to or greater than the Company's EBITDA for the last twelve months (from the end of the reporting period) multiplied by six (i.e. Net financial debt ≥ 6 EBITDA for the last twelve months);

    3.7. a subsidiary has received a written consent passed by the Head of Treasury service and the Head of Finance and Treasury Service of the parent company to apply sub-paragraph 3 in cases which are not anticipated in sub-paragraphs 3.1 - 3.6.

In 2021, the Company distributed and paid out EUR 39,715 million of dividends. In 2020, the Company did not pay out any dividends.

Dividends distributed for the specified years, EUR million

	2021	2020	Δ	Δ,%
The amount of dividends paid out in the specified period	**39,715**	**0**	***39,715***	***100%***

Key performance indicators

		2021	2020	Δ	Δ,%
Electricity					
Sales of electricity, thereof:	TWh	5.62	5.48	*0.14*	*2.5%*
Household customers	*TWh*	*2.91*	*3.03*	*(0.12)*	*(3.9%)*
Business customers	*TWh*	*2.71*	*2.45*	*0.26*	*10.6%*
Sales of green electricity	TWh	2.19	1.51	0.68	45.0
Number of customers	thousand	1,550.1	1,658.7	*(108.5)*	*(6.5%)*
Private customers	*thousand*	*1,532.7*	*1,648.8*	*(116.10)*	*(7.0%)*
Business customers	*thousand*	*17.4*	*9.8*	*7.8*	*77.9%*
Natural gas					
Sales of natural gas, thereof:	TWh	8.95	12.74	*(3.79)*	*(29.7%)*
Household customers	TWh	2.84	2.25	*0.59*	*26.1%*
Business customers	TWh	6.11	10.45	*(4.34)*	*(41.5%)*
Wholesale market, thereof:	TWh	2.62	1.96	*0.66*	*33.5%*
LNG export	TWh	1.50	0.02	*1.48*	*7,400.0%*
Exchange	TWh	1.12	1.94	*(0.82)*	*(42.2%)*
Number of customers	thousand	616.60	610.22	*6.38*	*1.00%*
Private customers	*thousand*	609.38	602.65	*6.73*	*1.10%*
Business customers	*thousand*	7.22	7.57	*(0.35)*	*(4.6%)*

Sales of electricity in retail market increased by 2.5% in 2021 compared to the same period in 2020. The main reason for the sales growth was the increased number in business customers (+78.0%), meanwhile total sales to residents decreased by 3.9% due to the ongoing market liberalisation. It is noteworthy that according to the controlled market share (69.0%), the Company maintains a leading position in the market of independent supply.

Total sales volume of natural gas decreased by 21% in 2021 compared to the same period in 2020. The decrease resulted mainly from retail trading in natural gas - a decrease of 30% has been observed due to a smaller sales portfolio of business customers both in Lithuania (decrease of 41%) and in foreign markets (decrease of 15%). The negative change in sales was mainly influenced by one-off large-scale transactions which did not exist in 2021. This decrease was partially offset by the increased sales in wholesale market- on the natural gas exchange and the sale of LNG cargoes.

3.2 Summary for three years

Key financial indicators*

		2021	2020	2019
Sales	EUR million	876.8	506.4	437.4
EBITDA APM	EUR million	13.5	72.9	4.0
Adjusted EBITDA APM	EUR million	27.7	29.7	8.0
Adjusted EBITDA margin APM	%	3.2%	5.9%	1.8%
EBIT APM	EUR million	10.7	49.1	-3.8
Adjusted EBIT APM	EUR million	24.8	5.8	-1.0
Net profit	EUR million	6.0	42.1	-5.3
Adjusted net profit APM	EUR million	18.0	5.3	-2.2
Investments APM	EUR million	1.7	1.2	2.3
FFO APM	EUR million	4.6	71.7	1.8
FCF APM	EUR million	(357.6)	60.7	-26.7
ROE APM	%	7.8%	68.5%	(20.9)%
Adjusted ROE APM	%	23.4%	8.6%	(8.6)%
ROCE APM	%	3.4%	41.5%	(5.1)%
Adjusted ROCE APM	%	8.0%	4.9%	(1.3)%
ROA APM	%	1.1%	18.4%	(2.9)%
Adjusted ROA APM	%	3,5%	2.3%	(1.2)%
		31/12/2021	31/12/2020	31/12/2019
Total assets	EUR million	814.3	224.5	232.3
Equity	EUR million	71.1	82.4	40.4
Net debt / EBITDA	EUR million	442.4	26.8	87.4
Net working capital	EUR million	509.2	79.6	74.1
Equity ratio APM	%	58.1%	15.7%	16.9%
Net debt / EBITDA APM	In times	32,72	0,37	21.64
Net debt/Adjusted EBITDA APM	In times	15.99	0.90	10.91
FFO/Net debt APM	%	1.1%	267.9%	2.0%
Common liquidity ratio APM	%	143%	170%	107%
Asset turnover APM	In times	1.69	2.22	2.41

Key performance indicators

		2021	2020	2019
Electricity				
Sales of electricity, thereof:	TWh	5.62	5.48	4.56
Household customers	*TWh*	*2.91*	*3.03*	2.88
Business customers	*TWh*	*2.71*	*2.45*	1.68
Sales of green electricity	TWh	2.19	1.51	0.80
Number of customers	thousand	1, 550.1	1,658.7	1,684.9
Private customers	*thousand*	*1,532.7*	*1,648.8*	1,677.5
Business customers	*thousand*	*17.4*	*9.8*	7.4
Natural gas				
Sales of natural gas, thereof:	TWh	8.95	12.74	8.01
Household customers	TWh	2.84	2.25	2.08
Business customers	TWh	6.11	10.49	5.93
Wholesale market, thereof:	TWh	2.62	1.96	1.82
LNG export	TWh	1.50	0.02	0.51
Exchange	TWh	1.12	1.94	1.31
Number of customers	thousand	616.60	610.22	602.38
Private customers	*thousand*	609.38	602.65	594.97
Business customers	*thousand*	7.22	7.57	7.41

Management report

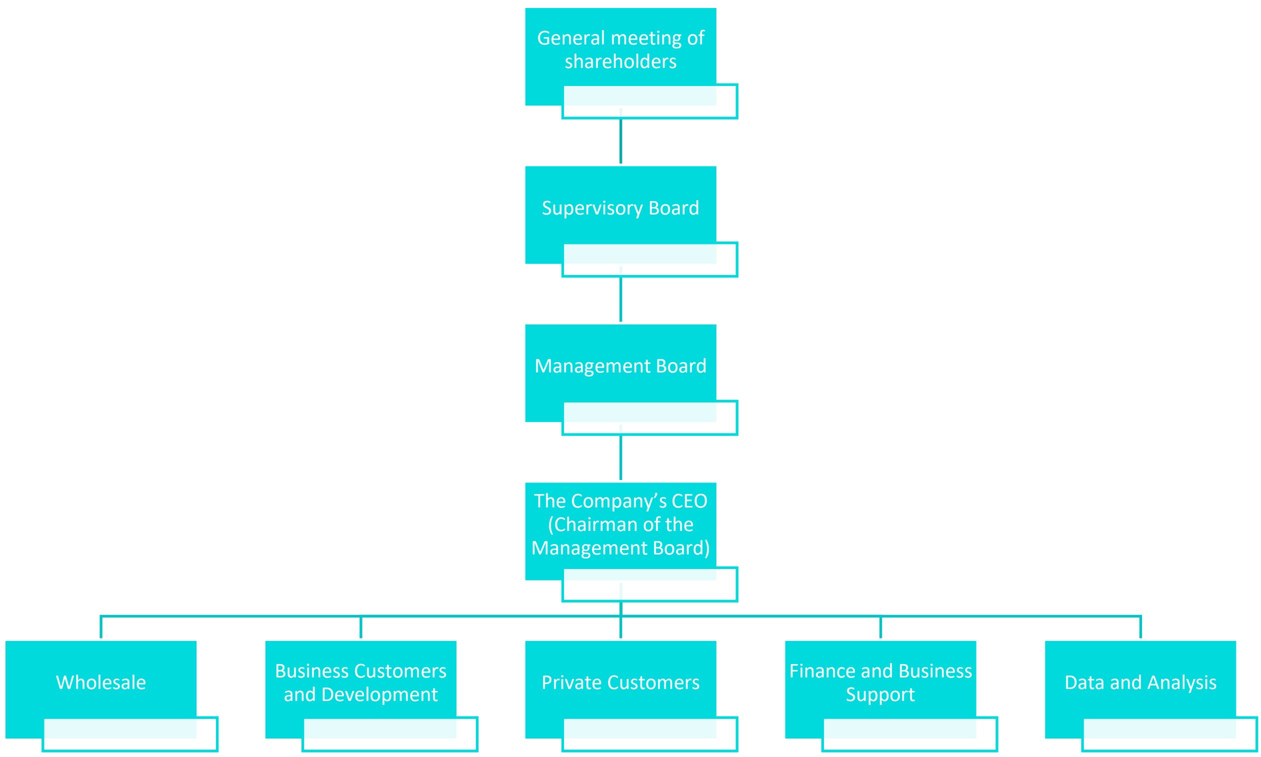
4.1 Governance model

Governance model of the Company

The Company's management structure consists of the Chief Executive Officer and a two-tier governance system comprising the Management Board and the Supervisory Board. The Company's CEO represents the Company in all matters and, alongside the Management Board, is responsible for the management of the Company. Meanwhile, the Supervisory Board is a body that supervises the activities of the Management Board and the CEO. The Company's CEO manages daily activities of the Company and solely represents the Company.

During the reporting period, the following changes in the composition of the Management Board and the Supervisory Board took place:

- On 25 June 2021, Dominykas Tučkus resigned from the position of a Member of the Supervisory Board. Taking this into consideration, Mantas Mikalajūnas was elected to the Supervisory Board as of 27 July 2021.
- On 8 July 2021, Darius Montvila resigned from the positions of the Chairman of the Management Board and the CEO of the Company. Respectively, Artūras Bortkevičius - a former member of the Management Board and Head of Finance and Business Support - was appointed to the position of the Chairman of the Management Board and the CEO as of 9 July 2021.
- As of 30 November 2021, Darius Šimkus was appointed to the position as the Company's Head of Finance and Business Support.



Shareholders, their rights and functions

The Company belongs to the state-owned energy-holding group of companies AB Ignitis Group, 100% of the Company's shares is controlled by AB Ignitis Group. The General Meeting of Shareholders is the supreme governing body of the Company. The competence of the General Meeting of Shareholders, the procedure for convening and taking decision is determined by the laws, other legal acts and the Company's Articles of Association.

4.2 Supervisory Board

Overview

The Company's Supervisory Board is a collegial supervisory body. The competence of the Supervisory Board, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts and the Company's Articles of Association. The Company's Supervisory Board consists of three independent members who are elected during the General Meeting of Shareholders for a four-year term of office. At least 1/3 of the Supervisory Board members shall be independent. The Supervisory Board elects the chairman of the Supervisory Board from among its members.

Functions and responsibilities of the Supervisory Board

- Considering and approving the Company's business strategy, analysing and evaluating implementation of the business strategy, providing this information to the General Meeting of Shareholders.
- Electing and removing members of the Management Board.
- Supervising activities of the Management Board and the CEO.
- Providing proposals and comments to the General Meeting of Shareholders on the Company's set of financial statements, allocation of profit or loss, and the Company's annual report as well as on activities of the Management Board and the CEO.
- Providing proposals and comments to the General Meeting of Shareholders with regard to the decision on draft appropriation of profit for the period shorter than the financial year, the set of the prepared interim financial statements and the prepared interim report.
- Submitting proposals to the Management Board and the CEO to revoke their decisions that are contrary to laws and regulations, Company's Articles of Association or resolutions of the General Meeting of Shareholders.
- Resolving other issues related to supervision of the activities of the Company's governance bodies assigned to the competence of the Supervisory Board in the Articles of Association of the Company, as well as in the resolutions of the General Meeting of Shareholders.

Information on selection criteria of the Supervisory Board members

The selection of the members of the Supervisory Board is initiated and conducted by AB Ignitis Group in accordance with the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Company, a State-Owned or Municipally-Owned Parent Company or its Subsidiary approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015. According to the latter resolution, members of Supervisory Board shall have diverse competences. All members must have at least one of the following competences: finance (financial management, financial analysis or audit), strategic planning and management, knowledge of the industry in which the parent company operates (i.e., the energy sector), other competences (i.e. law, management, human resources).

The decision on the election of a Supervisory Board member is adopted by the General Meeting of Shareholders.

Activities during the reporting period

Overall 18 meetings of the Supervisory Board were held in 2021, Activities of the Supervisory Board in 2021:

- On 12 January 2021, the Company's Supervisory Board approved the Company's strategic business plan for 2021-2024.
- On 15 March 2021, the Supervisory Board members of the Company provided an opinion regarding submission of the audited financial statements of 2020, the annual report, the draft appropriation of profit to the Company's General Meeting of Shareholders and regarding assessment of implementation of the Company's annual objectives.
- On 30 March 2021, the Company's Supervisory Board submitted an opinion on establishment of the Company's subsidiary in Finland.
- On 8 July 2021, the Company's Supervisory Board submitted an opinion on election of the CEO and the Chairman of the Management Board of the Company.
- On 30 November 2021, the Company's Supervisory Board elected a member of the Company's Management Board - Head of Finance and Business Support.
- On 15 December 2021, the Company's Supervisory Board submitted an opinion on approval of the planning documents for 2022.

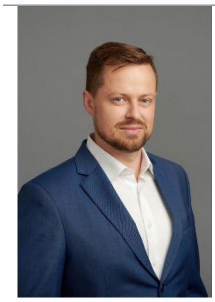
The table below provides an overview of attendance of meetings.

Overview of attendance of meetings of the Supervisory Board members

Name, surname	
Vidmantas Salietis	18/18
Paulius Dambrauskas	18/18
Mantas Mikalajūnas (from 27/07/2021)	8/8
Dominykas Tučkus (till 25/06/2021)	8/8

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

Members of the Supervisory Board

	Description	Experience	Education	Other current place of employment, position
	**Vidmantas Salietis** Chairman of Supervisory Board Term of office: from 01/06/2019 to 31/05/2023	2018 - now Management Board member of AB Ignitis Group, Head for Commerce and Services of the Group 2018 - now Different positions at the collegial bodies of AB Ignitis Group companies 2015 – 2018 CEO of UAB Energijos Tiekimas 2013 – 2016 Board member at AB Ignitis Gamyba 2011 Market analyst at AB Ignitis Gamyba 2009 – 2010 Consultant at UAB Ernst & Young Baltic (EY Lietuva)	Bachelor's degree in business and economics, Stockholm School of Economics, Latvia (2006-2009)	AB Ignitis Group (company code 3018444044, address: Laisvės ave. 10, LT-04215 Vilnius). Management Board member, Head for Commerce and Services of the Group
	**Paulius Dambrauskas** Independent member Term of office: from 01/06/2019 to 31/05/2023	2020 - now CEO of UAB AL Holdingas 2017 – 2020 Head of UAB Girteka Logistics 2016 – 2017 Head for Commerce of UAB Maxima LT 2009 – 2016 CEO of UAB Cgates 2008 – 2009 Head for Development at UAB ActiveSec 1999 – 2008 Member of the Management Boards of Bite Group	2005 – 2006 Corporate Talent Pool leadership programme INSEAD 1996 – 1998 Master's degree in international marketing, Vilnius University, Lithuania 1992 – 1996 Bachelor's degree in International trading and marketing, Vilnius University, Lithuania	UAB AL Holdingas (company code 3002288643, address: Ulonų St. 2, LT-08245 Vilnius) Chief Executive Officer
	**Mantas Mikalajūnas** Member Term of office: 27/07/2021 - 31/05/2023	2019 – now Head of Business Development at AB Ignitis Group 2017 – now Different positions at the collegial bodies of AB Ignitis Group companies 2014 – 2019 CEO of UAB Lietuvos Dujų Tiekimas / UAB Lietuvos Energijos Tiekimas 2013 – 2014 Head of Strategic Development at UAB Lietuvos Dujų Tiekimas 2008 – 2013 Project Manager / Strategic Development 2006 – 2008 Business controller at E. ON Ruhrgas International	2002 – 2004 Master's degree in business administration and management, Vilnius University, Lithuania Bachelor's degree in communications and information management, Vilnius University, Lithuania (1998 - 2004)	AB Ignitis Group (company code 3018444044, address: Laisvės ave. 10, LT-04215 Vilnius) Head of international development
	**Dominykas Tučkus** Member Term of office: 01/06/2019 - 25/06/2021	D. Tučkus who has 7-year management experience joined the Group in 2012. D. Tučkus has gained management experience while working in the energy sector. He held the position of the CEO at LITGAS. In addition, he was a member of the Management Board of Tuulueenergia OU.	2005 – 2007 Master's degree in finance (MSc), Bocconi University, Italy 2002 – 2005 Bachelor's degree in business management and economics, Bocconi University, Italy	-

4.3 Management Board

Overview

The Management Board is a collegial management body of the Company set out in the Articles of Association. It is removed and elected by the Supervisory Board for a term of four years. The Management Board consisting of 5 members elects a chairman of the Management Board who is also the CEO, from among its members. The members of the Management Board, within the competence, have to ensure proper performance of the Company's activities.

The main functions and responsibilities of the Management Board

The main functions and responsibilities of the Management Board, according to which their annual activity is planned, comprise the following decision-making competences regarding:

- the Company’s operating budget, activity plan, targets (indicators);
- the Company’s management and organisational structure, the list of staff positions, and the maximum number of job positions;
- the list of confidential information and commercial secrets;
- the Company’s remuneration report;
- participation or establishment of legal entities;
- establishment or activity termination of the Company’s subsidiaries or representative offices;
- approval of the Company’s annual report and interim report prepared for the adoption of decision regarding distribution of dividends for a period shorter than the financial year;
- disposal of the Company’s shares (percentage, proportion thereof) and their attached rights to other entities, or their restriction;
- the Company’s participation and voting in the General Meetings of Shareholders in entities where the Company is a shareholder;
- issuing of the Company's bonds (except for convertible bonds);
- conclusion of certain high-value contracts;
- adoption of other decisions anticipated in the Company’s Articles of Association.

In some cases, before adopting a decision, the Management Board has to receive a comment from the Supervisory Board, the consent of the General Meeting of Shareholders.

Information on selection criteria of the Supervisory Board members

The members of the Management Board are employees of the Company, they are elected by the Supervisory Board. Each member of the Management Board is elected for a term of four years (or until the expiry date of the current term of office if changes in the board take place in the middle of the term). The Management Board shall be formed taking into account that the competences of the members of the Management Board must be diverse. A member of the Supervisory Board of the Company or the parent company cannot be the member of the Management Board, neither can a member of a supervisory body, management body or administrative body of a legal entity engaged in electricity or gas distribution activities, an auditor or an employee of an audit company who participates and/or participated in the audit of financial statements if a period of more than 2 years has not elapsed; and a person who is not legally entitled to this post. Members of the Management Board of the parent company must meet the general and specific criteria laid down by law. The need for competences shall be determined by the Supervisory Board during the formation of the Management Board.

Activities during the reporting period

Overall 64 meetings of the Management Board were held in 2021. Activities of the Management Board in 2021:

- On 11 January 2021, the Company's Management Board adopted a decision to approve the Company's strategic activity plan for 2021-2024 and to appeal to the Company's Supervisory Board with respect of the approval of the strategic plan.
- On 15 March 2021, the Company's Management Board adopted decisions regarding the audited financial statements of 2020, draft appropriation of profit (loss), annual report and assessment of fulfilment of the Company's annual objectives.
- On 1 April 2021, the Company's Management Board adopted a decision on establishment of the Company's subsidiary in Finland.
- On 8 July 2021, the Company's Management Board adopted a decision regarding election of the chairman of the Management Board, removal of the CEO, appointment of the CEO and establishment of the CEO's employment conditions.
- On 13 December 2021, the Company's Management Board adopted a decision on approval of the planning documents for 2022.

The table below provides an overview of attendance of meetings.

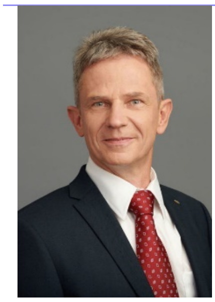
Overview of attendance of meetings of the Management Board members

Name, surname	
Artūras Bortkevičius	64/64
Darius Šimkus (from 30/11/ 2021)	9/9
Haroldas Nausėda	64/64
Tadas Adomaitis	60/64
Andrius Kavaliauskas	64/64
Darius Montvila (from 08/07/2021)	28/28

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

Board members

	Description	Experience	Education	Other current place of employment, position
	**Artūras Bortkevičius** Chairman since 09/07/2021 Term of office: from 01/06/2019 to 31/05/2023	Over past years, Artūras Bortkevičius held the position of the Head of Finance and Business Support at UAB Ignitis. Up until then he held the position of the Head of Finance for the Baltic States at the international pharmaceutical company Sandoz Pharmaceuticals. He also worked as a financial expert at the consulting company Frauditoriai, he held the postilion of the Head of Finance at the company Ceres S.P.A. of the Danish group Royal Unibrew. He was also gaining experience at the Kalnapilis - Taurus group and Sicor Biotech.	Bachelor's degree in applied accounting, Oxford Brookes University, the United Kingdom (2003 - 2005) 2002 – 2006 Certified Public Accountants Association 1995 – 2000 Bachelor's degree in business administration LCC international University, Lithuania	Main employer - UAB Ignitis (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) CEO, Management Board member Other managerial positions held: Ignitis Latvija SIA (company code 40103642991, address: Cēsu iela 31, LV-1012, Riga, Latvia), Supervisory Board member. Ignitis Polska Sp. z o.o. (Company code 0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland) Supervisory Board member.
	**Darius Šimkus** Member Term of office: from 30/11/2021 to 31/05/2023	Darius Šimkus first began his activities in energy sector in 2018 when he joined the team of Finance and Risk Management of the company Energijos Tiekimas as Head of Risk Management; and since 2019 he has become Head of Risk Management and Compliance after the company was merged to Lietuvos Energijos Tiekimas. Before that, he was working in the field of audit for the company Deloitte and gained experience in the sector of finance at the commercial bank Swedbank.	2012 – 2014 Master's degree in financial mathematics, Uppsala University, Sweden. 2008 – 2012 Bachelor's degree in statistics, Vilnius University, Lithuania. 2010 – 2011 Mathematical Statistics (Erazmus programme), Lund University, Sweden.	Main employer - UAB Ignitis (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Head of Finance and Business Support, Management Board member.
	**Haroldas Nausėda** Member Term of office: from 01/06/2019 to 31/05/2023.	In 2008, Haroldas Nausėda started working for, as then-called, Lietuvos Dujos as a manager at the Strategic Development Department, later he became the Company's call centre manager, and subsequent to that, he became the Head of the gas exchange GET Baltic. Since 2014 Haroldas Nausėda has held the position of the Head of Commerce at Lietuvos Dujų Tiekimas, and after the company became Lietuvos Energijos Tiekimas - he has held the position of the Head of Business Customers and Development.	2011 – 2013 Business Management Courses for managers, ISM University of Management and Economics , Lithuania 2007 – 2009 Master's degree in business management and administration, Vilnius University, Lithuania 2003 – 2007 Bachelor's degree in informatics, Vilnius University, Lithuania	Main employer - UAB Ignitis (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Head of Business Customers and Development Department, Management Board member Other managerial positions held: Ignitis Eesti OÜ (company code 12433862, address: Narva mnt. 5, 10117 Tallinn, Estonia) Management Board member.

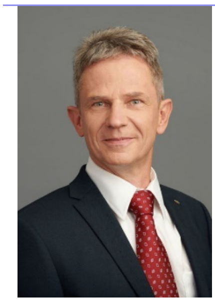
	Description	Experience	Education	Other current place of employment, position
	**Tadas Adomaitis** Member Term of office: from 01/06/2019 to 31/05/2023	Tadas Adomaitis started his career in energy sector in 2007. In 2012, he started working for Klaipėdos Nafta where he contributed to development of the LNG project, and since 2013 he has become the Head of Commerce of the designated supplier LITGAS. Subsequently, he has held the position of the Head of Customer Portfolio Management for more than two years, in 2018 he became the Head of LITGAS, and, after the company was merged to Lietuvos Energijos Tiekimas - he became the Head of Supply.	2010 – 2012 Master's degree in regional politics, Institute of International Relations and Political Sciences, Vilnius University, Lithuania 2004 – 2007 Bachelor's degree in economics and business administration, Stockholm School of Economics, Latvia	Main employer - UAB Ignitis (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Head of Wholesale Trading, Management Board member.
	**Andrius Kavaliauskas** Member Term of office: from 01/06/2019 to 31/05/2021	Andrius Kavaliauskas joined the group of Lietuvos Energija in 2018 and became Head for Private Customers and Service Development at Lietuvos Energijos Tiekimas. Before that, he worked for Franmax and has gained large-scale experience in the field of telecommunications (he has worked for companies TEO, Omnitel, Telia Lietuva) and finance sector - he has worked for the investment management and private banking group Finasta for almost seven years.	2016 – 2018 Baltic Management Institute, Lithuania 2013-2014 IT/IP business development programme, KTH Royal Institute of Technology, Sweden Master's degree in international business finance, Vilnius University, Lithuania (2008-2010) 2004 – 2008 Bachelor's degree in economics, Vilnius University, Lithuania	Main employer - UAB Ignitis (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Head of Private Customers, Management Board member
	**Darius Montvila** Chairman of the Board Term of office: from 01/06/2019 to 08/07/2021	2009 – 2019 Head of BENCO Baltic Engineering Company 2008 – 2009 Management Board member of LEO LT AB, Head of Strategic Projects 2007 – 2008 Deputy Director of HANNER 2004 – 2007 Management Board member of Bite Group, the sector of business and wholesale customers 1996 – 2004 AVAYA, Regional Manager, Finland, Estonia, Latvia, Lithuania 1993 – 1996 L.M. ERICSSON, representative office in Lithuania, Technical Director	1983 – 1990 Bachelor's degree in radio-physics, Vilnius University, Lithuania	-

Chief Executive Officer

Overview

The Chief Executive Officer is a single-person governing body of the Company. The Chief Executive Officer organises, directs, acts on behalf of the Company and concludes transactions unilaterally, except for cases provided for in legislation and the Articles of Association. The competence of the Chief Executive Officer, election and recalling procedures are established by laws, other legal acts and the Articles of Association of the Company. The Chief Executive Officer is appointed by the decision of the Supervisory Board. Information about the Chief Executive Officer of the Company is provided below:

Profile

	Description	Experience	Education	Other current place of employment, position
	**Artūras Bortkevičius** Chief Executive Officer Term of office: from 09/07/2021 to 08/07/2026	Over past years, Artūras Bortkevičius held the position of the Head of Finance and Business Support at UAB Ignitis. Up until then he held the position of the Head of Finance for the Baltic States at the international pharmaceutical company Sandoz Pharmaceuticals. He also worked as a financial expert at the consulting company Frauditoriai, he held the postilion of the Head of Finance at the company Ceres S.P.A. of the Danish group Royal Unibrew. He was also gaining experience at the Kalnapilis - Taurus group and Sicor Biotech.	Bachelor's degree in applied accounting, Oxford Brooks University, the United Kingdom (2003-2005) 2002 – 2006 Certified Public Accountants Association 1995 – 2000 Bachelor's degree in business administration LCC International University, Lithuania	Main employer - UAB Ignitis (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Chief Executive Officer, Management Board member Other managerial positions held: Ignitis Latvija SIA (company code 40103642991, address: Cēsu iela 31, LV-1012, Riga, Latvia) Supervisory Board member. Ignitis Polska Sp. z o.o. (Company code0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland) Supervisory Board member.
	**Darius Montvila** Chief Executive Officer Term of office: from 26/03/2019 to 08/07/2021	2009 – 2019 Head of BENCO Baltic Engineering Company 2008 – 2009 Member of the Management Board of LEO LT AB, Head of Strategic Projects 2007 – 2008 Deputy Director of HANNER 2004 – 2007 Member of the Management Board of Bite Group, the sector of business and wholesale customers 1996 – 2004 AVAYA, Regional Manager, Finland, Estonia, Latvia, Lithuania 1993 – 1996 L.M. ERICSSON, representative office in Lithuania, Technical Director	1983 – 1990 Bachelor's degree in radio-physics, Vilnius University, Lithuania	-

4.4 People and Remuneration

People and culture

Overview

Ignitis Group, that the Company belongs to, is one of the largest employers in Lithuania. Good relationships with employees and contribution to engagement and well-being of employees are a huge responsibility, a challenge and, at the same time, an opportunity.

Ignitis Group forms and seeks to maintain organisational culture which would foster a long-term employer-employee partnership based on values and the Code of Ethics, as well as on mutual understanding and the opportunity to create energy-smart future together.

The Strategy of Ignitis Group specifies the following strategic directions in the area of People and Culture: Engaged people, Agile teams and Learning Everywhere, Always, and Fast. The Policy of People and Culture of Ignitis Group sets out the principles and defines the main provisions to be followed by the Company in its activities when managing the potential of people, the cultural area and in implementing the strategic objectives.

In accordance with the Policy of People and Culture, the Company aims at retaining and attracting the best employees who are able to professionally develop the existing organisational activities and able to create new business opportunities and innovations by sustainably developing a traditional yet innovative organisation in this way. It is aimed that employees uphold the values of the organisation: to be open, evolving, responsible and to foster partnership.

Employees, their diversity and representation

As at 31 December 2021, the Company employed 304 employees (285 employees as at 31 December 2020).

Both in the Company and in the entire Ignitis Group, job opportunities do not depend on an employee's gender, race, religion, sexual orientation or identity, age, disability, or other characteristics not directly related to the job. The Company ensures diversity and equal opportunities for employees and does not tolerate direct or indirect discrimination in all their areas of activity. As at 31 December 2021, men accounted for 29% of all employees. Women comprised 71%. Male specialists accounted for 26%, and female – for 74%. Distribution of mid-level executives: men accounted for 42%, and women – for 58%.

The Company provides job opportunities to people of various ages. As at 31 December 2021, most employees of the Company belonged to the age group of 25-36 years (45%), and the lowest number of employees belonged to the age group of 17-24 years (5%). More than 80% of employees have gained higher education.

The Company promotes and maintains social dialogue with representatives of employees. Employees are represented by the Labour Council that consists of 5 members.

Remuneration of the Supervisory Board

Overview

Remuneration principles for members of collegial bodies are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Remuneration paid for the activities of collegial bodies is fixed and independent from the Company's or the Group's results.

Remuneration for the activities of the Company's collegial bodies is paid to independent members of the Supervisory Board and the Management Board.

More information on the Group's collegial bodies is available in the Remuneration Policy.

Remuneration paid for the activities of the members of the Board is fixed and paid on a monthly basis, it is usually revised before signing the agreement on a four-year term of office.

Remuneration paid to members of the Supervisory Board

Only independent members receive remuneration for activities in the Supervisory Board. During 2020-2021, the Company's Supervisory Board had one independent member.

Annual remuneration of members of the Supervisory Board and its committees, EUR (before taxes)

Name, surname (position)	2021	2020	Δ	Δ,%
Paulius Dambrauskas (Independent member)	3 ,810	11,240	(7,430)	(66%)

Remuneration within the Company

Overview

Within Ignitis Group it has been rapidly moving towards a sustainable performance management model, including management of human resources. The ongoing transition requires new skills and competences as well as continuous development of the culture of Ignitis Group. Seeking for retaining a leading position in the market, the remuneration system was substantially revised in 2019 in order to reduce a gap between the salary market (fixed base salary) and the remuneration median of Ignitis Group by transferring part of the short-term incentives to the fixed base salary. In order to ensure external competitiveness, it is participated in remuneration market surveys on an annual basis. More information on personnel management and remuneration-related issues is available on the website (link) of the parent company Ignitis Group.

Remuneration Policy

The key objective of the Remuneration Policy, applicable to all companies of Ignitis Group, is to improve performance efficiency and to promote achievement of the strategic targets. Ignitis Group has defined 5 key Remuneration Policy principles: fairness, competitiveness, clarity, transparency, and flexibility.

Key Remuneration Policy principles of the Group

Internal fairness	We ensure that similar or same-value-creating work is compensated equally throughout the organisation.
Competitive externally	Employees are paid a competitive salary in relation to the labour market of the country in which they work.
Clarity	We aim that all employees are informed about how their performance, competences and qualification impact their remuneration package as well as on what basis it is set.
Transparency	The aim is that employees were always informed that remuneration within the Group is set on the basis of objective and transparent criteria.
Flexibility	We are flexible to retain strategic importance to the organisation and employees in critical positions in line with the principles listed above.

Overall, the remuneration structure of Ignitis Group consists of two components: the fixed base salary (FBS) and the short-term incentive (percentage of FBS). Dependent on employees' position, short-term incentives (STI) are paid on a quarterly basis, semi-annual basis or annually and are tied to performance results of an employee, a team and (or) a company / Ignitis Group. Specialised remuneration systems are applicable to positions in a highly competitive environment (e. g. heads of development of renewable energy projects, specialists and salespeople of wholesale trade in electricity and gas).

Full version of the Remuneration Policy is available on the website (link) of Ignitis Group.

Remuneration of the Company's employees

The Company's salary fund in 2021 amounted to EUR 9.02 million compared to EUR 7.79 million in 2020. Average monthly salary (FBS and STI) for the period of 2020–2021 is provided in the following table.

Average monthly remuneration of the Company's employees, EUR (before taxes)

Position category	2021		2020	
	Number of employees	Average salary	Number of employees	Average salary
Chief Executive Officer	1	9,448	1	9,791
Top level executives	4	8,621	4	7,854
Mid-level executives	36	4,818	40	4,553
Experts / Specialists	263	2,165	240	1,927
Total	**304**	**2,620**	**285**	**2,433**

Remuneration of the Company's CEO and the Management Board

By applying the provisions of the Remuneration guidelines for executives, it is aimed at attracting and retaining competent members of the Management Board. In order to attract high-level professionals to managerial positions, it is sought to maintain the remuneration close to the market median of the country in which the Group company operates. The remuneration structure for members of the Management Board corresponds to the remuneration structure for the Group's employees (except for a company's car). The remuneration comprises FBS, STI and is described in detail in the table below:

Remuneration structure for the CEO and the Management Board

Element	Purpose	Description and performance measures
Fixed base salary (FBS)	Remuneration for job responsibilities, also reflects the skills, knowledge, and experience of the individual.	Remuneration is determined by the employment contract, considering the level of the position and the level of competence of the employee required for the position. Fixed base salary is paid on a monthly basis. Fixed base salary revision is performed during the annual remuneration review.
Compensation for the Management Board members' activities (PBM)	Remuneration for Management Board members' activities performed.	PBM is a fixed monthly payment paid on a monthly basis., the amount of which usually is reviewed before a 4-year tenure contract is signed.
Short-term incentive (STI)	To promote implementation of the Group's or Company's annual objectives.	Remuneration paid for performance results, i.e. set as a percentage on the basis of FBS for meeting objectives or indicators set for an individual position. This component of remuneration may amount to up to 20% of annual FBS.
Health insurance, 3rd pillar pension fund or life insurance	To apply marketing best practices and retain current executives.	Employees are covered by the health insurance schemes unless they choose the contributions to the private pension funds. Benefits package for the members of the Company's Management Board additionally includes the Company's car.

Remuneration of the Company's members of the Management Board for positions held in collegial bodies in 2020 (before tax)

Name, surname (position)	2021	2020
Artūras Bortkevičius (Chairman)	18,557	15,600
Tadas Adomaitis	15 600	15,600
Andrius Kavaliauskas	15,600	15,600
Haroldas Nausėda	15,600	15,600
Darius Šimkus (since 30/11/2021)	1,365	-
Darius Montvila (till 08/07/2021)	11,358	21,780

More information on remuneration establishment principles of Ignitis Group is available in the Annual Report 2021 of Ignitis Group.

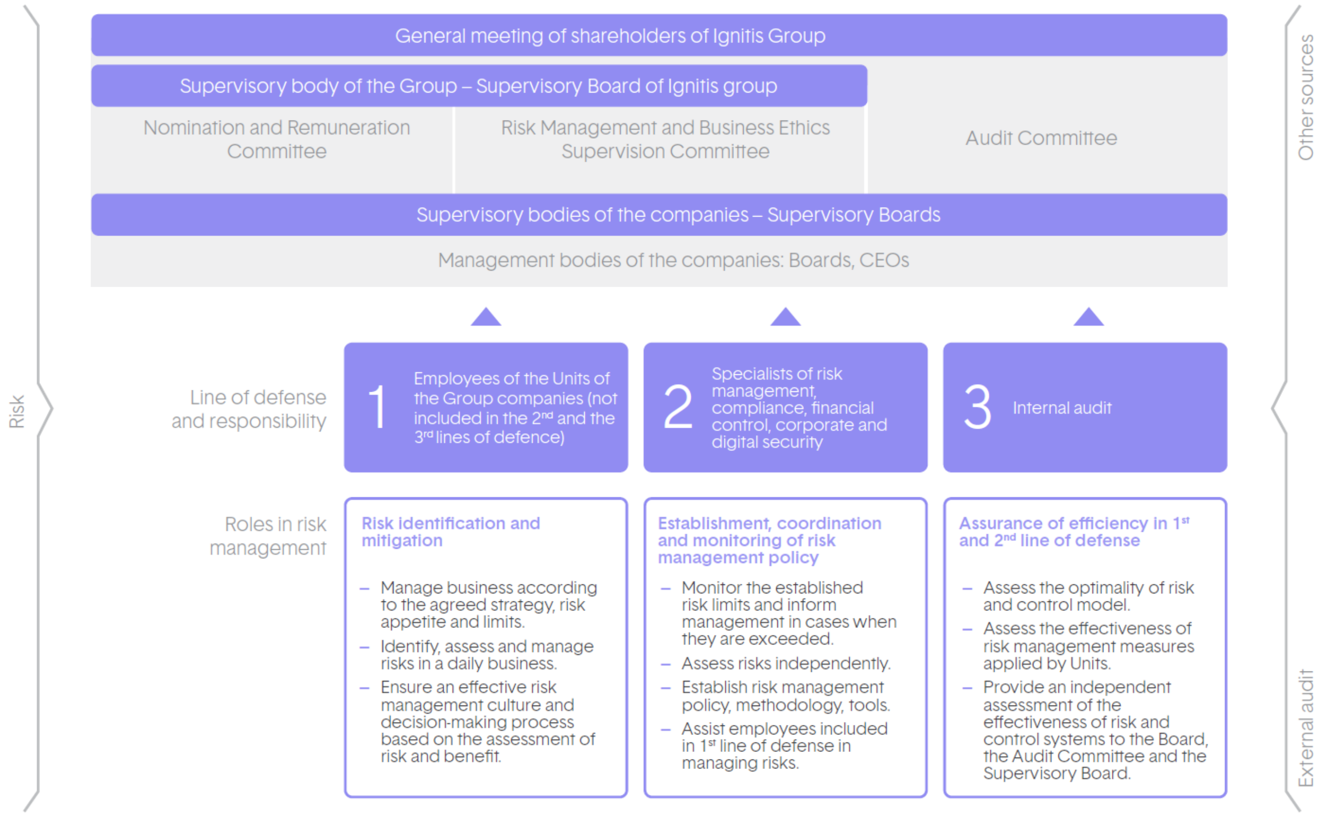
4.5 Risks and risk management

Risk management model

Overview

In order to effectively manage and control risks arising from its activities, the Company applies the “three lines of defence” principle which establishes a clear distribution of responsibilities for risk management and control between the management and supervisory bodies, structural units or functions of the Company.

“Three lines of defence” risk management framework



The entire group of companies Ignitis Group applies a risk management framework prepared in accordance with the main principles of Committee of Sponsoring Organisations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines) by following the best risk management practices.

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

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

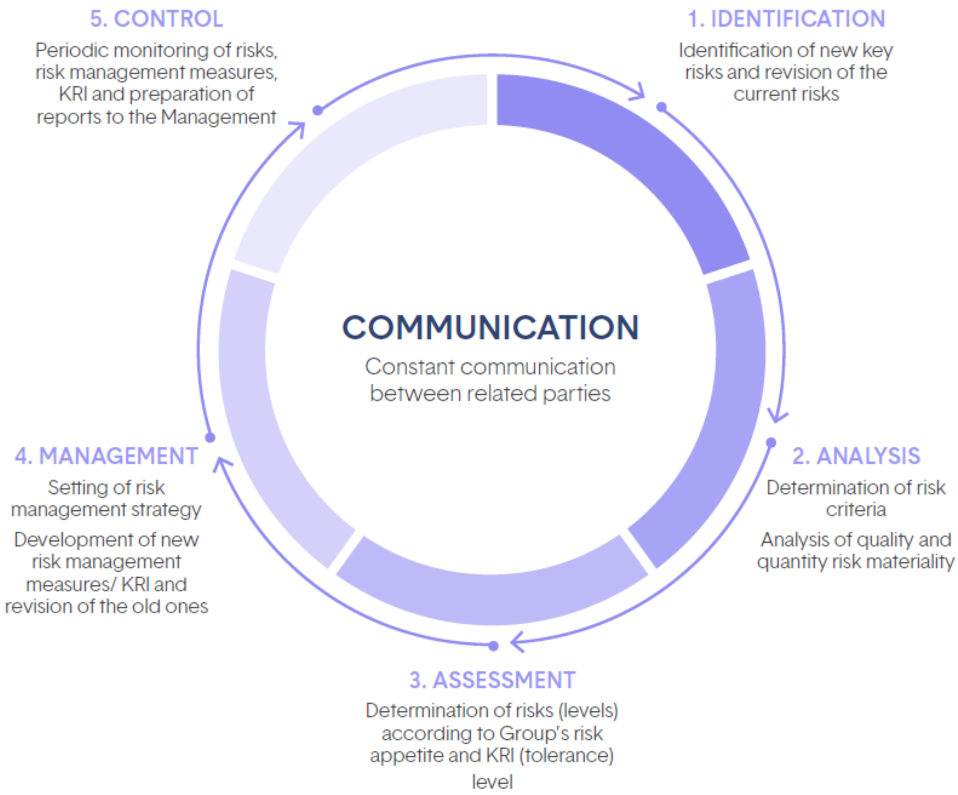
The main risk management objectives are the following:

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

Risk management process and key principles

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

Risk management process



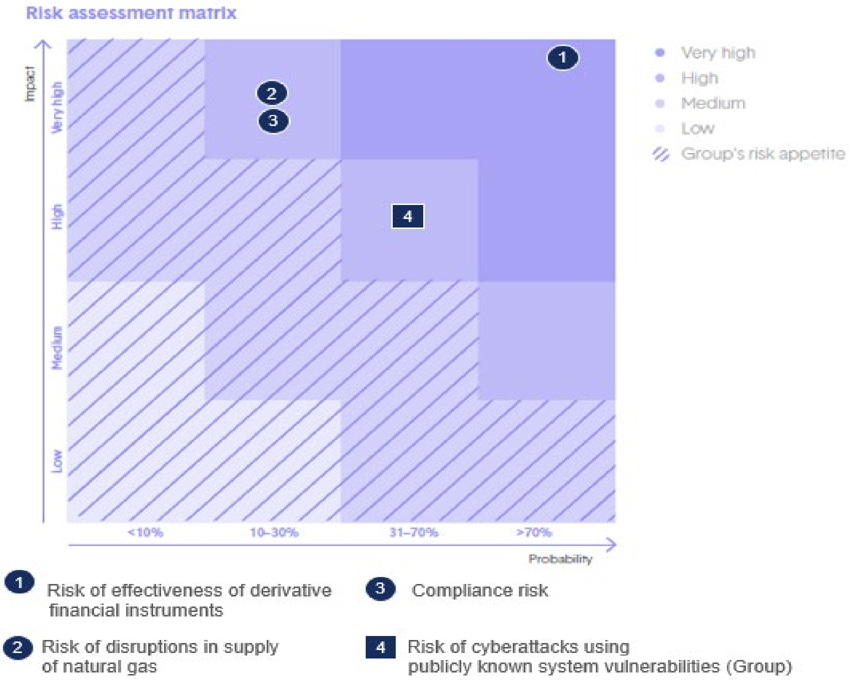
- **At the identification stage**, identification of new key risks and revision of the current risks allows to form a comprehensive picture about the Company's risks.
- **At the analysis stage**, risk criteria are determined according to the established method, and quality and quantity risk materiality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

Risk categories

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

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

Key risks and their control



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

Risk management plan of 2022

1 Financial risk | Risk of effectiveness of derivative financial instruments

Main sources of risk

- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states;
- Hedging within the pricing zon exclusively of the Baltic States increases prices in a highly illiquid market;
- High fluctuations of electricity prices due to intense geopolitical situation.

KRI

- Share of hedged portfolio;
- Value-at-risk (VaR) and usage levels of risk tolerance limits.

Period | Constant

Impact on strategic area

Finance

Potential impact

- Financial

Risk level

Very high

Main risk management principles

- Daily monitoring of hedging portfolio. Tracking of value-at-risk (VaR) and usage of risk tolerance limits.
- Search for hedging products, new transaction parties in order to increase the part of the hedged portfolio;
- Assessment of bilateral transaction counterparties and determination of limits.

2 Operational risk | Risk of disruptions in supply of natural gas

Main sources of risk

- Failures related to pipelines, interconnections, storages, LNGT;
- Decrease in natural gas flows;
- Disruptions in LNG supply chains due to weather or other conditions.

KRI

- Disruptions in supply.

Period | Constant

Impact on strategic area
Customers & Solutions

Potential impact

- Financial
- Reputation

Risk level

High

Main risk management principles

- Continuous collaboration with infrastructure managers, suppliers, customers and other market participants in order to ensure supply safety and flexibility;
- Development and implementation of new possibilities, sources, models/ schemes of trade and supply.

3 External, operational risk | Compliance risk

Main sources of risk

In its operations the Company must comply with:

- GDPR;
- REMIT, EMIR;
- Third energy package;
- And other requirements applicable to the activities of the Company.

KRI

- Violations, complaints
- Incidents
- Signals

Period | Constant

Impact on strategic area
Customers & Solutions

Potential impact

- Compliance
- Reputation
- Financial

Risk level

High

Main risk management principles

- Centralised coordination of compliance issues within the Group;
- Improvement of processes and applicable control mechanisms;
- Mandatory training programmes of employees;
- Adaptation and improvement of IT systems in order to meet personal data protection requirements;
- Analysis of the market and external regulation;
- Reporting of signals to the management.

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

Main sources of risk

- Cyberattacks;
- Cases of social engineering, data theft;
- Late or improperly removed publicly known vulnerabilities.

KRI

- Critical vulnerabilities
- Duration of solution

Period | Constant

Impact on strategic area
Organisation

Potential impact

- Compliance
- Reputation

Risk level

High

Main risk management principles

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

Other risks of the Company related to ESG, going concern, corruption, physical safety, occupational safety, and other areas have been assessed to be at medium/low risk level and fall within the risk appetite and KRI tolerance thresholds are not listed in the table above, yet they are being monitored in order to maintain them within these thresholds. More information about some of them is available in the sections “Sustainability Report”, “Financial Statements” of this report and in the Annual Report 2021 of Ignitis Group.

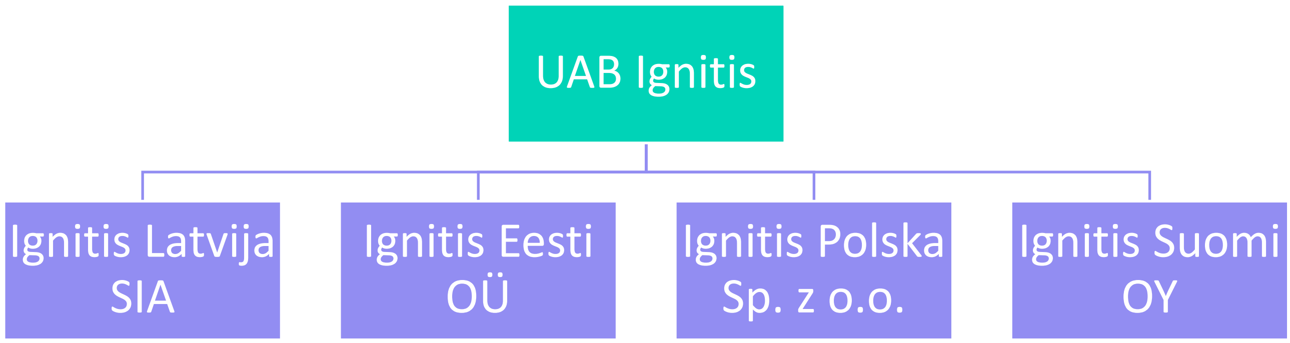
4.6 Information on subsidiaries

Overview of subsidiaries

Given the continuously changing business environment, the Company seeks to diversify its activities both geographically and in the area of service development in order to get closer to customers and offer them better solutions. As at the issuing date of this report, the Company directly controls 4 subsidiaries presented in the picture of the structure below.

The main activity of the subsidiaries - supply of gas and electricity to business segments in the markets of Poland, Estonia, Latvia and Finland. The subsidiary in Latvia also develops the network of electric vehicle charging stations and offers RE solutions. The company in Poland next to electricity supply activity, which began in 2021, also trades in derivative financial instruments of gas and electricity by exploiting market price fluctuations.

Structure



The Company's subsidiaries and their performance as at the end of the reporting period

Ignitis Latvija Supply of electricity and gas	**Company code** 40103642991 **Registered address:** Cēsu st. 31 k-2, , LV-1012, Riga **Effective ownership interest:** 100% **Share capital:** EUR 11,500,000 **Website:** www.ignitis.lv	**Performance results (EUR million):** Revenue: 109.1 Expenses: 104.6 Adjusted EBITDA: 4.5 Net profit: 4.2 Investments: 0.3 Assets: 57.3 Liabilities: 42.0 **Number of employees: 13**
Ignitis Eesti Supply of electricity	**Company code:** 12433862 **Registered address:** Narva mnt 5, 10117 Tallinn **Effective ownership interest:** 100% **Share capital:** EUR 35,000	**Performance results (EUR million):** Revenue: 0.7 Expenses: 0.8 Adjusted EBITDA: (0.1) Net profit: (0.1) Investments: 0 Assets: 0.2 Liabilities: 0.2 **Number of employees: 0**
Ignitis Polska Supply and sale of electricity and gas	**Company code: 0000681577** **Registered address:** Puławska 2-B, PL-02-566, Warsaw **Effective ownership interest:** 100% **Share capital:** PLN 10,000,000 **Website:** www.ignitis.pl	**Performance results: (EUR million):** Revenue: 16.2 Expenses: (19.3 Adjusted EBITDA: (3.1) Net profit: (2.9) Investments: 0.8 Assets: 18.8 Liabilities: 20.3 **Number of employees: 16**
Ignitis Suomi Supply and sale of gas	**Company code: 3202810-4** **Registered address:** Firdonkatu 2 T 63 00520 Helsinki **Effective ownership interest:** 100% **Share capital:** EUR 200,000 **Website:** www.ignitis.fi	**Performance results (EUR million):** Revenue: 0 Expenses: 0.1 Adjusted EBITDA: (0.1) Net profit: (0.1) Investments: 0 Assets: 0.1 Liabilities: 0.1 **Number of employees: 2**

Sustainability report

5.1 Overview of sustainability

The sustainability performance and results of AB Ignitis Group as a whole (hereinafter – the Group), including its subsidiary Ignitis, are summarised in the consolidated Annual Report 2021 of the Group, of which the Group Sustainability (social responsibility) Report (hereinafter – Sustainability Report) is an integral part. This report is available on www.ignitisgrupe.lt under 'For Investors' and 'Sustainability'.

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

In this context, Ignitis does not prepare a separate report on this topic, therefore the summary of its sustainability activities and links to the relevant sections of the Group Sustainability Report is provided below.

Sustainability at the Group and Ignitis

Sustainable operations are a prerequisite for the Group's mission to build an energy smart world. The world needs energy to exist, and that is why the Group strives to generate, distribute, supply and consume it sustainably. Our long-term strategy focuses on building a sustainable future. We aim to further increase the capacity of energy generation from renewable sources, ensure the reliability and flexibility of the energy system, promote changes and development of the energy system, and to explore development opportunities. The Group Strategy and Strategic Plan, updated annually, can be found here.

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

The Sustainability Policy also emphasises our commitment to the ten principles of the United Nations Global Compact (UNGC), which we joined in 2016. This agreement – the generally accepted guidelines for responsible business conduct – is a clear guide for the development of responsible business. The control over the implementation of these principles and the management of the related risks is an integral part of the overall control and risk management of the Group companies, which is applied throughout the entire Group, and therefore Ignitis.

Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our Environmental, Social and Governance (hereinafter – ESG) performance and accountability. Our Sustainability Management Plan and a list of policies we follow, which are also applicable to Ignitis, are publicly available (link). We publish ESG indicator data and sustainability highlight in interim and half-year reports while comprehensive ESG information is published in our Annual reports.

Sustainability is coordinated centrally at the Group companies through a separate Sustainability function, which reports directly to the CEO of the parent company. The Group Management Board makes decisions on the formulation, approval and updating of the organisation's sustainability strategic directions, policies and activities. A detailed description of the management of sustainable activities at the Group can be found in the Sustainability Report integrated into the Annual Report 2021 of the Group under the heading 'Sustainability at the Group' and in the 'Sustainability' section on the website. Below is a high-level overview of our approach to ESG performance improvement.

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

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

MEASURING PROGRESS

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

Sustainability goals of the Group and Ignitis are available on the Group's website www.ignitisgrupe.lt/en under 'Sustainability', and on the website of Ignitis.

Stakeholder relations and assessment of ESG priorities

Stakeholder engagement is critical to ensuring that the Group companies respond proactively to new trends, issues and opportunities. By applying ESG principles in our relations with stakeholders, as set out in the Sustainability Policy, we aim not only to effectively manage their expectations and interests, but also to look for opportunities where our cooperation could increase the positive impact of our activities.

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

The stakeholder engagement exercise identified and interviewed 4 main stakeholder groups:
- employees,
- business customers;
- private customers,
- State, municipal and their subordinate institutions.

This grouping was chosen to more accurately reflect the specificity of the expectations of each group, at the same time assessing the similarity of respondents' expectations within each group. Other stakeholders relevant at the level of the Group were interviewed in an additional Group survey (a full survey report is available on the Group's website under 'Priorities for sustainability'). Responses received from 903 respondents are an equivalent to 2–26% of accountability, depending on a stakeholder. As recommended by the above mentioned sustainability standards, a materiality assessment was carried out on the basis of the survey results.

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

Key facts on Ignitis materiality assessment:

- We interviewed 903 stakeholder representatives;
- We identified 13 thematic aspects of the ESG that are most relevant to Ignitis and its stakeholders;
- Stakeholders shared their views on which aspects of the ESG should be relevant for the company;
- During the internal strategy sessions, the management of Ignitis clarified the links between stakeholders' expectations and the operational strategy.

Ignitis materiality assessment matrix 2021

An overview of key effects of sustainability and implemented initiatives / measures

Environmental area

Main environmental impacts of Ignitis:

- climate impact, green energy supply, GHG emissions – supply of green energy to customers and reduction of greenhouse gases (CO_2, etc.) generated by activities;
- energy efficiency for the public and customers – encouraging consumers to consume energy efficiently and not to waste it;
- environmentally friendly and smart solutions and services for customers – promoting the development of prosumers, development of electric vehicle charging stations, and other sustainable solutions for customers;
- more sustainable internal energy consumption – using green energy for self-consumption; reducing self-consumption;
- using secondary materials in company's operations, reducing waste – recycling raw materials and reducing waste from operations.

Climate action

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

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

To achieve our GHG emission reduction targets, we will focus on emissions from operations throughout the year and will seek to engage our partners, suppliers and customers in this process. The foreseen emission reduction measures of the Group and its companies include increasing green generation capacity, increasing the share of green electricity sold to consumers and consumed by Group companies, promoting the phase-out of natural gas, reducing distribution network losses, upgrading vehicle fleet with electric vehicles, etc.

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

Sustainable solutions and services for customers

Ignitis maintained a large market share of the prosumers, which by the end of 2021 was 12–13%. During 2021, Ignitis installed 762 solar power plants for its customers with a capacity of almost 9.7 MW. Sale of solar power plants increased by 31% compared to 2020.

In 2021, Ignitis increased the number of customers of remote solar parks by 85% compared to 2020. The sold capacity of solar parks grew by 128%.

At the end of 2021, 35% of independent electricity supply customers (residents) had opted for green energy. Of the total electricity supplied in 2021, in independent supply activities, green energy accounted for 47%. During the same period, 69.3% of Ignitis business customers chose green energy (slightly more than 60% of them in 2020).

More about consultations provided to companies by Ignitis on energy efficiency and reduction of GHG emissions, the option of choosing gas supply with the CO_2 offset service offered to customers, partnership with the leading European mobility platform ‘Bolt’, implementation of ESCO projects, advice for customers on energy efficiency, supply of green electricity to customers and other related issues are available in the Group’s report under ‘Climate action’ of the Sustainability report (link).

Use of energy in our activities

Ignitis promotes energy efficiency, contributes to employee education and introduces measures to improve energy efficiency. Internal energy audit of Ignitis and other Group companies has been conducted. The implementation of the audits’ recommendations will contribute to a more efficient energy consumption and the GHG emissions reductions targets. The Company does not own any buildings, and employees of the company who work in Vilnius have moved to an ‘A+’ energy efficiency class building complex (except for customer service departments). The Company has 19 cars in the vehicle fleet, and 8 car lease agreements concluded with employees. All cars used by the Company are leased. The Company also has contracts concluded with taxi and car sharing companies.

Energy efficiency initiatives of Ignitis and the Group are described in more detail in the Group’s Annual report 2021 under ‘Preserving natural resources’ of the Sustainability report (link).
Resource efficiency and waste management

Environmental issues at the Group level are coordinated according to the Environmental Policy of the Group where general environmental provisions and principles of the Group are set. Activities of Ignitis that are related to the provision of services to business (B2B) customers maintain the environmental certificate ISO 14001:2015 granted. In its activities, the Company implements the provisions and principles of the Group’s Environmental Policy. It is aimed at reducing general environmental impact of the Company in the most efficient way and ensuring compliance.

In order to contribute to the protection of the environment and the reduction of pollution in Lithuania, all waste generated by activities of Ignitis is sorted by separating out secondary raw materials. Packaging waste generated because of the Company’s activities are accounted for in the GPAIS (Unified Product, Packaging and Waste Record Keeping Information System). The Company does not own any buildings, and municipal waste generated is treated by the buildings owners by transferring it to licensed waste handlers.

Staff and society/communities area

The main impacts of Ignitis on staff and society/communities:

- health and safety of employees – ensuring workplace safety and promoting the health of workers and contractors;
- employee welfare and cooperation – adequate remuneration, employee job satisfaction, freedom of association;
- competent employees now and in the future – professional and personal development of employees, building the competences needed for the energy sector;
- engagement in social activities – participation in civic initiatives and NGOs; volunteering.

Health and safety of employees and health of employees and contractors

Ignitis adheres to the general provisions and principles of occupational safety and health and the Group Zero Tolerance for Accidents at Work Policy which defines the main guidelines for their implementation. The prevention of accidents and ensuring safety and health is a major focus of the Company, which is why Ignitis has implemented the Occupational health and safety management standard ISO 45001:2018 for activities related to provision of services to business (B2B) customers. Total recordable injury rate per million hours worked (TRIR) of Ignitis was equal to 0 in 2021.

Detailed information on the measures and initiatives implemented to ensure the safety and health of employees and contractors at the Group, including Ignitis, is provided in the section 'Future-fit Employees and Communities' of the Sustainability Report, integrated in the Annual Report 2021 of the Group (link).

Health and safety performance indicators of Ignitis employees (2021)

Employee incidents and accidents (minor, serious or fatal)	In 2021, there were neither minor nor serious accidents.
Occupational safety and health violations, their nature and accidents of contractors' workers on the Company's sites	According to information provided by the contractors, there were 0 accidents involving contractors' workers.

Employee welfare and cooperation, ensuring of employee competence

The Group is one of the largest employers in Lithuania, therefore, it forms and seeks to maintain an organisational culture that fosters a long-term employer-employee partnership based on the Group's values and the Code of Ethics, mutual understanding and the opportunity to create an energy smart future together. We carry out our activities and pursue our goals while protecting not only the environment, but also the wellbeing of our employees: for us, this is a precondition for sustainable operations. Therefore, the Group is constantly developing, searching for and testing different tools that can contribute to the wellbeing of employees. At the end of 2021, Ignitis had 304 employees, and all of these principles are implemented with the utmost scrutiny.

Ignitis respects the rights of employees and opposes child labour and discrimination of any kind, both in the recruitment of new employees and among existing employees. The Company has the Labour Council and the Occupational Safety and Health Committee. Ignitis Employee Satisfaction Index (eNPS) for 2021 has increased compared to 2020, from 64.9% to 67.2%. Improving this indicator is a strategic objective for every company of the Group.

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

Detailed information on how employee wellbeing and representation is ensured in Group companies, including Ignitis, as well as information on the application of the Remuneration Policy and employee training and competence development initiatives, is provided in the section 'Future-fit Employees and Communities' of the Sustainability Report, integrated in the Annual Report 2021 of the Group (link).

Human rights area

Main impacts of Ignitis in the field of human rights:

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

We value the diversity of our employees and strive to ensure equal opportunities for all of our employees to fully participate in the organisation. This means equal opportunities for employment, work smoothly, receive a fair salary, feel well, grow, pursue a career, combine work and private life, and strengthen personal skills and talents. Therefore, as enshrined in the Group's Equal Opportunity and Diversity Policy, Ignitis and other companies of the Group do not tolerate discrimination, promote a work environment that reflects the diversity of society, and implement the principles of respect for diversity in their activities.

The Group regularly collects and publishes data on the diversity of its employees: their distribution by gender, age, education, profession, country of employment. Diversity data is a way to get to know the people at the Group and, given the fact that we are different, to create a work culture that is favourable and inclusive. In 2021, men accounted for 29% of Ignitis employees, while women accounted for 71%. For more information on the activities and achievements in ensuring diversity, equality and human rights within Group companies, please refer to the section 'Future-fit Employees and Communities' of the Sustainability Report integrated in the Annual Report 2021 of the Group (link).

Actual number of employees by position, 2021	Men	Women	Total
Trainees	-	-	-
Workers	-	-	-
Experts / Specialists	68	195	263
Mid-level executives	15	21	36
Top level executives	4	-	4
Heads	1	-	1

Governance and anti-corruption area

Main impacts of Ignitis on governance and anti-corruption:

- ethical business, anti-corruption and transparency – transparent corporate governance, anti-corruption, fair and ethical market conduct;
- access to energy – taking care that electricity and (or) gas is available to all customers;
- responsibility and sustainability in the supply chain – buying more environmentally friendly goods and services for our own use and reducing the negative impact of suppliers on natural and social environment.

Ethical business, anti-corruption and transparency

Ignitis, like other companies of the Group, is guided by the principles of ethical conduct as defined in the Code of Ethics of the Group. In line with the Global Compact principle on anti-corruption, the Company and its employees are guided by the Anti-Corruption Policy, which is in force throughout the Group. The Company has zero tolerance for any form of corruption. We encourage to report possible unethical behaviour of employees or representatives of the Group, cases of discrimination or corruption, as well as other breaches of the principles of sustainability or concerns to the Trust line by email pasitikejimolinija@ignitis.lt, by phone +370 640 88889 or by filling out an online form. These contacts are open to both employees and all stakeholders.

Access to energy and customer service

As the price of electricity and natural gas in the market rose, prices also increased for consumers. This has created or may in the future create financial difficulties for some consumers. In response and to amortise electricity and gas prices to consumers in such a way as to avoid shocks caused by sudden price increases, the relevant legislation has been amended which, depending on the financial capacity of the supplier, allows price increases to be amortised; such a mechanism shall not allow the price of supplied public electricity or natural gas to increase for final customers by more than 40%.

To properly implement these decisions and to cover the difference between the prices of electricity or natural gas (raw materials) purchased and sold, Ignitis concluded the agreement of borrowing up to EURm 300.

Customers who have opted for an independent electricity supplier during Phase II have been given the opportunity to choose the option that is financially best for them: if the established independent supply price is lower than the public supply tariff, the independent supply contract will take effect from 1 January 2022, if the public supply tariff is nevertheless more favourable, we recommend using it until July 2022.

At the end of 2021, Ignitis provided all major energy-related services to more than 1.53 million private customers and approximately 21 thousand business customers. Customer service is provided at customer service centres in major cities of Lithuania. Customer satisfaction with Ignitis is measured using the Net Promoter Score (NPS). In 2021, the NPS of Ignitis customers slightly decreased in both private and business customer groups.

Responsibility and sustainability in the supply chain

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

Detailed information on achievements in ensuring grid stability and reliability, applying transparency and anti-corruption principles, ensuring security of personal data, quality customer service, responsible procurement and supplier involvement is provided in the section ‘Robust Organisation’ within the Sustainability Report integrated in the Annual Report 2021 of the Group (link).

If you have any questions concerning the content of the Sustainability Report or sustainability activities of Ignitis, please contact sustainability@ignitis.lt.

Financial statements

6.1 Company's financial statements

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

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

Artūras Bortkevičius	**Darius Šimkus**	**Joana Vencloviené**
General Manager	Director of Finance and Business Support Department	Accounting Partner of UAB Ignitis grupės paslaugų centras, acting under Order No IS-11-22 of 14 February 2022

Statement of financial position

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

	Notes	31 December 2021	31 December 2020 (restated)[1]
ASSETS			
Non-current assets			
Intangible assets	6	18,423	18,922
Property, plant and equipment	7	3,433	2,782
Right-of-use assets		404	1,238
Investments in subsidiaries	8	6,274	6,074
Non-current receivables	9	90,073	15,297
Other financial assets		177	177
Other non-current assets	24.1	4,229	-
Loans granted	11	40,450	5,600
Deferred tax assets	31	1 748	891
Total non-current assets		**165,211**	**50,981**
Current assets			
Inventories	12	149,720	28,577
Prepayments and deferred expenses	13	59,791	8,228
Trade receivables	14	190,050	68,247
Other receivables	15	155,028	41,901
Other current assets	24.1	21,461	3,217
Loans granted	11	62	7
Cash and cash equivalents	16	72,953	23,291
Total current assets		**649,065**	**173,468**
TOTAL ASSETS		**814,276**	**224,449**
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	40,140	40,140
Legal reserve	18.1	2,572	468
Hedging reserve	18.2	22,390	-
Retained earnings		5,977	41,819
Total equity		**71,079**	**82,427**
Liabilities			
Non-current liabilities			
Non-current loans	19	288,800	38,901
Non-current lease liabilities		180	693
Provisions		177	153
Other non-current amounts payable and liabilities	24.1	1,206	-
Total non-current liabilities		**290,363**	**39,747**
Current liabilities			
Loans and borrowings	19	226,151	9,909
Lease liabilities		229	555
Trade payables	22	60,974	39,301
Prepayments received	21.2	10,179	10,203
Income tax payable		3,412	2,779
Provisions		38	57
Deferred revenue	21.1	8,699	3,592
Other current amounts payable and liabilities	23	143,152	35,879
Total current liabilities		**452,834**	**102,275**
Total liabilities		**743,197**	**142,022**
TOTAL EQUITY AND LIABILITIES		**814,276**	**224,449**

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

Statement of profit or loss and other comprehensive income

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

	Notes	2021	2020 (restated)[1]
Revenue from contracts with customers	25	862,286	506,182
Other income	26	14,546	158
Total revenue and other income		**876,832**	**506,340**
Purchases of electricity, gas and other services	27	(838,347)	(408,684)
Wages and salaries and related expenses		(9,283)	(8,668)
Depreciation and amortisation	6, 7	(2,782)	(18,471)
Other expenses	28	(15,704)	(21,375)
Total expenses		**(866,115)**	**(457,198)**
Operating profit (loss)		**10,716**	**49,142**
Finance income		618	411
Finance costs	29	(3,283)	(1,954)
Finance activity, net		**(2,665)**	**(1,543)**
Profit (loss) before tax		**8,051**	**47,599**
Current year income tax income (expenses)	30	(2,948)	(3,021)
Income tax income (expenses)	31	858	(2,505)
Net profit (loss) for the year		**5,961**	**42,073**
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		3	-
Items that will not be reclassified to profit or loss in subsequent periods, total		**3**	**-**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Revaluation of derivative financial instruments	18.2	22,390	-
Items that may be reclassified to profit or loss in subsequent periods, total		**22,390**	**-**
Total other comprehensive income (expenses) for the year		**22,393**	**-**
Total comprehensive income (expenses) for the year		**28,354**	**42,073**

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

Statement of changes in equity

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

	Notes	Issued capital	Legal reserve	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2020		**40,140**	**468**	**-**	**(254)**	**40,354**
Net profit (loss) for the year		-	-	-	42,073	**42,073**
Balance as at 31 December 2020		**40,140**	**468**	**-**	**41,819**	**82,427**
Balance as at 1 January 2021		**40,140**	**468**	**-**	**41,819**	**82,427**
Net profit (loss) for the year		-	-	-	5,961	**5,961**
Other comprehensive income (expenses)						
Cash flow hedges	18.2	-	-	22,390	-	22,390
Result of change in actuarial assumptions		-	-	-	3	**3**
Total other comprehensive income (expenses) for the year		**-**	**-**	**22,390**	**3**	**22,393**
Total comprehensive income (expenses) for the year		**-**	**-**	**22,390**	**3**	**22,393**
Transfer to legal reserve		-	2,104	-	(2,104)	**-**
Dividends	32	-	-	-	(39,715)	**(39,715)**
Share-based payments		-	-	-	13	**13**
Balance as at 31 December 2021		**40,140**	**2,572**	**22,390**	**5,977**	**71,079**

Statement of cash flows

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

	Notes	2021	2020 (restated)[1]
Cash flows from operating activities			
Net profit (loss) for the year		5,961	42,073
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation	6, 7	2,782	18,471
Change in the fair value of derivatives		16,347	2,286
Impairment of investments in subsidiaries	8	-	5,300
Income tax expenses	30	2,948	3,021
Deferred income tax liability	31	(857)	2,505
Increase (decrease) in provisions		9	96
Inventory write-off to net realisable value (reversal)	12	402	262
Increase in allowance for receivables	14	558	63
Loss on disposal/write-off of property, plant and equipment		-	50
Share-based payment expenses		13	-
Interest income		(605)	(129)
Interest expenses	29	3,120	1,990
Dividends		(13)	(12)
Other finance costs		164	(306)
Changes in working capital:			
(Increase) decrease in trade and other non-current and current receivables		(246,768)	10,263
(Increase) decrease in inventories, prepayments and deferred expenses, other non-current and current assets		(173,108)	(28,064)
Increase (decrease) in trade payables, deferred revenue, prepayments received, other non-current and current amounts payable and liabilities		59,301	7,998
Paid income tax		(7,340)	(62)
Net cash flows from operating activities		**(337,086)**	**65,805**
Cash flows used in investing activities			
Acquisition of property, plant and equipment and intangible assets		(2,094)	(805)
Acquisition of subsidiary/Increase in share capital	8	(200)	(74)
Loans granted	11	(66,950)	(6,600)
Loan repayments received	11	32,100	4,200
Interest and interest on late payment received		331	165
Finance lease payments received		776	951
Other increases/(decreases) in cash flows from investing activities		13	12
Net cash flows from investing activities		**(36,024)**	**(2,151)**
Cash flows from/(used in) financing activities			
Loans received	20	465,651	8,300
Repayments of borrowings	20	(135)	(69,904)
Lease payments	20	(509)	(522)
Interest paid	20	(2,520)	(1,646)
Dividends	32	(39,715)	-
Net cash flows from/(used in) financing activities		**422,772**	**(63,772)**
Increase (decrease) in cash and cash equivalents (including overdraft)		**49,662**	**(118)**
Cash and cash equivalents (including overdraft) at the beginning of the year	16	23,291	23,409
Cash and cash equivalents (including overdraft) at the end of the year	16	**72,953**	**23,291**

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

All amounts in thousands of euro unless otherwise stated

Notes to the financial statements

For the year ended 31 December 2021

1 General information

UAB Ignitis is a public limited liability company registered in the Republic of Lithuania. The Company was registered on 2 September 2014 with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. Company code 303383884, VAT code LT100008860617 The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2021.

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.

	31 December 2021		31 December 2020	
	Number of shares held	Ownership interest (%)	Number of shares held	Ownership interest (%)
AB Ignitis grupė	40,140	100	40,140	100
Total	**40,140**	**100**	**40,140**	**100**

The Company's parent company is AB Ignitis grupė (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania), which owns 100% of shares of the Company as at 31 December 2021 and 2020. On 5 October 2020, AB Ignitis grupė increased its issued capital, and on 7 October 2020, has executed initial public offering (hereinafter "IPO") of new shares. In December 2021, AB Ignitis grupė acquired own shares; as at 31 December 2021, the shareholders were the Ministry of Finance of the Republic of Lithuania (73.08%), retail and institutional investors (25.25%) and own shares (1.67%). As at 31 December 2020, the shareholders were the Ministry of Finance of the Republic of Lithuania (73.08%), and retail and institutional investors (26.92%).

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

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

Subsidiary	Registered office	Company's ownership interest, %	Main activities
Ignitis Eesti OÜ	Narva mnt 5, 10117 Tallinn, Estonia	100	Retail trade in electricity
Ignitis Latvija SIA	Cēsu g. 31, k-3 LV-1012 Riga, 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
Ignitis Suomi OY	Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland	100	Retail trade in gas

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 relief 10.4 provided for in International Financial Reporting Standards as adopted by the European Union (IFRS), the Company does not prepare consolidated financial statements, as the financial statements of the Company and its subsidiaries are included in the consolidated financial statements of the parent company AB Ignitis grupė.

These financial statements were signed by the management of UAB Ignitis on 31 March 2022.The Company's shareholders have a statutory right to approve or not to approve these financial statements and to require the preparation of a new set of the financial statements.

Restatement of comparative figures due to changes in presentation:

- To better present the statement of financial position, in 2021, the Company transferred derivative financial instruments (EUR 3,217 thousand) as at 31 December 2020 from "Derivatives" to "Other current assets". The change in presentation did not have a significant effect on the SPLOCI, statement of changes in equity, and statement of cash flows.
- To better present the statement of financial position, in 2021, the Company transferred derivative financial instruments (EUR 2,762 thousand) as at 31 December 2020 from "Derivatives" to "Other current amounts payable and liabilities". The change in presentation did not have a significant effect on the SPLOCI, statement of changes in equity, and statement of cash flows.
- To better present the statement of financial position, in 2021, the Company transferred the amount of "Contract liabilities" (EUR 13,795 thousand) as at 31 December 2020 to "Prepayments received". The change in presentation did not have a significant effect on the SPLOCI, statement of changes in equity, and statement of cash flows.
- To better present the SPLOCI, in 2021, the Company changed the title of item "Cost of sales" (EUR 408,684 thousand) as at 31 December 2020 to "Purchases of electricity, gas and other services". The change in presentation did not have a significant effect on the statement of financial position, statement of changes in equity, and statement of cash flows.
- To better present the SPLOCI, in 2021, the Company transferred the amount of "Business support services" (EUR 2,363 thousand) as at 31 December 2020 to "Other expenses". The change in presentation did not have a significant effect on the statement of financial position, statement of changes in equity, and statement of cash flows.

2 Summary of significant accounting policies

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

2.1 Basis of preparation of the financial statements

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

The Company's financial statements as at and for the year ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical acquisition cost, except for certain financial instruments measured at fair value.

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

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

2.2 New standards, amendments to standards and interpretations

2.2.1 Changes in accounting policy and disclosures

The accounting policies are consistent with compliance of those which were presented in the financial statements, unless otherwise stated, with the exception of the new standards which entered into force as of 1 January 2021.

In preparation of these financial statements, the Company did not apply new standards, amendments and interpretations, the effective date of which is later than 31 December 2021 and early adoption whereof is permitted.

From 2021 July 1 The Company has adopted a hedge accounting policy for derivatives. See Note 24 for more information.

2.2.2 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting year

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

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

2.2.3 Standards issued but not yet effective and not early adopted

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

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

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

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

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

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

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

All amounts in thousands of euro unless otherwise stated

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

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

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

Other standards

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

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

2.2.4 Changes in accounting policy and disclosures

The accounting policies are consistent with compliance of those which were presented in the financial statements, unless otherwise stated, with the exception of the new standards which entered into force as of 1 January 2021.

2.3 Business combinations

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

Acquisition of subsidiaries that are not jointly 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 of SPLOCI as incurred.

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

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

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

2.3.1.1 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 of SPLOCI as a bargain purchase gain.

2.3.2 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' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

2.3.3 Business combination 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 of SPLOCI. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss of SPLOCI, where such treatment would be appropriate if that interest were disposed of.

2.3.4 Business combination of entities under common control

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

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

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

2.4 Foreign currency

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

2.5 Intangible assets

2.5.1 Patents and licenses

Patents and licenses are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives of 3-4 years.

2.5.2 Computer software

Computer software is stated at cost, less accumulated amortisation and impairment losses.

Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3–4 years. Useful life is reviewed on year-by-year basis.

2.5.3 Intangible assets identified during business combination

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

For assets acquired during business combination, useful life of 20 years was set for balancing services and trade in derivatives, and 15 years for customer relation assets. Amortisation is computed on a straight-line basis. Useful life is reviewed on year-by-year basis.

2.6 Property, plant and equipment

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

Cost includes expenditure incurred in relation to replacement of parts of property, plant and equipment if such expenditure meets the recognition criteria of the asset. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Company and the costs can be measured reliably. All other repairs and maintenance costs charged to SPLOCI during the financial period in which they are incurred.

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

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

Depreciation periods (number of years):

Category of property, plant and equipment	Useful lives (number of years)
Solar plants	5-10
Other property, plant and equipment	3-4

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 recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

2.7.1 Initial measurement of right-of-use assets

On the lease commencement date, the Company measures right-of-use assets at cost. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the inventories. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises these costs as part of the cost of the right-of-use assets when a liability is incurred for these costs.

2.7.1.1 Subsequent measurement of right-of-use assets

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

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

Depreciation of right-of-use assets on a straight line basis:

Group of right-of-use assets	Depreciation period (in years)
Buildings	8-75

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

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

2.8 Impairment of non-financial assets

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

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

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

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

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

2.9 Investments in subsidiaries

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

2.10 Financial instruments

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

2.10.1 Financial assets

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

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value recognising the change in fair value through other comprehensive income (hereinafter – "FVOCI"); and
(iii) financial assets subsequently measured at fair value recognising the change in fair value through profit or loss (hereinafter – "FVPL").

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

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

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

2.10.1.1 Financial assets subsequently measured at FVOCI

The Group only has derivative financial instruments subsequently measured at FVOCI. Additional information is presented in Note 2.10.3.

2.10.1.2 Financial assets at amortised cost

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

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

2.10.1.3 Financial assets at FVPL

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

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

2.10.1.4 Effective interest rate method

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

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

2.10.1.5 Impairment of financial assets – expected credit losses (hereinafter “ECL”)

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

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

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

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

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

The Company’s management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime ECL in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

Recognition stages of expected credit losses:

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

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

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

2.10.1.6 Credit-impaired financial assets

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

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

2.10.1.7 Derecognition of financial assets

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

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

2.10.2 Financial liabilities and equity instruments issued

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

The Company has not issued any equity instruments.

2.10.2.1 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.

2.10.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at FVPL;
- Financial liabilities at amortised cost.

2.10.2.3 Financial liabilities at FVPL

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

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

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

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

2.10.2.4 Financial liabilities 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.

2.10.2.5 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 reporting date proves that the liability was non-current by its nature as of the reporting date, that financial liability is classified as non-current.

2.10.2.6 Derecognition of financial liabilities

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

2.10.3 Derivative financial instruments and hedge accounting

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

2.10.3.1 Presentation

Fair value of derivative financial instruments is presented in the statement of financial position as “Other non-current assets”, “Other current assets”, “Other non-current amounts payable and liabilities” and “Other current amounts payable and liabilities” (Note 24.1).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in SPLOCI either as “Other income” (Note 26), if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a 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:

2.10.3.2 Fair value hedges

The change in the fair value of a hedging instrument that is related to electricity or gas prices is recognised in SPLOCI as “Purchases of electricity, gas and other services”. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the same line of SPLOCI.

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

2.10.3.3 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income part of SPLOCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss part of SPLOCI in other income or expenses (accounting method is similar to derivative financial instruments that do not meet the hedge criteria – Note 2.10.3.1). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in SPLOCI as “Purchases of electricity, gas and other services”. Change of fair value of effective hedging instruments in cash recognised in cash flow statement row “(Increase) decrease in trade and other non-current and current receivables”, change of fair value of ineffective hedging instruments recognised in cash flow statement row “Change in the fair value of derivatives”.

2.11 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.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, except for natural gas and liquefied natural gas, the cost of which is determined using the weighted average costing method (see below). The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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. Weighted average cost is calculated as weighted average of inventories at the beginning of the months and purchases made during that month.

2.13 Cash and cash equivalents

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

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

2.14 Issued capital, share premium

Ordinary shares are classified as equity.

2.15 Lease liabilities

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

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

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

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

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

2.15.2 Company as a lessor in finance leases

Leases in which the Company does transfer substantially all the risks and rewards incidental to ownership of an asset or the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent, are classified as finance leases. At the commencement date, the Company recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Finance lease income for the lease term based on periodic net investment in the lease is accounted for on a straight-line basis over the lease term and included into finance income in SPLOCI. Lease payments are apportioned between finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Finance charges are recognised in Finance income in SPLOCI.

2.16 Current and deferred tax

2.16.1 Corporate income tax

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

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

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

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

2.16.2 Deferred tax

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

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

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

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

2.16.3 Current and deferred tax for the reporting period

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

2.16.4 Acquisition and transfer of accrued tax losses

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

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

For the purposes of the statement of cash flows, the consideration paid for the tax losses acquired is recorded in the line item ‘Paid income tax’ in the cash flows from operating activities.

2.17 Provisions

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

2.18 Employee benefits

2.18.1 Social security contributions

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

2.18.2 Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. 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. All past service costs are recognised immediately.

2.18.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability. Actuarial gains or losses are recognised immediately in other comprehensive income.

2.19 Contingencies

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

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

2.20 Revenue from contracts with customers

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

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

The Company’s performance obligations set out in the contracts with customers are as follows:

- Sale of electricity (Note 2.20.1)
- Supply of electricity (Note 2.20.1)
- Sale of natural gas (Note 2.20.2)
- Liquefied Natural Gas Terminal Security Component Services (hereinafter “LNGT services”) (Note 2.20.2)
- Project activities (Note 2.20.3)

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

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

2.20.1 Electricity related revenue

The Company's revenue related to electricity comprises the following:
- Revenue from the sale of electricity,
- Revenue from supply of electricity.

Electricity related revenue is received from non-household and household customers. Electricity to household customers is supplied at electricity tariff applied for public supply (Note 2.20.1.2) or independent supply tariff (Note 2.20.1.1). Electricity to non-household customers is supplied at independent supply tariff (Note 2.20.1.1).

Accounting policy for electricity related revenue may be presented in accordance with the components of the electricity tariff applied to the consumed electricity by household and non-household customers. The tariff consists of the following components:
(a) price of electricity (Note 2.20.1.1, 2.20.1.2);
(b) fee for electricity supply services (Note 2.20.1.1, 2.20.1.2);
(c) price of electricity transfer services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 2.20.1.1);
(d) price of electricity system services (includes capacity reserve services) (Note 2.20.1.1);
(e) fee for PSO services (hereinafter “PSO fees”) (Note 2.20.1.1).

Regulation of tariffs and the Company's profitability is presented in Note 2.20.4.1.

2.20.1.1 Revenue from the sale of electricity

Revenue from sales of electricity (Note 25 line item “Revenue from the sale of electricity“) mainly consists of sale of electricity to non-household and household customers by providing independence supply according to bilateral agreement.

Revenue includes the price of electricity and the fee for electricity supply services. Revenue is recognised over time in each reporting period on the basis of VAT invoices issued, which includes the calculated amount of electricity consumed. Electricity consumption is calculated on the basis of the declared meter readings provided by consumers.

When performing electricity supply, through tariff paid by customers, the Company collects fees and other tariff components (Note 2.20.1) and transfers them to other entities:

- *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 electricity tariff and transfers to aforesaid operator. The Company's management has identified that in respect of electricity distribution and transmission services (Note 4.2.2) the Company acts as an agent. Revenue and costs from these services are recorded under “Purchases of electricity, gas and other services” in the SPLOCI.

- *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 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 (Note 4.2.2), the Company's management has identified that the Company acts as an agent system services also. Revenue and costs from these services are recorded under “Purchases of electricity, gas and other services” in the SPLOCI.

- *Tariff component: PSO fee*

PSO fee is an integral part of electricity tariff. The Company collects PSO fees through electricity tariff from the end-customers 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 (Note 4.2.1). Revenue and costs from these fees are recorded under “Purchases of electricity, gas and other services” in the SPLOCI.

2.20.1.2 Revenue from public supply of electricity

Revenue from public electricity supply (Note 25 line item “Revenue from public electricity supply“) consists of the following components of public supply electricity tariff:
(i) price of public electricity, and
(ii) price of public electricity supply.

Revenue from public electricity supply to the customers is recognised over time referring to the supplied electricity quantity reading devices provided by them and verified by the distribution system operator. In case of difference between provided and verified quantities due to over-declaration (Note 4.4) the Company estimates the amount of deferred revenue (Note 21) and accounts for as a contract liability. 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 contracts 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 is regulated (Note 2.20.4.1).

When performing public electricity supply, through tariff paid by customers, the Company collects fees (Note 2.20.1) for other tariff components and transfers them to other entities (Note 2.20.1.1).

2.20.2 Gas related revenue

The Company's gas related revenue includes:
- sale of gas (Note 2.20.2.1),
- income of LNGT security component (2.20.2.3.2).

Gas related revenue is received from business customers and household customers by providing gas supply services. Income of LNGT security component is received as a compensation for providing services of designated supplier. For the purpose of these financial statements, terms "gas" and "natural gas" are inter-changeable.

Accounting policy for revenue from natural gas supply to household customers may be presented in accordance with the components of the natural gas tariff applied to the consumed gas by household customers. Final natural gas tariff to household customers comprise of the following components:
(a) price of gas (Note 2.20.2.1);
(b) price of natural gas transmission over high-pressure;
(c) price of natural gas distribution over medium and low pressure grid services;
(d) LNGT security component (Note 2.21.2.3.1).

The Company as a natural gas supplier collects payments for all tariff components from customers. The component of transmission service price and LNGT security component are transferred to transmission grid operator, gas distribution service price component - to distribution grid operator. The Company is an agent in collection of transmission service component (Note 4.2.3), LNGT security component (Note 4.2.1) and distribution service component fees (Note 4.2.3). Revenue and costs are recorded under "Purchases of electricity, gas and other services" in the SPLOCI.

Regulation of tariffs and the Company's profitability is presented in Note 2.20.4.2.

Accounting policy for revenue from business customers is presented in Note 2.20.2.1.

2.20.2.1 Sales revenue of natural gas

Revenue from sales of gas (Note 25 line item "Sales revenue of natural gas") consists of gas price and supply margin. Gas sales are performed by the Company as a natural gas supplier to household customers and as a designated LNG supplier to gas market.

Revenue from sale of gas to end-customers is recognised on a monthly basis referring to the supplied gas quantity readings devices provided by them and verified by the distribution system operator (an accrual basis). In case of difference between provided and verified quantities due to over-declaration (Note 4.4) the Company estimates the amount of deferred revenue (Note 21) and accounts for as a contract liability. Revenue and costs are recorded under "Purchases of electricity, gas and other services" in the SPLOCI.

2.20.2.2 Revenue from the LNGT security component

The Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania provides that contribution so-called security component related to the following securities of natural gas supply shall be collected from end-customers and added to the natural gas transmission price:
- for the installation of LNGT, its infrastructure and connection and all fixed operating costs that are not included in other state regulated prices, and
- to compensate for the reasonable costs of supplying the minimum quantity required to ensure the necessary operation of the LNGT.

Similarly to PSO fees, LNGT security component is collected from end-customers through the natural gas tariff and transferred then to the state budget, from which the LNGT funds are distributed (i.e. disbursed) to LNGT service providers.

The Company acts as a natural gas supplier that collects LNGT security component from end-customers and as designated liquefied natural gas supplier (hereinafter "designated supplier") the function of which is to ensure the necessary operation of the LNGT by supplying the minimum quantity of natural gas.

2.20.2.2.1 The Company as a natural gas supplier to end-customers

LNGT security component is an integral part of natural gas tariff to the customer. Payments for LNGT security component collected directly from customers or natural gas suppliers, if the customers don't have a direct contract with the operator of transmission system. Collected amounts of LNGT security component are transferred to gas transmission system operator AB Amber Grid which is appointed to perform the function of administering the LNGT security component. In accordance of IFRS 15 the Company in providing these services consider itself by acting as an Agent and recognises the revenue on a net basis (Note 4.2). Income and disbursements of LNGT security component (regardless of whether the net of it is positive or negative) are recognised under the item "Purchases of electricity, gas and other services" in SPLOCI.

Income and disbursements of LNGT security component (regardless of whether the net of it is positive or negative) are recognised under the item "Purchases of electricity, gas and other services" in SPLOCI.

2.20.2.2.2 The Company as a designated LNGT supplier to gas market

The Company provides designated LNG supply function.

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 transhipment 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, term ends on 31 December 2024) 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 its costs which due to the nature of its activities are exclusively borne (whereas other suppliers don't incur) are compensated by operator of transmission system paying LNGT funds that are paid from the budget of LNGT security component collected by natural gas suppliers from end customers. Accordingly, the Company receives revenue from LNGT funds. Operation of designated supply of natural gas is regulated by NERC (Note 33.2.2).

The revenue of LNGT funds is recognised over time by issuing VAT invoices to the operator of transmission system according to the statements which are received from it and include information of degassed and (or) reload quantity of LNG and the quantity of LNG used for the Company's technological needs at LNG Terminal. Revenue of LNGT funds is recognised under the "Revenue from contracts with customers" item in SPLOCI. For more information on revenue from the LNGT security component refer to the item "LNGT service revenue" in Note 25.

Revenue from LNGT security component is regulated by NERC (Note 2.20.4.2).

2.20.3 Other significant revenue from contracts with customers

2.20.3.1 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.

2.20.4 Regulation of tariffs and profitability

Profitability of some individual activities of the Company is regulated by the National Energy Regulatory Council (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 usually 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 those presented in Note 4.5.

2.20.4.1 Regulation of electricity related activities

The public electricity price is regulated by NERC by setting price caps for electricity purchase price and distribution services and by adding the difference between actual purchase price of electricity and the forecasted electricity price for the previous period.

2.20.4.2 Regulation of gas related activities

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

Liquefied natural gas is sold to regulated (supervised) energy producers at the market price set and approved by NERC. Non-regulated sales of natural gas are conducted at the prices agreed between the parties.

Activity of designated supply activities is regulated by the NERC. The Company receives a compensation to cover the difference between the price of designated supply and weighted average natural gas import price, which is recognised as revenue. Revenue is received through the LNGT 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 revenue received 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 revenue level 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 recognise a regulated asset or liability that is intended to equalize current year revenue to a regulated level if the difference affects future supply prices and is recovered / refunded in the future provision of services.

2.21 Expense recognition

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

2.22 Dividend distribution

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

2.23 Events after the reporting period

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

2.24 Related parties

Related parties include AB Ignitis grupė and its subsidiaries (Group companies), associates, state-owned enterprises and their subsidiaries (transactions with these entities are disclosed only if they are material), the Ministry of Finance of the Republic of Lithuania and entities under control of the Ministry of Finance (transactions with these entities are disclosed only if they are material), the parent company’s controlling shareholders and shareholders having significant effect, key management personnel and their close family members as well as controlled entities.

2.25 Offsetting

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

2.26 Fair value

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. Determination of the fair value is based on the assumption that the asset sale or liability transfer transaction is performed either:

– in the principal market for the asset or liability

or

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
– Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2: fair value of assets is based on other observable market data, directly or indirectly;
– Level 3: fair value of assets is based on non-observable market data.

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

All amounts in thousands of euro unless otherwise stated

3 Financial risk management

3.1 Financial risk factors

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

3.1.1 Market risk

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

3.1.1.1 Foreign currency exchange risk

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

The sale/purchase contracts of the Company are denominated in the euro. Foreign exchange risk is mainly characteristic to contracts concluded by the Company for the purchase of natural gas from third parties. Aiming to reduce foreign exchange risk the agreement on natural gas purchase and supply is concluded in the same currency.

3.1.1.2 Interest rate risk

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

The Company's income and cash flows are affected by fluctuations in market interest rates because the Company's loans and borrowings had fixed and variable interest rates as at 31 December 2021; therefore, it is exposed to interest rate risk.

Assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount, interest rate derivatives are used for the purpose of interest management, including interest rate swaps, interest rate options, interest rate collars, and interest rate swaptions. The aim is that non-current borrowings with fixed interest rates comprised no less than 50% of the Company's non-current borrowings portfolio. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

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

As at 31 December 2021, loans received with variable interest rate amounted to EUR 131,101 thousand (EUR 27,236 thousand as at 31 December 2020). As at 31 December 2021, loans granted with variable interest rate amounted to EUR 40,512 thousand (EUR 5,607 thousand as at 31 December 2020) (Note 11).

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

	Increase/decrease, percentage points	(Decrease)/increase in profit
2021	0.15/(0.15)	(712)/712
2020	0.15/(0.15)	(55)/55

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

All amounts in thousands of euro unless otherwise stated

3.1.1.3 Commodity risk

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

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

In the ordinary course of its operations, the Company is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with cash flows from sales of natural gas and electricity or cost cash flows incurred to procure fixed price electricity/natural gas power for sales contracts. Majority of this type of exposure is based on changes of respective commodity price in the market that the Company operates.

Commodity risk arises primarily from the following activities:

- Fixed price commodity sales contracts (electricity and natural gas) for household and business customers;
- Fixed price natural gas purchases contracts.

In order to manage commodity risk, the Company enters into financial derivatives contracts (cash flow hedges). This is performed in order to secure a fixed acquisition price of the above mentioned commodities, so that optimum profit margins could be obtained from contracted or expected fixed price sales.

For electricity related hedges, the Company uses price component based hedges in the derivatives market (NASDAQ commodities) or equivalent over-the-counter contracts (OTC), and for natural gas related hedges – OTC contracts with price indexes matching hedged contracts. Assessment of economic relationship and hedge effectiveness is performed by:

- Dollar offset method for electricity hedges;
- Descriptive method for natural gas hedges.

The two separate components that are being used as a hedged item for electricity related hedges are SYS price and price component equivalent or similar to difference between Lithuania price area and SYS price. Their economic relationship is determined separately for each component.

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

Source of hedge ineffectiveness is mainly related to limited supply of financial derivatives for Lithuanian electricity price area in the market. Therefore, commodity risk is partly hedged in similar price area's (Latvian, Estonian and other), which results in partial ineffectiveness. The designated risk component of SYS historically covered 100% of the changes in hedged item, while designated price component equivalent or similar to difference between Lithuania price and SYS price historically covered variety of percentages (depending on hedge timing and hedged price area). However, value coverage of hedged item should be at least 67% and not exceed 150% in order for financial derivative to be classified as effective for hedge accounting purposes. Since the beginning of hedge accounting application on 1 July 2021, on average 87% of all electricity hedge contracts in terms of value has been effective.

Overview of the Company's derivatives positions:

	31 December 2021		31 December 2020	
	Contractual nominal value	Market value	Contractual nominal value	Market value
Market derivatives – Electricity (Nasdaq commodities)	187,458	94,323	133,618	18,875
Over the counter (OTC) derivatives – Electricity	57,925	10,252	5,403	2,367
Over the counter (OTC) derivatives – Natural gas	226,294	(64,585)	77,535	(1,913)
Total nominal value	**471,677**	**39,990**	**216,555**	**19,329**

Nominal amounts (quantities in MW) hedged:

	31 December 2021		
	2022	2023	2024
Electricity hedges	3,019,487	1,109,892	120,970
Natural gas hedges	-673,907	214,846	293,800
Total	2,345,579	1,324,738	414,770

Negative amount indicates that there are more "sell" positions than "buy" positions.

All amounts in thousands of euro unless otherwise stated

3.1.1.4 Credit risk

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

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

The largest amount receivable from one customer accounts for 6% as at 31 December 2021 and 2020 of the Company's total trade receivables. Five major debtors of the Company represent 35% (31 December 2020: 25%) of the Company's total trade receivables as at 31 December 2021. The largest customers of the Company are large energy producers or large industrial companies of Lithuania and other EU states. 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. 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 priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

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

	Note	31 December 2021	31 December 2020
Financial assets measured at amortised cost:			
Non-current receivables	9	86,520	12,324
Loans granted	11	40,512	5,607
Trade receivables	14	190,050	68,247
Other receivables	15	155,028	8,700
Cash and cash equivalents	16	72,953	23,291
Amounts receivable under finance lease agreements			
Non-current portion	10	3,553	2,973
Current portion	10	565	555
Financial assets measured at FVPL in SPLOCI or FVOCI in SPLOCI			
Derivatives	24	25,690	3,217
		574,871	**124,914**
Off-balance sheet commitments:			
Nominal value of loans granted	33.2	1,380	-
Total		**576,251**	**124,914**

All amounts in thousands of euro unless otherwise stated

3.1.2 Liquidity risk

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

As at 31 December 2021, the Company's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.45 and 1.12 respectively (31 December 2020: 1.69 and 1.41 respectively). As at 31 December 2021, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 128,845 thousand (31 December 2020: EUR 50,497 thousand).

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

	Note	31 December 2021	31 December 2020
Amounts payable measured at amortised cost			
Loans and borrowings	19	514,951	48,810
Lease liabilities		409	1,248
Trade payables	22	60,974	39,301
Other current amounts payable and liabilities	23	83	546
Financial liabilities measured at FVPL or FVOCI in SPLOCI			
Derivatives	24	80,022	2,762
Total		**656,439**	**92,667**

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

	2021				Total
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	
Borrowings and lease liabilities	121,410	104,902	27,194	263,790	**517,362**
Trade payables and non-current amounts payable to suppliers	60,974	-	-	-	**60,974**
Other payables	21	62	-	-	**83**
Derivatives	19,704	59,112	1,206	-	**80,022**
As at 31 December 2021	**202,109**	**164,076**	**28,400**	**263,790**	**658,375**

	2020				Total
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	
Borrowings and lease liabilities	9,705	649	27,756	12,271	50,381
Trade payables and non-current amounts payable to suppliers	39,301	-	-	-	39,301
Other payables	546	-	-	-	546
Derivatives	2,762	-	-	-	2,762
As at 31 December 2020	**52,314**	**649**	**27,756**	**12,271**	**92,990**

3.2 Capital risk management

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

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

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

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

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

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

To prepare the financial statements in accordance with IFRS, the management needs to make certain assumptions and estimates which have impact on the disclosure of amounts of assets, liabilities, income and expenses, and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the Company’s financial statements in the future.

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

4.1 COVID-19 pandemic

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

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

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

4.2 Determining whether the Company acts as a Principal or an Agent in relation to PSO fees and LNGT security component

4.2.1 Collection and transfer of PSO and LNGT security component fees

Management has applied a significant judgment and concluded that the Company acts as an Agent in relation to collection of PSO fees and LNGT security component from customers (Note 2.20.1.1) due to the following argumentation:

– The Company is not responsible for PSO and LNGT projects/initiatives, accordingly it is not responsible that collected PSO fees and 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.

4.2.2 Collection and transfer of fees for electricity transmission and distribution components

The Company’s management has identified that in respect of gas distribution and transmission services the Company acts as an agent (Note 2.20.1.1). The management relied on the following arguments:

– For all transmission and distribution 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 contracts with customers;
– The Company also does not bear inventory risk since price of transfer services is determined based on meter readings, i.e. fee of transmission and distribution components is charged to the Company only to the amount of electricity consumed by the end customer;
– The prices of transmission and distribution components are determined by the grid operator and approved by the NERC.

4.2.3 Collection and transfer of fees for gas transmission and distribution components

The Company’s management has identified that in respect of gas distribution and transmission services (Note 2.20.2) 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 contracts 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.

4.3 Expected credit losses of trade receivables

The Company uses a provision matrix to calculate expected credit losses for trade receivables. The Company accounts for expected credit losses (hereinafter “ECL”) assessing amounts receivable on an individual basis or on a collective basis applying provision matrices in respect of its clients.

4.3.1 Collective assessment of ECL applying provision matrix

The Company uses provision matrices to calculate ECL for trade receivables. The provision rates are based overdue dates or assignment to the Company's internal credit rating system for groupings of various customer segments that have similar loss patterns (i.e. by customer type).

The provision matrixes are initially based on the Company’s historical observed default rates. For instance, if forecast economic conditions (i.e., changes in gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECL on the Company’s trade receivables is disclosed in Note 14.

4.3.2 Individual assessment of ECL

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

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

4.4 Estimation of over-declaration of electricity and natural gas consumption by private customers and accounting for deferred revenue

In the circumstances when the tariff in subsequent period is higher than in current period according to the historical evidence of the Company it has been identified that private customers tend to over-declare the consumption of electricity and natural gas in the last months of the year.

Since the Company’s electricity supply revenue depends on declarations of electricity consumed by the customers, over-declaration increases the Company’s revenue and therefore the Company needs to estimate the amount of the over-declared consumption of electricity to evaluate the amount of deferred revenue. Estimation of over-declared electricity is based on historical consumption by the customers as well as the calculations by the distribution system’s operator regarding potentially over-declared quantity based on the assessment of technological losses in the electricity grid.

Estimation of over-declared natural gas is based on the quantities declared by customers and on the information presented in the system by gas distribution operator on natural gas quantities consumed during the period. All assumptions are reviewed at each reporting date.

4.5 Regulated activities: accrued revenue and provisions

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

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

4.5.1 Public electricity supply

On 25 September 2020, NERC adopted a resolution No O3E-879 “On approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap”. The resolution includes the methodology of determination of the additional component for distribution services to household consumers to compensate the difference between the actual and forecasted reasonable costs of a public supplier. The additional component is paid by household customers through the electricity distribution service price which is included as one of the components of public electricity tariff applied to the consumed electricity by household customers. This component is collected by distribution system operator (Group company) from all electricity suppliers that sell electricity to household customers. The calculation of the difference includes the difference resulting from the discrepancy between the forecast 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 public electricity price cap and the actual electricity distribution service price caps. If the difference is negative a loss is compensated through the increased price of additional component applied in the next year and accordingly, if the difference is positive a gain is reduced through the decreased price additional component.

This resolution also stipulates for the first time that if the Company discontinues public supply services, the Company must refund raised discrepancies between the actually received income and reasonable costs of providing these services if the costs actually incurred by the Company were less than the income received. The amount must be refunded to the Company if the costs actually incurred by the Company were higher than the income received. Before the resolution mentioned above the Company did not recognise this difference as an asset or liability. The difference shall be reimbursed by 31 December 2027.

According to the Amendments to the Law on Electricity adopted by the Seimas in 7 May 2020 it is planned to complete the process of liberalization of the Lithuanian electricity market by 1 January 2023.

With regard to the above, the Company recognises assets and liabilities of the difference to eliminate mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

As at 31 December 2021 the current part of a receivable EUR 39,024 thousand (31 December 2020: EUR 3,114 thousand) to be compensated within one year to the Company for a public supply services was accounted for in the Other receivables (Note 15) and non-current part of receivable EUR 86,520 thousand (31 December 2020: EUR 12,324 thousand) was accounted for in the Non-current receivables (Note 9).

4.5.2 Natural gas supply to household customers

On 4 November 2021 amendments were established to Laws on Natural Gas and Electricity, which provide for price amortization mechanisms in the face of high gas and electricity market prices. The price amortisation mechanism means that the gas or electricity supplier agrees to set a lower price for the product and to spread the return of the accumulated losses within 5-year period. If the Company takes an opportunity to set lower prices the losses (loss of revenue) caused by the lower gas price in the tariff will be compensated to the Company through the additional component which is included in distribution service tariff. Losses will be reimbursed regardless of whether the Company continues to provide supply services in the future or not.

The Company did not take an opportunity to set lower prices applicable for period from 4 November 2021 until 31 December 2021 for household customers. Therefore with regard to these Law amendments the Company did not recognise any assets or liabilities of the difference to eliminate mismatches between the current year earnings and the regulated level.

4.6 Assessment of impairment of investments in subsidiaries

As at 31 December 2021, 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 structure, 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 2021, the Company performed impairment testing for Ignitis Polska Sp.z.o.o. The tests showed no impairment for the investment in Ignitis Polska Sp.z.o.o. Further information is provided in Note 8.

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

All amounts in thousands of euro unless otherwise stated

5 Restatement of comparative figures due to reclassifications

In preparation of these financial statements, in 2021 the Company made reclassifications of some of the items of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income ('SPLOCI'); therefore, presentation of 2020 was amended accordingly. The management believed that changes are necessary as they will provide reliable and more relevant information for users of financial statements.

The information regarding main reclassifications:

- In 2021, the Company reclassified the deposits for derivative instruments from Prepayments and deferred expenses to Other receivables in order to better present the statement of financial position. Deposits are not a part of the initial net investment in a derivative, but are in a form of collateral for Commodities exchange or Commodity traders. Because of cash collateral moves on a daily basis the deposits are classified as current. The statement of financial position as 31 December 2020 (EUR 33,201 thousand) was restated accordingly. Reclassification had no significant impact on the SPLOCI and the statement of changes in equity.
- In 2021, the Company reclassified the liability representing the over-declared quantity of electricity and natural gas from Prepayments received to Deferred revenue in order to better present the statement of financial position. Reclassification is based on the fact that invoices for over-declared quantity are issued and payments are received and therefore should be recognised as deferred revenue. The statement of financial position as at 31 December 2020 (EUR 3,592 thousand) was restated accordingly. The reclassification did not have a significant effect on the SPLOCI, statement of changes in equity, and statement of cash flows.

Statement of financial position

	31 December 2020 before restatement	Restatement	31 December 2020 after restatement
ASSETS			
Non-current assets			
Intangible assets	18,922	-	18,922
Property, plant and equipment	2,782	-	2,782
Right-of-use assets	1,238	-	1,238
Investments in subsidiaries	6,074	-	6,074
Non-current receivables	15,297	-	15,297
Other financial assets	177	-	177
Loans granted	5,600	-	5,600
Deferred tax assets	891	-	891
Total non-current assets	**50,981**	**-**	**50,981**
Current assets			
Inventories	28,577	-	28,577
Prepayments and deferred expenses	41,429	(33,201)	8,228
Trade receivables	68,247	-	68,247
Other receivables	8,700	33,201	41,901
Other current assets	3,217	-	3,217
Loans granted	7	-	7
Cash and cash equivalents	23,291	-	23,291
Total current assets	**173,468**	**-**	**173,468**
TOTAL ASSETS	**224,449**	**-**	**224,449**
EQUITY AND LIABILITIES			
Equity			
Issued capital	40,140	-	40,140
Legal reserve	468	-	468
Hedging reserve	-	-	-
Retained earnings	41,819	-	41,819
Total equity	**82,427**	**-**	**82,427**
Liabilities			
Non-current liabilities			
Non-current loans	38,901	-	38,901
Non-current lease liabilities	693	-	693
Provisions	153	-	153
Other non-current amounts payable and liabilities	-	-	-
Total non-current liabilities	**39,747**	**-**	**39,747**
Current liabilities			
Loans and borrowings	9,909	-	9,909
Lease liabilities	555	-	555
Trade payables	39,301	-	39,301
Prepayments received	13,795	(3,592)	10,203
Income tax payable	2,779	-	2,779
Provisions	57	-	57
Deferred revenue	-	3,592	3,592
Other current amounts payable and liabilities	35,879	-	35,879
Total current liabilities	**102,275**	**-**	**102,275**
Total liabilities	**142,022**	**-**	**142,022**
TOTAL EQUITY AND LIABILITIES	**224,449**	**-**	**224,449**

All amounts in thousands of euro unless otherwise stated

Statement of cash flows

	31 December 2020 before restatement	Restatement	31 December 2020 after restatement
Cash flows from operating activities			
Net profit (loss) for the year	42,073	-	42,073
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation	18,471	-	18,471
Change in the fair value of derivatives	2,286	-	2,286
Impairment of investments in subsidiaries	5,300	-	5,300
Income tax expenses	3,021	-	3,021
Deferred income tax liability	2,505	-	2,505
Increase (decrease) in provisions	96	-	96
Inventory write-off to net realisable value (reversal)	262	-	262
Increase in allowance for receivables	63	-	63
Loss on disposal/write-off of property, plant and equipment	50	-	50
Interest income	(129)	-	(129)
Interest expenses	1,990	-	1,990
Dividends	(12)	-	(12)
Other expenses of financing activities	(306)	-	(306)
Changes in working capital:			
(Increase) decrease in trade and other non-current and current receivables	22,938	33,201	10,263
(Increase) decrease in inventories, prepayments and deferred expenses, other non-current and current assets	5,137	(33,201)	(28,064)
Increase (decrease) in trade payables, deferred revenue, prepayments received, other non-current and current amounts payable and liabilities	7,998	-	7,998
Paid income tax	(62)	-	(62)
Net cash flows from operating activities	**65,805**	-	**65,805**
Cash flows used in investing activities			
Acquisition of property, plant and equipment and intangible assets	(805)	-	(805)
Acquisition of subsidiary/Increase in share capital	(74)	-	(74)
Loans granted	(6,600)	-	(6,600)
Loan repayments received	4,200	-	4,200
Interest and interest on late payment received	165	-	165
Finance lease payments received	951	-	951
Other increases/(decreases) in cash flows from investing activities	12	-	12
Net cash flows from investing activities	**(2,151)**	**-**	**(2,151)**
Cash flows from/(used in) financing activities			
Loans received	8,300	-	8,300
Repayments of borrowings	(69,904)	-	(69,904)
Lease payments	(522)	-	(522)
Interest paid	(1,646)	-	(1,646)
Net cash flows from/(used in) financing activities	**(63,772)**	**-**	**(63,772)**
Increase (decrease) in cash and cash equivalents (including overdraft)	**(118)**	**-**	**(118)**
Cash and cash equivalents (including overdraft) at the beginning of the year	23,409	-	23,409
Cash and cash equivalents (including overdraft) at the end of the year	**23,291**	**-**	**23,291**

All amounts in thousands of euro unless otherwise stated

6 Intangible assets

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

	Patents and licences	Computer software	Intangible assets identified during business combination	Software projects in progress	Total
As at 31 December 2019					
Cost or revalued amount	14	1,673	43,958	-	**45,645**
Accumulated amortisation	(8)	(622)	(9,110)	-	**(9,740)**
Carrying amount	**6**	**1,051**	**34,848**	**-**	**35,905**
Carrying amount as at 1 January 2020	**6**	**1,051**	**34,848**	**-**	**35,905**
Additions	-	-	-	690	**690**
Reclassifications between categories	-	690	-	(690)	**-**
Amortisation charge	(2)	(339)	(17,332)	-	**(17,673)**
Carrying amount as at 31 December 2020	**4**	**1,402**	**17,516**	**-**	**18,922**
As at 31 December 2020					
Cost or revalued amount	14	2,363	43,958	-	**46,335**
Accumulated amortisation	(10)	(961)	(26,442)	-	**(27,413)**
Carrying amount	**4**	**1,402**	**17,516**	**-**	**18,922**
Carrying amount as at 1 January 2021	**4**	**1,402**	**17,516**	**-**	**18,922**
Additions	-	2	-	1261	**1,263**
Reclassified (to) from property, plant and equipment	-	-	-	(1)	**(1)**
Reclassifications between categories	-	1,241	-	(1,241)	**-**
Amortisation charge	(2)	(561)	(1,198)	-	**(1,761)**
Carrying amount as at 31 December 2021	**2**	**2,084**	**16,318**	**19**	**18,423**
As at 31 December 2021					
Cost or revalued amount	10	3,564	43,958	19	**47,551**
Accumulated amortisation	(8)	(1,480)	(27,640)	-	**(29,128)**
Carrying amount	**2**	**2,084**	**16,318**	**19**	**18,423**

Assets identified during business combination: hedging activity

The carrying amount of derivative trading activities that were acquired in previous periods as at 31 December 2021 was EUR 5,810 thousand (31 December 2020: EUR 6,225 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 2021.

Assets identified during business combination: balancing services

The carrying amount of balancing services that were acquired in previous periods was EUR 8,031 thousand as at 31 December 2021 (31 December 2020: EUR 8,605 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 2021.

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 2021 was EUR 2,477 thousand (31 December 2020: EUR 2,686 thousand). Amortisation is calculated over a period of 15 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 2021.

6.1 Fully amortised intangible assets

As at 31 December 2021 and 2020, the cost of acquisition of fully amortised intangible assets used by the Company were as follows:

	31 December 2021	31 December 2020
Patents and licences	1	5
Computer software	5	27
Cost of fully amortised assets, total	**6**	**32**

6.2 Acquisition commitments

The Company has not significant acquisition commitments of intangible assets which will have to be fulfilled during the later years.

6.3 Pledged assets

As at 31 December 2021 and 2020, the Company did not have non-current intangible assets pledged.

All amounts in thousands of euro unless otherwise stated

7 Property, plant and equipment

7.1 Company's property, plant and equipment

	Solar plants	Other property, plant and equipment	Construction in progress	Total
As at 31 December 2019				
Acquisition cost	655	66	1,769	**2,490**
Accumulated depreciation	(14)	(30)	-	**(44)**
Carrying amount	**641**	**36**	**1,769**	**2,446**
Carrying amount as at 1 January 2020	**641**	**36**	**1,769**	**2,446**
Additions	-	4	492	**496**
Write-offs	-	(1)	(49)	**(50)**
Reclassifications between categories	599	1,678	(2,277)	**-**
Reclassified from (to) inventories	-	-	183	**183**
Depreciation charge	(106)	(187)	-	**(293)**
Carrying amount as at 31 December 2020	**1,134**	**1,530**	**118**	**2,782**
As at 31 December 2020				
Acquisition cost	1,254	1,732	118	**3,104**
Accumulated depreciation	(120)	(202)	-	**(322)**
Carrying amount	**1,134**	**1,530**	**118**	**2,782**
Carrying amount as at 1 January 2021	1,134	1,530	118	**2,782**
Additions	-	3	423	**426**
Reclassifications between categories	1,156	45	(1,201)	**-**
Reclassified from (to) intangible assets	-	-	1	**1**
Reclassified from (to) inventories	-	-	729	**729**
Depreciation charge	(153)	(352)	-	**(505)**
Carrying amount as at 31 December 2021	**2,137**	**1,226**	**70**	**3,433**
As at 31 December 2021				
Acquisition cost	2,414	1,780	70	**4,264**
Accumulated depreciation	(277)	(554)	-	**(831)**
Carrying amount	**2,137**	**1,226**	**70**	**3,433**

7.2 Fully depreciated property, plant and equipment

The cost or revalued amount of fully depreciated property, plant and equipment, but still in use by the Company were as follows:

	31 December 2021	31 December 2020
Other property, plant and equipment	-	9
Total	**-**	**9**

7.3 Pledged property, plant and equipment

As at 31 December 2021 and 2020, the Company did not have property, plant and equipment pledged.

As at 31 December 2021 and 2020, the Company had no significant acquisition commitments of intangible assets which will have to be fulfilled during the later years.

All amounts in thousands of euro unless otherwise stated

8 Investments in subsidiaries

The Company's investments in subsidiaries as at 31 December 2021:

Company name	Ownership interest (%)	Acquisition cost	Impairment	Carrying amount
Ignitis Eesti OÜ	100	35	-	35
Ignitis Latvija SIA	100	11,500	(7,800)	3,700
Ignitis Polska Sp.z.o.o.	100	2,339	-	2,339
Ignitis Suomi OY	100	200	-	200

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

Company name	Ownership interest (%)	Acquisition cost	Impairment	Carrying amount
Ignitis Eesti OÜ	100	35	-	35
Ignitis Latvija SIA	100	11,500	(7,800)	3,700
Ignitis Polska sp. z o.o.	100	2,339	-	2,339

8.1 Impairment of investments as at 31 December 2021

As at 31 December 2021, the Company tested investments in subsidiaries for impairment. Potential indications were determined at the subsidiary Ignitis Polska Sp.z.o.o.; therefore, the Company performed impairment testing. The test showed that no impairment of investments in subsidiaries should be recognised as at 31 December 2021. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. the cash flow forecast covered the period from 2022 until 2031;
2. In 2022, rapid development is planned in Polish electricity supply market; as at 31 December 2021, the subsidiary had fully linked supply portfolio to sales agreements;
3. Average EBITDA margin has been estimated at 4.3% and net working capital NWC) of EUR 6.6 million;
4. discount rate of 15% after tax (17.6% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

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 2.2 million; and, respectively, drop of average EBITDA margin by 1% would further lower the recoverable value by EUR 2.2 million.
2. Increase of average NWC by 10% would further increase the recoverable value by EUR 1,9 million; and, respectively, drop of average NWC by 10% would further decrease the recoverable value by EUR 1,9 million.
3. Increase of WACC by 3% would further lower the recoverable value by EUR 3,2 million; and, respectively, drop of WACC by 5% would further increase the recoverable value by EUR 5,7 million.

In addition to the above-mentioned impairment indications, no other indications of impairment of investments in subsidiaries existed as at 31 December 2021; therefore, the Company did not perform impairment tests for other subsidiaries and did not recognise additional impairment for investments during 2021.

8.2 Impairment of investments as at 31 December 2020

Having identified impairment indications for investments in Ignitis Latvia 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).

8.3 Movement of the Company's investments

Movement of the Company's investments during the reporting year:

	2021	2020
Carrying amount as at 1 January	**6,074**	**5,374**
Additions	200	-
Increase in share capital	-	6,000
Impairment	-	(5,300)
Carrying amount as at 31 December	**6,274**	**6,074**

9 Non-current receivables

Amounts receivable after one year comprised as follows:

	31 December 2021	31 December 2020
Non-current receivables		
Accrued revenue related to regulatory activity of the public electricity supply (Note 4.5.1)	86,520	12,324
Finance lease (Note 10)	3,858	3,235
Total	**90,378**	**15,559**
Less: allowance	(305)	(262)
Carrying amount	**90,073**	**15,297**

Total amount of the accrued revenue related to regulatory activity of the public electricity supply has increased comparing to 31 December 2020. Increase related to discrepancies between the Company's forecasted and actual costs incurred in providing public electricity supply services during the reporting period. For more information – see Note 15.

All amounts in thousands of euro unless otherwise stated

10 Finance lease receivables

The Company’s finance lease receivables were reported in the following line items in the statement of financial position:

	31 December 2021	31 December 2020
Non-current receivables	3,553	2,973
Other receivables	565	555
Carrying amount	**4,118**	**3,528**

The Company's amounts receivable under the energy saving services agreements are included in the line items “Amounts receivable after one year” and “Other amounts receivable” (Note 2.11).

The Company’s finance lease receivables comprised as follows:

	31 December 2021	31 December 2020
Minimum payments		
Within the first year	660	636
From two to five years	2,890	2,051
More than five years	968	1,185
Total	**4,518**	**3,872**
Unearned finance income		
Within the first year	(95)	(81)
From two to five years	(267)	(204)
More than five years	(38)	(59)
Total	**(400)**	**(344)**
Carrying amount	**4,118**	**3,528**

As at 31 December 2021 and 2020, the Company assessed whether credit risk of finance lease clients has increased significantly and did not establish a significant increase in credit risk.

11 Loans granted

The Company’s loans granted as at 31 December 2021 comprised loans granted to the following subsidiaries:

	Interest rate type	Within 1 year	After one year	Total
Ignitis Latvija SIA	Variable interest	52	35,600	35,652
Ignitis Polska S.p.o.o.	Variable interest	10	4,800	4,810
Ignitis Eesti OÜ	Variable interest	-	50	50
Carrying amount		**62**	**40,450**	**40,512**

The Company’s loans granted as at 31 December 2020 comprised loans granted to the following subsidiaries:

	Interest rate type	Within 1 year	After one year	Total
Ignitis Latvija SIA	Variable interest	6	4,000	4,006
Ignitis Polska Sp.z.o.o.	Variable interest	1	1,600	1,601
Carrying amount		**7**	**5,600**	**5,607**

As at 31 December 2021, the Company had a loan of EUR 35,600 thousand issued to Ignitis Latvija SIA (31 December 2020: EUR 4,000 thousand). 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 2022, and therefore, the loan granted was classified within ‘Non-current loan granted‘ as at 31 December 2021. 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.

As at 31 December 2021, the Company had a loan of EUR 4,800 thousand issued to Ignitis Polska Sp.z.o.o. (31 December 2020: EUR 1,600 thousand). The credit was granted to finance the working capital and is repayable until 30 September 2022, but the Company intends to extend the repayment term, therefore it was recognised as long-term loan as at 31 December 2021. 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.

Non-current borrowings by maturity:

	31 December 2021	31 December 2020
From 1 to 2 years	40,450	5,600
Carrying amount	**40,450**	**5,600**

2021 and 2020 movement of loans granted and reconciliation with the cash flow statement:

	2021 m.	2020 m.
Carrying amount 1 January	**5,600**	**9,200**
Loans granted	66,950	6,600
Capitalized loans*	-	(6,000)
Loans recovered	(32,100)	(4,200)
Carrying amount 31 December	**40,450**	**5,600**

* Ignitis Latvija SIA authorized capital increase in 2020.

All amounts in thousands of euro unless otherwise stated

12 Inventories

The Company's inventories comprised as follows:

	31 December 2021	31 December 2020
Natural gas	148,449	24,949
Other	1,935	3,890
Total	**150,384**	**28,839**
Less: write down to net realisable value	(664)	(262)
Carrying amount	**149 720**	**28 577**

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 2021, the latter quantity comprised 472 GWh or EUR 26,375 thousand (31 December 2020: 394 GWh or EUR 5,806 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.

The Company's inventories expensed were as follows:

	2021	2020
Natural gas	291,514	173,831
Total	**291,514**	**173,831**

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

	2021	2020
Carrying amount as at 1 January	**262**	**-**
Additional impairment	470	262
Reversal of impairment	(68)	-
Carrying amount as at 31 December	**664**	**262**

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

13 Prepayments and deferred expenses

The Company's current prepayments and deferred expenses were as follows:

	31 December 2021	31 December 2020 (restated)[1]
Prepayments for natural gas	57,003	7,710
Deferred expenses	1,986	6
Prepayments for other goods and services	505	115
Other prepayments	297	397
Carrying amount	**59,791**	**8,228**

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

All amounts in thousands of euro unless otherwise stated

14 Trade receivables

The Company's trade receivables comprised as follows:

	31 December 2021	31 December 2020
Amounts receivable from contracts with customers		
Receivables for electricity from non-household customers	58,986	22,869
Receivables for gas from non-household customers	99,328	29,080
Receivables for electricity from household customers	33,306	18,881
Receivables for gas from household customers	4,309	2,881
Other trade receivables	394	251
Total	**196,323**	**73,962**
Less: impairment of trade receivables	(6,273)	(5,715)
Carrying amount	**190,050**	**68,247**

As at 31 December 2021 and 2020, the Company had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Company doesn't provide the settlement period longer than 1 year. The management didn't identify any significant financing component. For terms and conditions on settlement between related parties see Note 34.

14.1 Impairment of amounts receivable (lifetime expected credit losses) assessed using the loss ratio matrix

The table below presents information on the Company's trade receivables from contracts with customers as at 31 December 2021 that are assessed on a collective basis using the loss ratio matrix:

	Loss ratio	Trade receivables	Impairment
Not past due	0.25	29,621	61
Up to 30 days	1.35	2,074	28
30-60 days	3.78	741	28
60-90 days	9.26	272	27
90-120 days	16.27	166	27
More than 120 days	75.66	4,742	3,588
31 December 2021	**11.74**	**37,616**	**3,759**

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

	Loss ratio	Trade receivables	Impairment [1]
Not past due	0.31	13,783	43
Up to 30 days	1.62	2,102	34
30-60 days	4.53	508	23
60-90 days	10.42	288	30
90-120 days	16.91	207	35
More than 120 days	76.90	4,874	3,748
31 December 2020	**17.98**	**21,762**	**3,913**

[1]Part of the amounts do not agree with the annual financial statements as at 31 December 2020 in order to better reflect method for calculating lifetime expected credit losses.

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 forward-looking information where forward-looking information is indicative of any exacerbation of economic conditions during upcoming years.

All amounts in thousands of euro unless otherwise stated

14.2 Impairment of amounts receivable (lifetime expected credit losses) calculated using internal rating system

The table below presents information on the Company's trade receivables from contracts with customers as at 31 December 2021 that are assessed on a collective basis using the internal rating system:

Internal ratings	Trade receivables	Impairment
A	112,695	149
B	32,874	358
C	9,216	415
D	2,224	386
E	1,272	1,206
31 December 2021	**158,281**	**2,514**

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

Internal ratings	Trade receivables	Impairment
A	33,865	160
B	11,555	144
C	4,533	233
D	1,181	229
E	1,066	1,036
31 December 2020	**52,200**	**1,802**

The assessment 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.

14.3 Impairment of amounts receivable (lifetime expected credit losses) calculated on an individual basis

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

	31 December 2021		31 December 2020 [1]	
	Trade receivables	Impairment	Trade receivables	Impairment
Not past due	426	-	3	-
Up to 30 days	-	-	-	-
30-60 days	-	-	-	-
60-90 days	-	-	-	-
90-120 days	-	-	-	-
More than 120 days	-	-	-	-
Carrying amount	**426**	**-**	**3**	**-**

[1]Part of the amounts do not agree with the annual financial statements as at 31 December 2020 in order to better reflect method for calculating lifetime expected credit losses.

14.4 Movement in impairment for receivables

Movements in the account of impairment of trade receivables during the year 2021 and 2020 were as follows:

	2021	2020
Carrying amount as at 1 January	**5,716**	**5,826**
Impairment for the year	1,090	63
Reversal of impairment	(533)	(173)
Carrying amount as at 31 December	**6,273**	**5,716**

Impairment of receivables was recognised in profit or loss, line item "Other expenses" of SPLOCI.

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

All amounts in thousands of euro unless otherwise stated

15 Other receivables

The Company's other receivables comprised as follows:

	31 December 2021	31 December 2020 (restated) [1]
Deposits for electricity related derivatives in electricity market	60,060	33,201
Deposits for gas related derivatives to commodity traders	39,070	-
Accrued revenue related to regulatory activity of the public electricity supply (Note 4.5.1)	39,024	3,144
Deferred revenue related to over-declaration (Note 4.4)	10,222	2,553
Accrued revenue from natural gas sales	1,641	11
Current portion of finance lease (Note 10)	660	638
Accrued revenue from electricity sales	23	1,862
Other receivables	4,423	575
Total	**155,123**	**41,984**
Less: impairment of other receivables	(95)	(83)
Carrying amount	**155,028**	**41,901**

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

Items “Accrued revenue from natural gas sales”, “Accrued revenue related to regulatory activity of the public electricity supply”, “Accrued revenue from natural gas sales” “Accrued revenue from electricity sales” reflect contract assets (Note 25.2).

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

15.1 Accrued revenue related to regulatory activity of the public electricity supply

Line item “Accrued revenue related to regulatory activity of the public electricity supply“ has increased because as mentioned in Note 4.5.1, discrepancies between the Company's forecasted and actual costs incurred in providing public electricity supply services during the reporting period are recognised as assets or liabilities of regulated activities.

During 2021 electricity prices in the market increased significantly, especially in second half-year of 2021. As at 31 December 2021 amount of regulatory difference is almost EUR 125 million (for non-current part see Note 9), EUR 113 million is related to services provided during the year 2021 (to equalize the current year's profit to the regulated level, regardless of whether the services will be provided in the future). Full amount will have to be returned to the Company through the electricity distribution system operator (Group company) in future periods (not later than 31 December 2027).

As to decision of the NERC, during the year 2022 EUR 39 million have to be returned to the Company through the electricity distribution system and therefore are recognised as current portion of accrued revenue related to regulatory activity of the public electricity supply as at 31 December 2021.

15.2 Deposits related to derivatives

The Company has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading of derivatives linked to electricity and gas market prices. Deposits are in a form of cash collateral and the value moves on a daily basis, i.e. depends on market prices. The Company estimates that the whole amount of cash collateral will be recovered as the amounts payable are related to the realization of the future hedge and the sales contracts will be realized together with the hedge, thus invoices for derivative instruments will be covered with sales income and after this payment cash collateral will be recovered.

As to Company’s estimation, expected credit losses from deposit related to derivatives are not material, therefore, not accounted for.

16 Cash and cash equivalents

The Company’s cash and cash equivalents consisted of:

	31 December 2021	31 December 2020
Cash balances in bank accounts	69,934	22,138
Cash in transit	3,010	1,144
Restricted cash	9	9
Carrying amount	**72,953**	**23,291**

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

Based on contracts with solar fleet developers, the Company collects on their behalf client payments for the acquisition, lease and maintenance of remote solar plants. Collected amounts are transferred to bank accounts specified by the developers. As at 31 December 2021, the amount of payments collected on behalf of such developers amounted to EUR 5,291 thousand (31 December 2020: EUR 1,736 thousand).

Restricted cash is held with banks in accordance with certain agreements requirements, for example deposits related to guarantee of performance of the contract. These funds are not available to finance the Company’s day-to-day operations. To secure liabilities to Swedbank, AB, the Company has pledged funds under contract. The balance of pledged funds amounted to EUR 9 thousand as at 31 December 2021 and 2020.

All amounts in thousands of euro unless otherwise stated

17 Equity

Issued capital of the Company consisted of:

	31 December 2021	31 December 2020
Issued capital		
Ordinary shares, EUR	40,140	40,140
Ordinary shares issued and fully paid, EUR	**40,140**	**40,140**

As at 31 December 2021 and 2020, the Company's issued capital comprised EUR 40,0140,000 and was divided in to 138,413,794 registered ordinary shares with par value is EUR 0.29 of each.

18 Reserves

18.1 Legal reserve

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

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

18.2 Hedging reserve

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

Hedging reserve:

	2021			2020		
	Before tax	Tax income (expenses)	After tax	Before tax	Tax income (expenses)	After tax
Cash flow hedges – effective portion of changes in fair value	65,376	(9,806)	55,570	-	-	-
Cash flow hedges – reclassified to profit or loss	(39,035)	5,855	(33,180)	-	-	-
Total	**26,341**	**(3,951)**	**22,390**	**-**	**-**	**-**

Hedging reserve by the type of hedging instruments:

	2021			2020		
	Before tax	Tax income (expenses)	After tax	Before tax	Tax income (expenses)	After tax
Effective hedging instruments - OTC	(38,441)	5,766	(32,675)	-	-	-
Effective hedging instruments - Nasdaq	64,782	(9,717)	55,065	-	-	-
Total	**26,341**	**(3,951)**	**22,390**	**-**	**-**	**-**

19 Loans

Loans received by the Company comprised:

	31 December 2021	31 December 2020
Non-current		
Loan of the parent company	288,800	38,800
Bank loans	-	101
Current		
Bank loans	104,101	135
Current loans (cash-pool) to group entities	121,155	9,504
Accrued interest	895	270
Total	**514,951**	**48,810**

Non-current borrowings by maturity:

	31 December 2021	31 December 2020
From 1 to 2 years	-	101
From 2 to 5 years	27,000	27,000
After 5 years	261,800	11,800
Total	**288,800**	**38,901**

All borrowings of the Company are denominated in euros.

All amounts in thousands of euro unless otherwise stated

19.1 Movement of borrowings

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

In 2021, the Company entered into a loan agreement with the parent company for the amount of EUR 300,000 thousand and received a loan of EUR 250,000 thousand by 31 December 2021. The loan matures on 22 November 2027, balance as at 31 December 2021 is EUR 247,983 thousand.

During 2021, the Company entered into a credit agreement with AB SEB Bankas for the amount of EUR 104,000 thousand; the credit matures on 12 October 2022, balance as at 31 December 2021 is EUR 104,000 thousand.

19.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the Company is obliged to comply with. As at 31 December 2021 and 2020, the Company complied with all contractual commitments.

The value of the Company's unused loans for Group companies as at 31 December 2021 was EUR 128,845 thousand (31 December 2020: EUR 50,497 thousand).

20 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Company.

While implementing risk management strategy, the management monitors net debt ratio.

This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

	31 December 2021	31 December 2020
Cash and cash equivalents	(72,953)	(23,291)
Non-current loans payable after one year	288,800	38,901
Current loans payable within one year (including overdraft and accrued interest)	226,151	9,909
Lease liabilities	409	1,248
Net debt	**442,407**	**26,767**

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

	Assets	Lease liabilities		Loans and borrowings		
	Cash	Non-current	Current	Non-current	Current	Total
Net debt as at 1 January 2020	**(23,409)**	**326**	**160**	**30,736**	**79,577**	**87,391**
Cash changes						
(Increase) decrease in cash and cash equivalents	118	-	-	-	-	**118**
Loans received	-	-	-	8,300	-	**8,300**
Repayments of loans	-	-	-	-	(69,904)	**(69,904)**
Lease payments	-	(522)	-			**(522)**
Interest paid	-	-	(33)	-	(1,856)	**(1,889)**
Non-cash changes						
Accrual of interest payable	-	-	33	-	1,957	**1,990**
Lease contracts concluded	-	869	415	-	-	**1,284**
Reclassifications between items	-	20	(20)	(135)	135	**-**
Net debt as at 31 December 2020	**(23,291)**	**693**	**555**	**38,901**	**9,909**	**26,767**
Net debt as at 1 January 2021	**(23,291)**	**693**	**555**	**38,901**	**9,909**	**26,767**
Cash changes						
(Increase) decrease in cash and cash equivalents	(49,662)	-	-	-	-	**(49,662)**
Loans received	-	-	-	250,000	215,651	**465,651**
Repayments of loans	-	-	-	-	(135)	**(135)**
Lease payments	-	-	(509)	-	-	**(509)**
Interest paid	-	-	(13)	-	(2,507)	**(2,520)**
Non-cash changes						
Lease contracts terminated	-	-	(305)	-	-	**(305)**
Accrual of interest payable	-	-	(12)	-	3,132	**3,120**
Reclassifications between items	-	(513)	513	(101)	101	**-**
Net debt as at 31 December 2021	**(72,953)**	**180**	**229**	**288,800**	**226,151**	**442,407**

All amounts in thousands of euro unless otherwise stated

21 Deferred revenue and prepayments received

21.1 Deferred revenue

Movement in the Company's deferred revenue:

	2021	2020 (restated)[1]
	Current portion	Current portion
Balance as at 1 January	**3,592**	**9,837**
Increase during the year	7,688	3,592
Recognised as revenue	(2,581)	(9,837)
Balance as at 31 December	**8,699**	**3,592**

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

21.2 Prepayments received

The Company's prepayments received were as follows:

	31 December 2021	31 December 2020 (restated) [1]
Current prepayments from contracts with customers (contract liabilities)	9,732	9,901
Current prepayments from other contracts	447	302
Total	**10,179**	**10,203**

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

22 Trade payables

The Company's trade payables consisted of:

	31 December 2021	31 December 2020
Amounts payable for electricity	44,520	26,593
Amounts payable for gas	8,667	11,149
Other payables	7,787	1,559
Carrying amount	**60,974**	**39,301**

23 Other current amounts payable and liabilities

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

	31 December 2021	31 December 2020 (restated) [1]
Derivative financial instruments (Note 24)	78,816	2,762
Accrued expenses	29,043	18,644
Taxes (other than income tax)	23,481	9,426
Deferred expenses related to over-declaration	10,155	2,688
Employment related liabilities	1,574	1,813
Amounts payable for property, plant and equipment	16	507
Other amounts payable and liabilities	67	39
Carrying amount	**143,152**	**35,879**

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

Financial liabilities comprise EUR 78,889 thousand from Total other current amounts payable and liabilities (EUR 3,308 thousand as at 31 December 2020). Accrued expenses, deferred expenses related to over-declaration, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

All amounts in thousands of euro unless otherwise stated

24 Derivatives

Derivative financial instruments mainly comprise:
Contracts related to electricity and natural gas commodities (hedge accounting)
Contracts made directly with other parties – over-the-counter (OTC)
Contracts made through "Nasdaq Commodities" market – Nasdaq
Other contracts (non-hedge accounting)
Other contracts – derivative financial instruments

From 1 July 2021, the Company started application of the hedge accounting policy to OTC and Nasdaq contracts. Accordingly, effective portion of gain or loss of such contracts is recognised through OCI. Fair value change up to 30 June 2021 and ineffective portion of such contracts is recognised in Other income of SPLOCI.

Fair value of Nasdaq contracts are being set-off with cash on day-to-day basis. Accordingly no financial assets or liabilities are being recognised in statement of financial position. Gain or loss of such transactions is recognised same as all derivative financial instruments.

24.1 Derivative financial instruments included in the statement of financial position

Movements of assets and liabilities related to the Company's agreements on derivative financial instruments were as follows:

	Note	Movement during 2021
Derivatives		
Other current assets		3,217
Other current amounts payable and liabilities	23	(2,762)
Carrying amount as at 31 December 2020		**455**
Change in the value		
Fair value change of OTC recognised in Other income		(16,346)
Fair value change of OTC recognised in OCI		(38,441)
Total change during 2021		**(54,787)**
Derivatives		
Carrying amount as at 31 December 2021		**(54,332)**
Other non-current assets		4,229
Other current assets		21,461
Other non-current amounts payable and liabilities		(1,206)
Other current amounts payable and liabilities	23	(78,816)

Liability from derivative financial instruments has increased significantly comparing to prior period mainly due to increased gas prices in the market, moreover more hedging transactions were executed.

24.2 Derivative financial instruments included in SPLOCI

Derivative financial instruments included in SPLOCI:

	Note	2021	2020
Fair value change of OTC	24.1	(16,346)	(3,173)
Fair value change of Nasdaq		10,664	19,875
Recognised ineffective hedging instruments - OTC		692	7,382
Recognised ineffective hedging instruments - Nasdaq		18,347	(28,519)
Total recognised in Other income/ (Other expenses)	26, 28	**13,357**	**(4,435)**
Effective hedging transactions reclassified from Hedging reserve to SPLOCI	18.2	39,035	-
Total		**52,392**	**(4,435)**

All amounts in thousands of euro unless otherwise stated

25 Revenue from contracts with customers

25.1 Disaggregated revenue information

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

2021	Non-household customers	Household customers	Total
Sales revenue of natural gas	286,519	54,133	**340,652**
Revenue from public supply of electricity	-	217,508	**217,508**
Revenue from the sale of electricity	216,667	42,640	**259,307**
Revenue from the LNGT security component	27,907	8,049	**35,956**
Revenue from project activities	4,110	4,753	**8,863**
Total	**535,203**	**327,083**	**862,286**

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

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

	2021	2020
Performance obligation settled over time	855,080	505,672
Performance obligation settled at a point of time	7,206	510
Total	**862,286**	**506,182**

25.2 Contract balances

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

	Notes	31 December 2021	31 December 2020
Trade receivables	14	**190,050**	**68,247**
Contract assets		**128,049**	**17,341**
Accrued revenue related to regulatory activity of the public electricity supply	9, 15	126,385	15,468
Accrued revenue from gas	15	1,641	11
Accrued revenue from electricity related sales	15	23	1,862
Contract liabilities		**18,431**	**13,493**
Prepayments received	21.2	9,732	9,901
Deferred revenue	21.1	8,699	3,592

25.2.1 Contract assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts. Recognised expected credit losses (if any) are disclosed in Notes 14 and 15.

25.2.2 Contract liabilities

	Notes	31 December 2021	31 December 2020
Current	21.2	18,431	13,493

25.3 Rights to returned goods assets and refund liabilities

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

25.4 Performance obligations

The remaining performance obligations expected to be recognised after the end of the financial year relate to over-declaration of electricity and gas (Note 21.1). All other performance obligations amounting to EUR 8,699 thousand will be recognised within one year after the end of the reporting period.

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 10,541 thousand as at 31 December 2021 (31 December 2020: EUR 3,677 thousand).

26 Other income

The Company's other income is as follows:

	2021	2020
OTC and Nasdaq contracts (Note 24.2)	13,357	-
Income from LNG congestion services	930	-
Other income	259	158
Total	**14,546**	**158**

All amounts in thousands of euro unless otherwise stated

27 Purchases of electricity, gas and other services

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

	2021	2020 (restated)[1]
Purchases of electricity and related services for trade	505,987	213,663
Purchases of gas and related services for trade in gas	325,741	189,059
Purchases of sub-contractual services	6,619	5,962
Total	**838,347**	**408,684**

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

28 Other expenses

The Company's other expenses were as follows:

	2021	2020 (restated)[1]
Customer service	6,203	3,576
Telecommunications and IT services	3,408	2,615
Business support services	2,553	2,363
Consulting services	738	808
Impairment of receivables	558	63
Impairment of investments in subsidiaries	-	5,300
OTC and Nasdaq contracts (Note 24.2)	-	4,435
Other	2,244	2,215
Total	**15,704**	**21,375**

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

29 Finance costs

The Company's finance costs are as follows:

	2021	2020
Interest expenses	3,132	1,957
Negative effect of changes in exchange rates	1	1
Other finance costs	150	(4)
Total	**3,283**	**1,954**

29.1 The Company's interest expense

The Company incurs interest expenses on non-current and current loans payable (Note 19). In 2021, the Company paid EUR 2,520 thousand of interest in cash (2020: EUR 1,646 thousand), which are presented in the cash flow statement under "Interest paid".

All amounts in thousands of euro unless otherwise stated

30 Income taxes

The Company's income tax expenses recognised in profit or loss:

	2021	2020
Income tax expenses (benefit) for the reporting period	2,948	3,021
Deferred income tax expenses (benefit)	(858)	2,505
Income tax expenses (benefit) recognised in profit or loss	**2,090**	**5,526**

Income tax amount recognised in 2021 in other comprehensive income comprises income tax expenses of EUR 2,090 thousand.

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

		2021		2020
Profit (loss) before tax		8,051		47,599
Income tax expenses (benefit) at tax rate of 15%	15.00%	1,208	15.00%	7,140
Non-deductible expenses	93.17%	7,501	1.40%	668
Non-taxable income	(21,03)%	(1,693)	(4.81)%	(2,290)
Adjustments in respect of prior years	(12,11)%	(975)	(0.08)%	(37)
Income tax recognised in other comprehensive income	(49,07)%	(3,951)	-	-
Other	-	-	0.09%	4545
Income tax expenses (income)	**25,60%**	**2,090**	**11.61%**	**5,526**

The amount of income tax recognised in other comprehensive income is related to profit from the Company's effective hedging instruments fair value change (Note 18). For the purpose of income taxes, these hedging instruments are treated as deductible expenses (or taxable income).

31 Deferred tax

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

	31 December 2019	Recognised in profit or loss	31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Deferred tax assets						
Accrued expenses	745	80	825	1,359	-	2,184
Impairment of trade and other receivables	899	(2)	897	90	-	987
Tax losses carry forward	4,109	(4,109)	-	-	-	-
Differences in depreciation rates	(318)	2,795	2,477	(260)	-	2,217
Non-current employee benefits	89	87	176	(52)	(1)	123
Other	4	112	116	123	-	239
Deferred tax asset, net	**5,528**	**(1,037)**	**4,491**	**1,260**	**(1)**	**5,750**
Deferred income tax liability						
Accrued revenue	-	700	700	1,255	-	1,955
Derivatives	2,132	768	2,900	(853)	-	2,047
Deferred income tax liability, net	**2,132**	**1,468**	**3,600**	**402**	**-**	**4,002**
Net deferred tax	**3,396**	**(2,505)**	**891**	**858**	**(1)**	**1,748**

32 Dividends

Dividends declared by the Company during the year:

	2021	2020
AB Ignitis grupė	39,715	-

Dividends of EUR 39,715 thousand for the year 2020 were approved during the General Shareholders' Meeting held on 25 March 2021. In 2020, the Company paid no dividends.

33 Contingent liabilities and assets

33.1 Litigations

33.1.1 Litigation concerning the designated supplier state aid scheme and LNG price component

Following the General Court on the European Union (the General Court) on 8 September 2021 judgement in case T-193/19, AB Achema initiated the reopening of the previously suspended proceedings in the administrative courts of the Republic of Lithuania in respect of the complaints it has lodged regarding the decisions by the NERC of the setting of the LNG price supplement. The Company is involved as a third party.

The General Court on 8 September 2021 in case T-193/19 decided to partially annul on procedural grounds the European Commission decision in case SA.44678 (2018/N) (hereinafter "Decision"). The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme which has been valid for a period from 2016 to 2018 and annulled Decision on that part, however maintained the validity of the remainder of the Decision i.e. the designated supplier state aid scheme valid from 2019.

Until this day, neither AB Achema, nor the European Commission has not lodged an appeal to the Court of Justice of the European Union. The Company is aware of the fact that the European Commission informed the Ministry of Energy of the Republic of Lithuania that the European Commission will implement the Court's conclusion through the opening of a formal investigation procedure, limited to the points of doubt raised by the General Court. The investigation procedure should lead to the adoption of a final and complete decision of the European Commission which is expected to be adopted in 2022.

The Company considers that there is too much uncertainty in assessing the actual financial impact for the Company at this stage.

33.2 Regulatory assets and liabilities

33.2.1 Natural gas distribution to household customers

Natural gas supply to household customers activity is regulated by NERC. The NERC regulates natural gas tariff paid by customers. Regulatory differences defined as the difference between the fixed natural gas selling price and the actual natural gas purchase price are not recognised in the financial statements as the Company has no guarantee for this difference will be repaid in the future according to the legislation base and repayment depends on future performance results. The uncollected amount comprising EUR 64 million as at 31 December 2021 (31 December 2020: EUR 7 million over-collected amount) will be included in future tariffs.

33.2.2 Designated supply of natural gas

Designated supply activity is also regulated by NERC. When the actual costs differ from those estimated Company recognise them as regulatory differences but does not account a regulated asset or liability in the financial statements as the difference will be refunded by providing the services in the future. The over-collected amount comprising EUR 53 million as at 31 December 2021 (31 December 2020: EUR 9 million uncollected amount) will be included in LNGT component.

33.3 Guarantees

On 9 September 2021, UAB Ignitis entered into a surety agreement of EUR 1,380 thousand with Skandinaviska Enskilda Banken AB Polish Branch for the overdraft agreement No OD133/04/2021 of 26 August 2021 of the subsidiary Ignitis Polska Sp.z.o.o. The surety agreement is valid until 9 January 2024.

33.4 Other contingent assets

Following the liberalisation of the electricity market in 2021 and the exit from the public supply of the most consuming consumers, in the first half of 2021 the Company incurred losses due to uncollected transmission income. The loss occurred due to average transmission tariff approved by NERC, which also included consumers who had already left the public supply activity. Although NERC acknowledged the operating loss incurred by the Company in approving tariffs for 2022, it approved only partial compensation for the incurred losses and postponed the decision on the other part of the losses for future periods. NERC also postponed the decision on the compensation of operating expenses related to market liberalisation. Considering the above circumstances and significant uncertainty related to expense recognition and compensation, the Company recognised the remaining not-compensated difference of EUR 1.2 million as contingent assets.

All amounts in thousands of euro unless otherwise stated

34 Related-party transactions

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

Related parties	Amounts receivable 31 December 2021	Amounts payable 31 December 2021	Sales 2021	Purchases 2021	Finance income (costs) 2021
Parent company AB Ignitis grupė	-	968	-	766	(2,277)
Subsidiaries of the Company	85	4,863	6,442	11,813	295
Associates of the Company	-	669	-	7,227	-
Other Group companies	4,502	31,911	49,254	228,265	(334)
State-controlled UAB EPSO-G group companies	10,922	16,661	76,221	63,887	-
Other related parties	100	-	2	-	-
Total	**15,609**	**55,072**	**131,919**	**311,958**	**(2,316)**

Related parties	Amounts receivable 31 December 2020	Amounts payable 31 December 2020	Sales 2020	Purchases 2020	Finance income (costs) 2020
Parent company AB Ignitis grupė	-	324	-	699	(1,282)
Subsidiaries of the Company	565	3	20,099	13,404	67
Associates of the Company	1	1,420	12	5,553	-
Other Group companies	5,813	32,615	34,005	227,211	(215)
State-controlled UAB EPSO-G group companies	4,972	3,105	57,061	39,711	-
Total	**11,351**	**37,467**	**111,177**	**286,578**	**(1,430)**

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

Transactions with other state-owned entities included regular business transactions and therefore they were not disclosed.

34.1 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.

34.2 Compensation to key management

	2021	2020
Wages and salaries and other current benefits to key management	576	590
Whereof:		
Current benefits	563	590
Share-based payment expenses	13	-
Number of key management personnel	8	8

In 2021, key management only included the Head of the Company, Members of the Supervisory Council and the Board; therefore, comparative information was not adjusted.

All amounts in thousands of euro unless otherwise stated

35 Fair values of financial instruments

35.1 Financial instruments measured at fair value

As at 31 December 2021 and 2020, the Company has accounted for assets and liabilities arising from financial derivatives. The Company accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 2.10.3. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the statement of financial position. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange.

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

35.2 Financial instruments for which fair value is disclosed

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

The fair value of the loans granted by the Company to Group and other companies was determined by discounting cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76% as at 31 December 2021 (31 December 2020: 2.56%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

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

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments at FVPL or FVOCI						
Assets						
Derivatives	24.1	**25,690**	-	25,690	-	**25,690**
Liabilities						
Derivatives	24.1	**73,617**	-	73,617	-	**73,617**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	11	**40,512**	-	40,356	-	**40,356**
Liabilities						
Loan of the parent company	19	**289,671**	-	287,534	-	**287,534**
Bank loans	19	**104,101**	-	104,101	-	**104,101**
Current loans (cash-pool) to group entities	19	**121,179**	-	121,179	-	**121,179**

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

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments measured at fair value through profit (loss)						
Assets						
Derivatives	24.1	**3,217**	-	3,217	-	**3,217**
Liabilities						
Derivatives	24.1	**2,762**	-	2,762	-	**2,762**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	11	**5,607**	-	5,601	-	**5,601**
Liabilities						
Loan of the parent company	19	**39,045**	-	39,371	-	**39,371**
Bank loans	19	**236**	-	234	-	**234**
Current loans (cash-pool) to group entities	19	**9,529**	-	9,529	-	**9,529**

36 Events after the reporting period

36.1 Events related to cases and claims

On 3 and 11 February 2022, Vilnius Regional Administrative Court dismissed claims of AB Achema in litigations concerning the designated supplier state aid scheme and LNG price component (Note 33.1.1), where the Company is involved as a third party.

36.2 Other events:

Decision to increase equity of the subsidiary in Poland

On 21 February 2022, the Board meeting adopted a decision to increase the equity of the subsidiary in Poland Ignitis Polska Sp.z.o.o. by PLN 18 million (~ EUR 4 million).

Financing agreements

On 12 January 2022, the Board agreed to the increase of credit limit from to EUR 20 million to EUR 32 million as to the agreement dated 8 July 2020 with AB Ignitis grupė.

On 3 March 2022, the Company signed an overdraft agreement for up to EUR 150 million with Swedbank, AB.

On 17 March 2022, the Company signed an overdraft agreement for up to EUR 150 million with Swedbank, AB.

Confirmation letter submitted to Ignitis Latvija SIA

On 23 February 2022, the Company submitted a confirmation letter to Ignitis Latvija SIA which states that the Company will continue providing financial support to Ignitis Latvija SIA for at least 12 months following the date of this letter to enable Ignitis Latvija SIA to continue trading activities and meet its liabilities. The Company does not expect that there will be a need of financial support to Ignitis Latvija SIA or that loss will be incurred by the Company due to activities of Ignitis Latvija SIA.

War in Ukraine

On February 2022 The Russian Federation invaded Ukraine. The military action that has begun affects not only the economies of Ukraine, Russia or Belarus, but also the European Union and the world. The situation with respect to the preparation of these financial statements in Ukraine is highly volatile and largely uncertain. As the situation is changing and dynamic, the Management believes that there is currently no possibility for reliably measuring possible financial impact.

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

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Independent Auditor's Report

To the Shareholders of UAB Ignitis

Opinion

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

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

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

Basis for Opinion

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

Other Matter

The financial statements of UAB Ignitis as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 3 March 2021.

Company code: 111494971
VAT code: LT114949716

Other Information

The other information comprises the information included in the Company's annual management report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

- The information given in the Company's annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
31 March 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 110 to 112 of this document.

6.3 Information on the auditor

Independent auditor selection

UAB PricewaterhouseCoopers (hereinafter - PWC) has been appointed as the independent auditor of the Company for the period of 2014–2018. As PWC has provided audit services for more than 10 years, the Company, following the requirements for conducting an independent audit, had to select another independent auditor. Subsequent to the tender for the provision of audit services taken place in the period of 2018-2019, Ernst & Young Baltic, UAB (hereinafter - EY) has been appointed as the auditor of the Company by the General Meeting of Shareholders (for the period of 2019-2021).

Due to increased workload and needs of the Group, it has been decided not to extend the agreement of financial audit services concluded on 26 February 2021 with EY regarding the period of 2019-2021. Taking into account the information presented above, a new tender for the provision of audit services for the reporting periods of 2021 and 2022 was initiated on 30 April 2021. As a result, KPMG Baltics, UAB has been appointed as the new auditor by the General Meeting of Shareholders of the parent company on 27 September 2021.

Future selections of independent auditors will continue to be carried out in accordance with the prevailing best practice through open tenders, with potential providers meeting the criteria set in advance for the provision of these services. The whole selection process is supervised by the Audit Committee of AB Ignitis Group and the independent auditor is appointed by the General Meeting of Shareholders of the Company.

Independent auditors

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

Independent auditor’s services and fees

During the period of 2019–2021, the following services have been provided by the independent auditor and its international partners.

Independent auditor’s services and fees, EUR

	2021	2020	2019
Audit of financial statements under contracts (KPMG Baltics, UAB)	54	-	-
Audit of financial statements under contracts (Ernst & Young Baltic, UAB)	-	86	25
Other	5	2	7
Total	**59**	**88**	**32**

Additional information

7.1 Other important statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of UAB Ignitis (hereinafter – the Company) about Company's and its controlled companies', if any, operations for the period of January–December 2021.

The Annual report has been prepared by the Company's administration in accordance with the requirements of the Law on Companies of the Republic of Lithuania and taking into consideration the description of the guidelines for transparency of the activities of state-owned enterprises. Shares of the Company are not included and they are not traded on the regulated stock exchange. Articles of Association of the Company do not anticipate any other requirements for the content of the Company's Annual report than the ones provided for in the legislation specified above.

The Company's management is responsible for the information contained in the Annual report. The report and the documents, on the basis of which it was prepared, are available at the head office of the Company (Laisvės av. 10, Vilnius) on working days from Mondays to Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (with a prior arrangement).

Company details

1. Company name: Ignitis
2. Legal form: Limited Liability Company
3. Share capital EUR 40,140,000.26
4. Date and place of registration: 2 September 2017, the Register of Legal Entities
5. Company code: 303383884
6. Company address: Laisvės ave. 10, LT-04215 Vilnius.
7. Company's register: Register of Legal Entities
8. Phone: +370 5 278 2222
9. Email: info@ignitis.lt
10. Website: www.ignitis.lt

Legal notes

1. There were no significant events after the end of the financial year except those revealed in Business highlights.
2. The Company uses derivative financial instruments and hedging instruments that are subject to accounting of hedging transactions.
3. As at the beginning of the reporting period, the Company did not have own shares and did not acquire any during the reporting period.
4. The Company does not have any branches or representative offices.
5. The Company foresees further sustainable development of its existing operations seeking to ensure higher profitability of the activities and efficiency of asset use in a long term. Research will be carried out upon need.
6. The Company's operations are in compliance with the requirements of environmental protection legislation.

Significant transactions

There are no significant agreements the Company is a party of that would come into force, change or be terminated in case of change in the Company's control.

There are no harmful transactions concluded on behalf of the Company during the reporting period (not complying with the parent company's objectives, normal market conditions, detrimental to the interests of shareholders and other interest groups etc.) which were or are likely to have an adverse effect on the Company's activities and (or) performance in the future, nor transactions entered into in a conflict of interest between the Company's management, controlling shareholders or other related parties' obligations to the Company and its private interests and (or) other duties.

There are no agreements of the Company or its governing body members or employees, providing for compensation in the event of their resignation or termination of employment on no grounds or in case their employment is terminated due to changes in controls of the Company.

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

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All financial data provided in the Annual report have been calculated in accordance with IFRS and correspond to the audited financial statements of the Company.

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

Alternative performance measures

Alternative Performance Measures (hereinafter - APM) – adjusted figures used in this report refer for measurement of internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found on the website of AB Ignitis Group found (link).

Notice on the language

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

Abbreviations

#	Number
%	In percent
'000	Thousand
12-month	The period of the previous twelve months
AB	Joint stock company
RE	Renewable energy
RES	Renewable energy sources
ESG	Environmental, Social and Corporate Governance
Company	UAB Ignitis
B2B	Business to business
B2C	Business to consumer
CO2	Carbon dioxide
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
eNPS	Employee Net Promoter Score
EU	European Union
Group	The group of companies UAB Ignitis Group
GW	gigawatts
Ignitis Eesti	Ignitis Eesti OÜ
Ignitis Group	The group of companies AB Ignitis Group
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska Sp. z o.o.
ISO	International Organisation for Standardisation
Litgas	UAB Litgas
m	Million
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NPS	Net promoter score
OPEX	Operating expenses
Parent company	AB Ignitis Group
pp	Percentage point
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investments
SBTi	Science Based Targets initiative
LNG	Liquefied Natural Gas
LNGT	Liquefied Natural Gas Terminal
GHG	Greenhouse gas
TRIR	Total Recordable Incident Rate
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UNGC	United Nations Global Compact
NERC	National Energy Regulatory Council
Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence
PBM	Payment of the activities of Board member

Certification statement

31 March 2022

We, Artūras Bortkevičius, General Manager at UAB Ignitis, Darius Šimkus, Director of Finance and Business Support Department at UAB Ignitis and Joana Venclovienė, Accounting Partner acting under Order No IS-11-22 of 14 February 2022, hereby confirm that, to the best of our knowledge, the financial statements of UAB Ignitis for the year 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of UAB Ignitis assets, liabilities, financial position, profit or loss and cash flows for the period, the annual report for the year 2021 includes a fair review of the development and performance of the business as well as the condition of UAB Ignitis together with the description of the main risks and uncertainties it faces.

Artūras Bortkevičius	Darius Šimkus	Joana Venclovienė
General Manager	Director of Finance and Business Support Department	Accounting Partner of UAB Ignitis grupės paslaugų centras, acting under Order No IS-11-22 of 14 February 2022

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