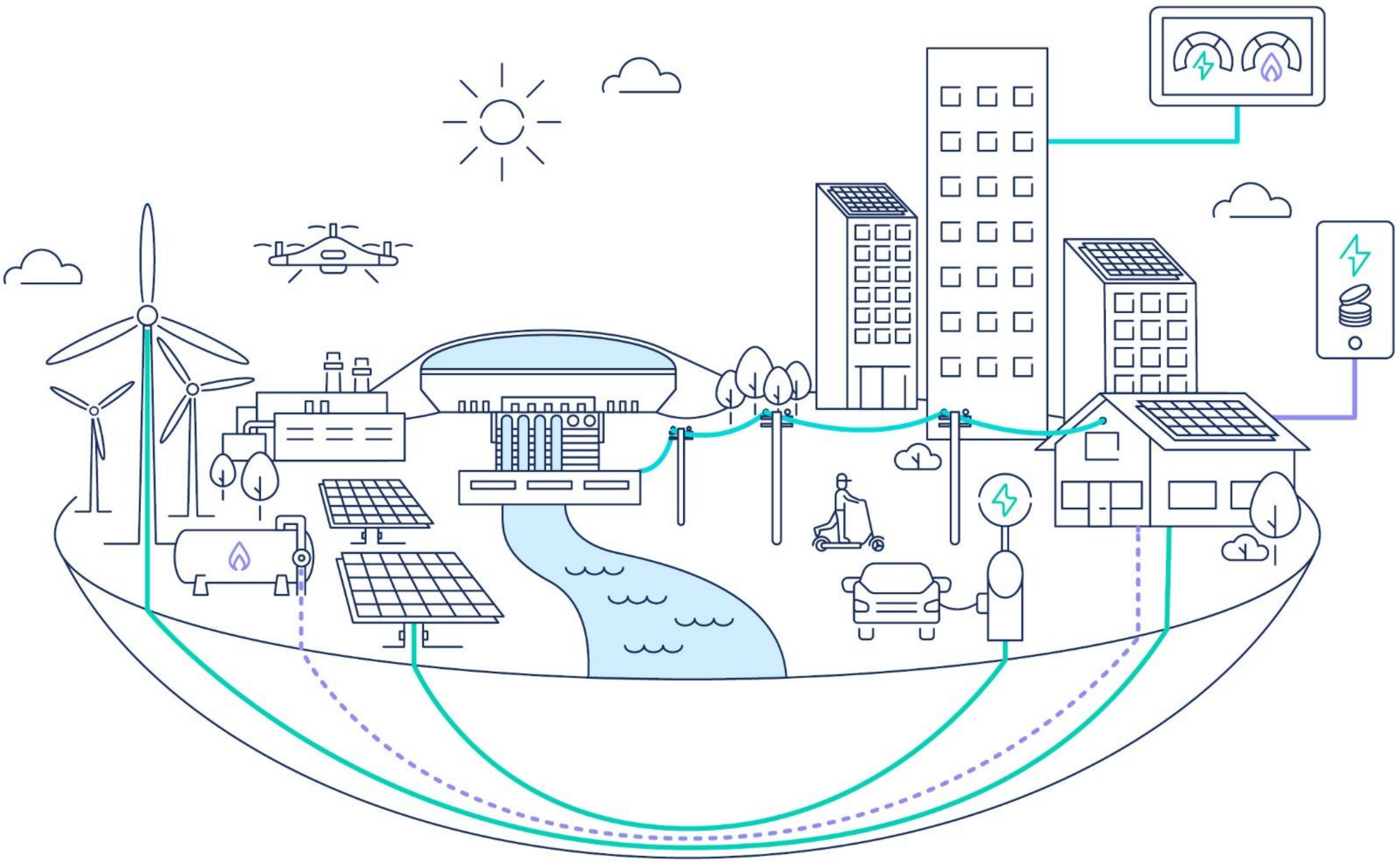
# UAB Ignitis
# Annual report for 2023

The consolidated annual report of the group of companies UAB Ignitis (Ignitis) for the year ended 31 December 2023 and consolidated and the parent company’s financial statements for the year ended 31 December 2023, 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 2023.



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# 1. Overview

# 1.1 CEO's statement

The global geopolitical situation remained complex in 2023. Although energy prices decreased after record highs last year, their level is still higher than before. It is important to us that Ignitis remains the first choice for residents choosing an independent electricity supplier in Lithuania. Power supply contracts for almost a third of the company's B2C customers expired at the end of 2023. It is a great credit to the company that most of them have chosen to continue receiving our services.

It is also important to celebrate the lowest net debt ratio since beginning of Ignitis activity. In 2023 decreased energy prices and active actions made it possible to reduce the company's net debt, which reached historical highs in 2022, from 361.7 million EUR up to 12.1 million EUR.

In 2023, Lithuania experienced one of the warmest periods in the history of modern weather observations. This, combined with the decline in industrial activity due to persistently high electricity prices, led to a decline in energy demand 2023 year. The company's electricity supply, as one of its priority areas, is expected to recover as early as 2024. This is due to decreasing energy prices, the recovery of Lithuanian industry after the economic slowdown, the large investments planned in renewable energy, and growing consumer awareness in choosing green energy and cleaner transport.

In October 2023, the Balticconnector pipeline breach shook the region's gas market and had a major impact on natural gas prices on the Finnish market. Although this did not disrupt natural gas supplies to either Finland or the Baltic region, it created a temporary imbalance of natural gas between Finland and the Baltic States. Geopolitical events and attacks on infrastructure by hostile countries significantly affect and will affect the natural gas market in the future. As consumers' habits change, a decrease in natural gas consumption is observed, which in the long term will allow the implementation of updated, 2023 approved strategic priorities of the company aimed at accelerating the transition from natural gas to electricity generated from renewable sources.

Very important priority for the company in 2023 and in long perspective is the expansion of the public electric vehicle charging network in the Baltic States. The goal is to create the largest EV charging network in the Baltics and to gain a significant market share in the public charging network by 2026 (over 3,000 charging points by 2026) and to become the leader in fast charging in the Baltics. To achieve this, the company plans to invest up to EUR 115 million over the next 3–5 years. In 2023, 376 charging points were installed as a result of the significant expansion of the Electromobility teams in Lithuania and other Baltic States.

Head of UAB Ignitis
Artūras Bortkevičius

# 1.2 Business highlights

## During the reporting period

January

- With the fall in electricity prices on the wholesale market and the resulting reduction in costs, it was decided to offer a one-off discount to the top-paying customers.

February

- New public electricity prices for March-June 2023 and the procedure for their application were approved and entered into force on 1 March 2023.
- Ignitis introduced a new smart hourly electricity supply plan for its customers, under which the price of electricity will change hourly according to the Nord Pool exchange.
- Ignitis made it possible for B2C customers to change their electricity plans within Ignitis without penalty.

April

- Secured financing from the Ignitis Group through general loan agreements. Initial sources of financing include Citibank N.A. and MUFG Bank (Europa) N.V.

June

- The governance model of Ignitis was optimised by changing it from a two-tier to a one-tier model and appointing two new members – Roger Hunter and Toma Sasnauskienė. Now the Ignitis Board with a supervisory function comprises 5 members: 2 independent members, 2 shareholder representatives, and 1 civil servant.

July

- Ignitis announced its plans to invest up to EUR 115 million in the expansion of the EV charging network in the Baltics over 3–5 years.
- Ignitis used EUR 168.8 million of state budget reimbursements during 2023 to amortise both electricity and natural gas prices/tariffs for the company’s end-customers and to reduce bills paid by customers. The amount of EUR 64.3 million received but not used as a result of the fall in commodity prices was repaid to the State budget.

September

- Ignitis and Baltisches Haus, a company that develops and manages commercial real estate throughout Lithuania, have entered into a strategic partnership agreement to provide at least 110 public charging points for electric vehicles in 15 cities across Lithuania.
- To ensure compliance with the requirements of the Laws on Companies and on Electricity of the Republic of Lithuania, the authorised capital of Ignitis has been increased from EUR 40.14 million to EUR 41.15 million, with the cash contribution from the sole shareholder Ignitis grupė. Issue price of all new shares amounted to EUR 95 million.

October

- Ignitis is the first company in the Baltic States to install a 400 kW electric vehicle charging station.
- The Balticconnector pipeline connecting Estonia and Finland was damaged. Despite the disruption of natural gas supply to Finland, the company successfully met its contractual obligations to customers.

### After the reporting period

January

- Ignitis signed a contract with Estonian company OG Elektra for the installation of zero-emission fast-charging electric vehicle charging points at 25 parking lots of Grossi retail stores across Estonia.
- The authorised capital of the subsidiary Ignitis Eesti OÜ was increased. The cash contribution to the subsidiary's capital will be used to expand the EV charging network of Ignitis ON.

February

- Ignitis has suffered a cyber-attack – around 20 thousand Ignitis ON customers' data were leaked. The company has taken information and other measures to resolve the incident and to implement additional preventive measures, cooperated with regulatory authorities.

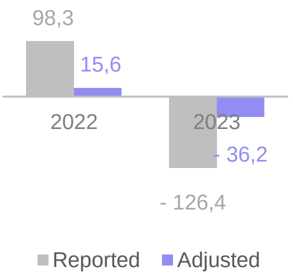
.March

- The State Energy Regulatory Council determined that from April 1 the electricity price of the regulated part will decrease by 0.0048 EUR/kWh. The price decreases after the Council approves new prices for the forwarding service.

# 1.3 Performance highlights

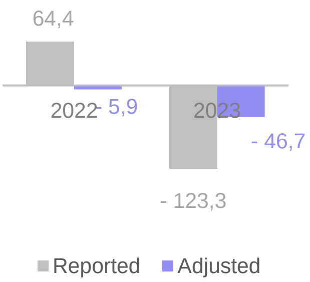
## Financial

**EBITDA, Adjusted EBITDA** APM
EUR million



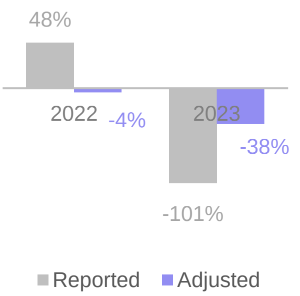

EBITDA dropped to EUR -126.4 million in 2023 and was 229% or EUR 224.7 million lower, and adjusted EBITDA dropped to EUR -36.2 million and was 331% or EUR 51.9 million lower compared to the same period of 2022:
- Adjusted EBITDA decreased due to a negative change in the operating result of the independent electricity supply business (EUR -72.1 million) in the B2C segment, mainly due to adverse regulations and conditions for suppliers in relation to long-term fixed-price (PPA) contracts and termination fees. This will be partly offset by a positive change from the natural gas supply business (EUR +20.5 million) due to profitable sales on foreign markets and an adjustment to the methodology used to calculate the revenue related to over-declaration.
- The main reasons for the significant decrease in EBITDA are related to the company's regulated activities of supplying natural gas to B2C customers and designated supply and the development of temporary regulatory differences (see detailed disclosure to the annual results in Section 3.1).

**Net profit, Adjusted net profit** APM
EUR million



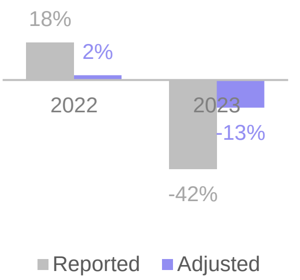

In 2023, net result amounted to EUR -123.3 million and was 291% or EUR 187.8 million lower, and the adjusted net result amounted to EUR -46.7 million and was 696% or EUR 40.8 million lower compared to the same period of 2022:
- The net loss in 2023 arose from a negative change in EBITDA (EUR -224.7 million, see the comment on EBITDA), offset by an increase in finance income (EUR +5.1 million) and a change in the deferred tax asset (EUR +33.3 million) as a result of the negative financial result.
- Adjusted net result decreased due to a negative change in adjusted EBITDA (EUR -51.9 million), offset by an increase in finance income (EUR +5.1 million).

**ROE (LTM), Adjusted ROE (LTM)** APM
%



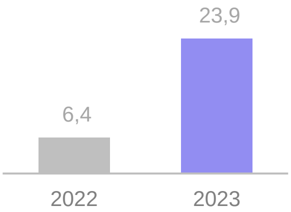

ROE declined by 149 pp during the year, while adjusted ROE fell by 34 pp:
- The decrease in ROE was due to the change in net loss (EUR -187.8 million, see the comment on net profit) and the decrease in average equity (EUR -11.3 million), which was driven by: increase in share capital from EUR 40.14 million to EUR 41.15 million and issue of share premium in 2023 (EUR +93.9 million); change in net profit in 2022 (EUR +57.2 million) and change in net profit in 2023 (EUR -187.8 million); positive result for derivatives accounted for in the hedging reserve for derivatives for 2022 (EUR +47.5 million) and a negative result for such derivatives for 2023 (EUR -86.4 million).
- Adjusted ROE decreased due to the negative change in adjusted profit (EUR -40.8 million, see the comment on the adjusted net profit), and due to lower average equity (EUR -11.3 million).

**ROCE (LTM), Adjusted ROCE (LTM)** APM
%



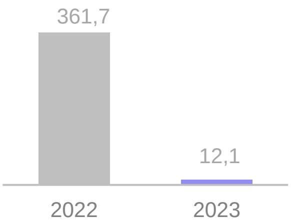

ROCE declined by 60 pp during the year, while adjusted ROCE fell by 15.4 pp:
- ROCE decreased due to lower net debt (EUR -210.9 million on average during the year, see the comment on net debt) and lower EBIT (EUR -225.6 million), the main reasons for its change are disclosed under information on EBITDA.
- Adjusted ROCE decreased (-15.4 pp) due to a decrease in the net debt ratio (EUR -210.9 million on average, see the comment on the net debt ratio).

**Investments** APM
EUR million



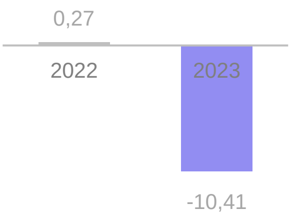

In 2023, investments were mainly related to updates and development of information systems, robotisation of day-to-day operations and solutions for the clients on the Ignitis website (EUR +2.6 million), project-based investments in green energy solutions for B2B and B2C customers (EUR +2.2 million) and the expansion of the Ignitis ON electric vehicle charging network (EUR +14.3 million).

**Net debt** APM
EUR million




At the end of 2023, net debt amounted to EUR 12.1 million and decreased by 97% (or EUR -349.6 million). Due to the fall in the average price of natural gas (the average price of the TTF gas index in 2023 dropped by 63% on average compared to the same period in 2022) and the price of electricity (-51.8%), Ignitis working capital and debt ratios declined significantly over the course of the year (in 2023, the average net debt was lower by EUR -210.9 million compared to the same period in 2022). In addition, Ignitis has been proactive by renegotiating the payment terms of some of its wholesale contracts, shortening the payment terms offered to customers, making some of the larger sales subject to advance payments, and signing more than usual bilateral physical electricity purchase contracts that do not require collateral, thus optimising the financing portfolio (including guarantee limits).

**FFO (LTM) / Net debt** APM
%

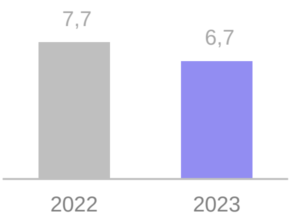



Funds from operations (FFO)/net debt decreased due to the negative change in net debt (EUR -349.6 million – see the comment on net debt) and the decrease in FFO (EUR -224.7 million compared to 2022). The main reason for the decrease in FFO was due to the negative change in EBITDA (EUR -224.7 million, see the comment on EBITDA).

APM *Alternative Performance Measures - Adjusted figures used in this report refer to measures used for internal performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures are available on the Ignitis Group website (link).*

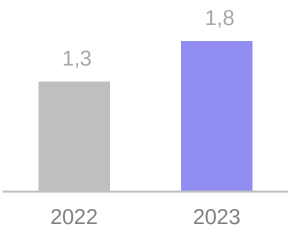
## Operating

**Total electricity sales** APM
TWh



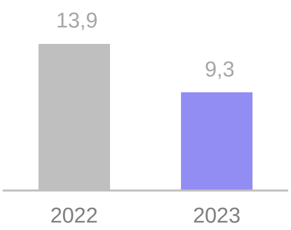

Total electricity sales on the retail market in 2023 decreased by almost 14% compared to 2022. Electricity sales decreased in both theB2C (-15%) and B2B (-13%) segments. The main reason for the decline in B2C sales is the ongoing market liberalisation process. An unusually warm year, high prices and changing consumer habits led to a 16% drop in sales for Lithuanian businesses. A decline was also observed in the Latvian market (-33%). Meanwhile, the Polish B2B segment underwent a successful expansion with a 66% increase in sales in 2023.

**Including: Independent supply electricity sales in Lithuania, B2C**
TWh



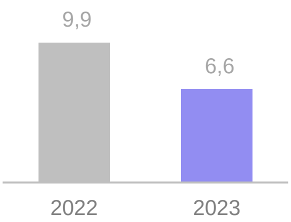

In 2023, independent supply electricity sales to B2C customers in Lithuania increased significantly and amounted to almost 1.8 TWh. On 1 July 2022, the second stage of the public supply liberalisation started in Lithuania for consumers consuming up to 1,000 kWh annually. Years of experience and customer confidence enabled us to further strengthen our position as an independent electricity supplier in 2023, with a year-end market share of 74% in terms of number of sites.

**Total natural gas sales**
TWh



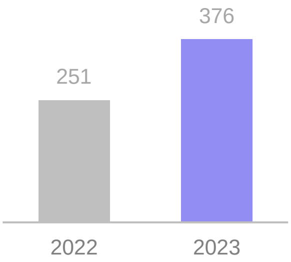

In 2023, natural gas sales amounted to 9.3 TWh and decreased by 33% compared to 2022. Sales decreased mainly due to lower sales to B2B customers in Lithuania and in the neighbouring countries – Finland, Latvia and Estonia. B2B sales declined by 43% due to the decline in business volumes and the switch to alternative fuels. Wholesales dropped by 31%.

**Including: retail trade**
TWh




In 2023, retail natural gas sales dropped by almost 34%. The highest decline was in Finland (-64%) and Latvia (-55%). From a low base, sales growth accelerated in Poland. In Lithuania, retail natural gas sales to B2C customers in 2023 declined by 8% compared to the previous year, and to B2B customers by 43%.

**Electric vehicle charging points (Ignitis ON) (end of period),** units




At the end of 2023, the Ignitis ON platform in Lithuania, Latvia and Estonia had a total of 376 EV charging points, 50% more than at the end of 2022.

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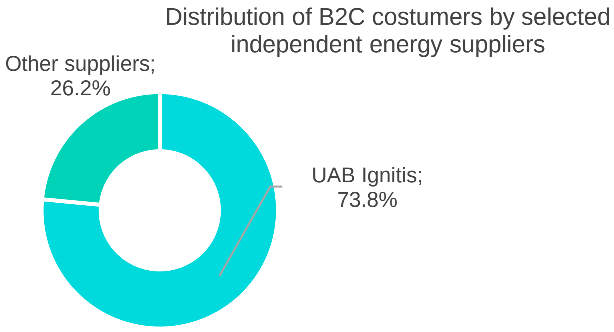
# 2. Business overview

# 2.1 Business profile

The main activities of Ignitis are the supply of electricity and natural gas. Ignitis provides energy services to a total of more than 1.4 million residents in Lithuania, and is gaining market share in other Baltic States and Poland. Ignitis is also developing a range of smart services, proposes electric vehicle charging solutions, electricity balancing services, solar power generation and other energy-related solutions based on technological innovations. Other activities of Ignitis include planning and (or) balancing of electricity consumption, trade in guarantees of origin and in derivative financial instruments.

### Supply of electricity

Ignitis supplies electricity to the Lithuanian, Latvian, Estonian and Polish markets. In Lithuania, electricity is supplied to companies of energy, industrial and small commercial sectors as well as to B2C customers. According to the National Energy Regulatory Council (NERC), by the end of 2023 Ignitis had almost 44% of the B2B market in Lithuania. According to the data of the Company, in all its markets, it supplies electricity to over 25 thousand B2B customers.




Ignitis in Lithuania has a national electricity supplier’s licence issued by NERC. Before 2020, Ignitis held almost 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 stopped at the end of 2025 as a result of the started market liberalisation.

At the end of 2023, the Lithuanian market had a total of 4 independent electricity suppliers capable of supplying electricity to B2C customers, among which Ignitis is the market leader. At the end of the year, almost 74% of the Lithuanian population had chosen Ignitis as their independent supplier.

In 2023 in Lithuania, Ignitis sold 5.2 TWh of electricity in total, whereof 3.03 TWh – to B2B customers and 2.19 TWh – to B2C customers. Sales to B2B customers amounted to 0.75 TWh in Latvia and 0.69 TWh in Poland.

### Natural gas supply activity

Ignitis stands out in the region as it has ensured natural gas supply from four different sources. It has long-term LNG supply contracts, 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 Inciukalns in Latvia.

In 2023, Ignitis was active on both the retail and wholesale markets, buying and selling natural gas on the exchange and trading with other wholesale market participants. It also provided natural gas flow balancing services, made a significant contribution to security of supply across the region in the face of supply constraint challenges across Europe.

As in the previous years, alongside the activity of natural gas supply, Ignitis was trading natural gas on the GET Baltic wholesale natural gas exchange. In 2023, the GET Baltic natural gas exchange had a total turnover of 8.6 TWh of natural gas, which is 24.9% more than in 2022 (6.9 TWh).

Since 2019, Ignitis has ensured the designated supply function for the liquefied natural gas (LNG) terminal. The company took over this activity after the merger of Ignitis Group company LITGAS. 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 natural 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 2023, Ignitis natural gas supply and sale on the exchange comprised 9.29 TWh in total, of which: 4.24 TWh are attributed to B2B and 2.34 TWh to B2C customers; the remaining part is wholesale transactions.

At the end of 2022, Ignitis was the first in Lithuania to import biomethane, which it will supply instead of natural gas to B2B customers. In 2023, the company imported 33,945 MWh of biomethane, a more environmentally friendly alternative to natural gas.

### Electric vehicle charging and renewable energy

Ignitis operates Ignitis ON, the largest fast-charging network for electric vehicles in Lithuania, the expansion of which was foreseen already at the end of 2022 as one of the company’s strategic areas of activity. This led to the establishment of the Ignitis Electromobility and expansion of teams in Lithuania, Latvia and Estonia. This has led to a 67% increase in the number of charging points installed in 2023, from 251 in 2022 to 376 in 2023.

In October 2023, Ignitis ON was the first in the Baltics to install a 400 kW EV charging station, where an EV can be recharged in around 7 minutes. So far, only commercial vehicles such as electric trucks have been able to exploit the full potential and charging speed of a charging station, but there is no doubt that in the near future there will be an increasing number of electric vehicles that will be able to charge at 400 kW.

The rapidly expanding Ignitis ON network has installed the first EV charging stations near Maxima stores in 2023, 22 charging points in Anykščiai, won a tender for 30 EV charging points by Zarasai municipality, and a contract with Marijampolė municipality to install 22 charging points.

In autumn 2023, Ignitis signed a strategic partnership agreement for at least 110 public EV charging points in as many as 15 cities in the country with Baltisches Haus, which develops and manages commercial real estate throughout Lithuania. Charging points will be located near shopping centres and other commercial areas and in cities and towns where they are particularly welcome.

The community of prosumers doubled in 2023. The preconditions for growth were already in place in mid-2022, when people started looking for ways to save and get cheaper electricity. Residents and businesses alike have rushed to set up their own power plants or reserve remote solar parks. Some of the solar and wind power plants built at the time did not start operating until 2023.

During 2023, 1,889 customers contracted/reserved solar power plants on the www.eparkai.lt platform. The total capacity of the reserved power plants is 7,939 MW. Last year, 4,368 eparkai.lt users were newly connected, with a capacity of 19,800 kW.

Last year, prosumers submitted as much as 544 thousand MWh to the grid. This is almost three times more than in 2022. Most of this electricity was generated by solar power, with a total capacity of around 1 GW of solar power plants, and 173 MW and 110 MW of wind and biofuel power plants respectively.

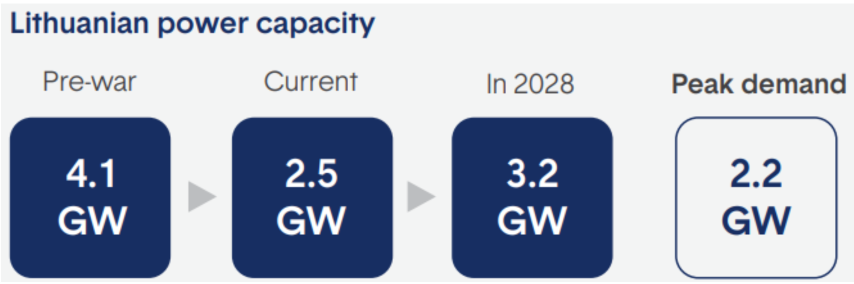
Ignitis also contributes to the implementation of CO2 neutrality strategy of Ignitis Group by concluding long-term electricity acquisition contracts directly with renewable energy producers and by increasing the supply of electricity from renewable sources to the customers.

# 2.2 Business environment

## Electricity

In 2023, Ignitis was active in wholesale and retail electricity trading in Lithuania, acquiring its electricity portfolio on the Nordic power exchange Nord Pool (NP) or through bilateral contracts. Following the exit of AB Inter RAO Lietuva and UAB Perlas energija in 2022, UAB Elektrum Lietuva and UAB Enefit were the main competitors in the electricity supply retail market. It should be noted that Ignitis maintains its leading position in the retail market despite the growing competition.

In recent years, there have been significant changes in terms of power and natural gas flows in our region. Electricity imports from Russia and Belarus to Lithuania have been stopped since autumn 2021 due to the launch of the Belarusian Astravyets Nuclear Power Plant (Belarusian ANPP). In addition, all Baltic countries have stopped importing electricity from Russia since Q2 2022, after Europe's Nord Pool power market stopped trading Russian electricity. It's important to note that Lithuania is one of the most interconnected countries in Europe, which allows it to cover its electricity demand despite the reduction in flows from third countries. The resilience and reliability of its electricity system is expected to increase even further after the synchronization project with the continental Europe is completed in 2025.




The electricity market has seen a drop in prices since 2023, with the average system price in 2023 being 58% lower compared to the same period in the previous year. The highest average prices were recorded on the Polish market, where the average price in 2023 exceeded 111 EUR/MWh (33% decrease). In Lithuania, Latvia and Estonia, price levels were similar in 2023, with price decreases of 59%, 59% and 53% respectively. The decline in electricity prices in the Baltic region was driven by comfortable natural gas storage volumes, declining demand and stabilisation of hydro balance in Scandinavia. The maintenance of electricity lines as a result of efforts to synchronise with the EU power systems was seen as the cause of price fluctuations throughout the Baltic region.

| Electricity price, Eur/MWh | 2023 | 2022 | 2021 | 2023 vs 2022 Δ, % |
|---|---|---|---|---|
| Nord Pool | 56.6 | 135.9 | 62.3 | *-58,3%* |
| Lithuania | 94.6 | 230.2 | 90.5 | *-58,9%* |
| Latvia | 94.1 | 226.9 | 88.8 | *-58,5%* |
| Estonia | 91.0 | 192.8 | 86.7 | *-52,8%* |
| Finland | 56.6 | 154 | 72.3 | *-63,2%* |
| Poland | 111.7 | 167.6 | 86.4 | *-33,3%* |

In 2023, Ignitis sold green electricity and supplied a total of 1.2 TWh of green electricity, a decrease of 53.6% compared to the same period in 2022. The total share of green energy in electricity sales decreased by 14 pp compared to the previous period and was 18% in 2023. The main reason for the decline in green energy sales in 2023 is the extremely high cost of green certificates.

## Natural gas

Ignitis natural gas supply activities are carried out in Lithuania, Latvia, Poland and Finland.

In Lithuania, Ignitis has a market share of more than 99% of the B2C market. In the B2B segment, in 2023 Ignitis was one of the 23 entities that supplied natural gas (H1 2023 NERC data). In H1 2023, Ignitis had a 45.6% share of the natural gas retail market in terms of volumes of natural gas sold to B2B customers.

Ignitis entered the Finnish natural gas supply market in 2020 and became one of the first players in the competitive Finnish market. In 2023, the market share was 15%. Natural gas is supplied to Finnish customers through the gas pipeline connection Balticconnector.

In 2023, natural gas prices and the market stabilised and this was reflected in the price indices, with the TTF ICE price averaging 63% lower in 2023 compared to the same period of 2022. In the Baltic Sea region, a new liquefied natural gas terminal in the Gulf of Finland also became operational this year, marking a further step in strengthening the region's energy independence. The main factors contributing to the decline in natural gas prices were sufficient levels of natural gas in storage, a warm winter, growing LNG import capacity and lower consumption compared to long-term average consumption rates.

In October 2023, the Balticconnector pipeline breach shook the region's gas market and had a major impact on natural gas prices on the Finnish market. Although this did not disrupt natural gas supplies to either Finland or the Baltic region, it created a temporary imbalance of natural gas between Finland and the Baltic States.

| Natural gas price average, EUR/MWh | 2023 | 2022 | Δ, % |
|---|---|---|---|
| Natural gas – TTF ICE | 48.5 | 131.9 | *-63.2%* |

Lithuania was the first EU Member State to suspend its purchases from Gazprom at the beginning of Q2 2022 by replacing it with LNG cargoes, mainly from the USA and Scandinavia. Furthermore, on 1 July 2022, a law prohibiting natural gas imports from Russia and other countries posing threat to the country's national security entered into force. In autumn 2022, Ignitis secured a spot for 6 additional LNG cargoes (in addition to the existing 4, expiring at the end of 2024) per year until the end of 2032 at the Lithuanian LNG terminal in Klaipėda.

The suspension in 2022 of natural gas imports via Nord Stream I led to a significant increase in competition for LNG cargoes in Europe; however, Ignitis has successfully and quickly adapted to the changed supply conditions, using the available capacity of the Klaipėda LNG terminal to meet its commitments to its customers, and even increased the volume of natural gas export to neighbouring countries. The high prices have led to increased investment in renewable energy generation, which contributed to both lower natural gas prices and a reduction in demand for natural gas.

In 2023, natural gas consumption in the Republic of Lithuania amounted to 14.96 TWh, i.e. 4.0% less than in 2022 (15.58 TWh). The total natural gas consumption in the Lithuanian market is strongly influenced by the production schedule of the largest consumer Achema.

As the natural gas market becomes more and more dependent on developments in the LNG market, any event in the world (workers' strikes, military actions) will affect natural gas prices.

## Electric vehicle charging

In Europe, the shift to cleaner vehicles by drivers is being strongly encouraged due to growing concerns about environmental pollution, as countries become more stringent in their requirements to reduce atmospheric CO2 emissions. One way to encourage this is by installing EV charging stations.

The Ministry of Transport and Communications of the Republic of Lithuania plans to expand this network sevenfold to more than 7 thousand access points (charging points) by 2030, with funding from the European Union (EU). The charging infrastructure network will be expanded to include EV charging parks alongside national roads, at petrol stations, stations, airports, waterports and cities, not only on municipally-owned land but also on private land. A total investment of EUR 90 million is foreseen in Lithuania for the period 2023–2026. In all Lithuanian cities, charging infrastructure will be developed through municipal development plans, while also encouraging private initiatives.

According to the Lithuanian Road Administration, at the end of 2023, there were 46 registered charging operators and 1,455 public and semi-public charging points for electric vehicles in Lithuania.

In Lithuania, the majority of EV charging points (38%) are located near A-category roads, in small towns, almost a quarter near TEN-T roads, shopping centres, popular stores, tourist attractions, and in the busiest areas of largest cities, and 19% in the busiest areas of other cities. Ignitis ON has the largest market share in the EV charging network at the end of 2023 with 22%, UAB Stova with 19%, Inbalance Grid and the municipalities and state-owned enterprises of the Republic of Lithuania with 16% each.

At the end of 2023, there were 882 EV charging points in Latvia. The majority of EV charging stations in Latvia (72%) were located near TEN-T roads, shopping centres, popular stores, tourist attractions and in very busy areas of largest cities, while 17% were located near A-category roads, in small towns and around 11% in busy areas of other cities. CSDD had the largest market share (41%) in the EV charging network, followed by Elektrum with 29%. Ignitis market share amounted to 1.4%.

At the end of 2023, there were more than 1,000 EV charging points in Estonia. Most EV charging stations in Estonia (62%) are located near TEN-T roads, shopping centres, popular stores, tourist attractions and in very busy areas of largest cities. Enefit Volt (39%) and Eleport (21%) held largest market shares in the EV charging network.

## EU-wide regulatory environment

| Topic | Description | Date of adoption | Impact to Ignitis |
|---|---|---|---|
| Revision of the Energy Efficiency Directive | To ensure that the EU's 2030 target of reducing greenhouse gas emissions by at least 55% (compared to 1990) can be met, the revised Energy Efficiency Directive was adopted on 13 September 2023. The revised directive raises new EU targets to reduce the EU's final energy consumption by 11.7% by 2030 as well as sets requirements for the EU countries to achieve cumulative end-use energy savings for the entire obligation period (running from 2021 to 2030). Also, the directive establishes "energy efficiency first" as a fundamental principle of the EU's energy policy, therefore, energy efficiency must be considered by the EU countries in all relevant policy and major investment decisions made in the energy and non-energy sectors. According to the directive, Member States have obligations to prioritise vulnerable customers and social housing within the scope of their energy savings measures and to put a stronger focus on alleviating energy poverty. Additionally, the directive expands the scope of energy audit obligations to include all those companies, regardless of their size (i.e., including small and medium enterprises), which are consuming energy above a certain threshold and makes energy management systems a mandatory requirement for large industrial energy consumers. | 13 September 2023 | As of report announcement date, financial impact cannot be evaluated. |
| Hydrogen and gas markets decarboni-sation package | The Council and the Parliament reached a provisional political agreement on a (i) regulation that establishes common internal market rules for renewable and natural gases and hydrogen; and (ii) the directive to establish common rules for the internal markets in renewable and natural gases and in hydrogen. The package is part of the Fit for 55 package. They are aimed at creating a regulatory framework for dedicated hydrogen infrastructure and markets and integrated network planning. They also establish rules for consumer protection and strengthen security of supply.<br>(i) Hydrogen and Gas Regulation<br><br>The purpose of regulation is to facilitate the penetration of renewable and low-carbon gases into the energy system, in particular hydrogen and biomethane. Relevant novelties include the following:<br>– provides for a separate new entity in the hydrogen sector: an EU entity for Hydrogen Network Operators (ENNOH); | Regulation: 15 December 2023 (proposal)<br><br>Directive: 14 December 2023 (proposal) | Overall a positive impact as amendments aim to accelerate the energy transition which directly correlates with Ignitis and Ignitis Group Strategy. |

| | | | |
|---|---|---|---|
| | – provisions allowing member states to adopt restrictions to the supply of natural gas, including liquefied natural gas (LNG), from Russia or Belarus;<br>– establish default provisions to operationalise the solidarity principle in case of a crisis, where bilateral agreements are not in place;<br>– for the hydrogen market every national regulatory authority must consult the neighbouring national regulatory authorities on the draft tariff methodology and submit it to the Agency for the Cooperation of Energy Regulators (ACER);<br>– acknowledgment of the EU's ambition to increase production of biomethane.<br><br>(ii) Hydrogen and Gas Directive<br><br>The directive seeks to facilitate the penetration of renewable and low-carbon gases into the energy system, enabling a shift from natural gas, with a view to reaching the EU's goal of climate neutrality in 2050. Relevant novelties include the following:<br>– agreed on the split between Transmission System Operators (TSOs) and Distribution System Operators (DSOs) for hydrogen;<br>– member states must ensure that the right to switch supplier or market participant is granted to customers in a non-discriminatory manner in terms of cost, effort and time;<br>– member states empowered to decide how to protect vulnerable customers from disconnections;<br>– increased coordination between network development plans for hydrogen, electricity and natural gas is established. | | |
| REMIT | The European Union has agreed on the regulation to improve the EU's protection against market manipulation in the wholesale energy market (REMIT). The REMIT regulation supports an open and fair competition in the European wholesale energy markets and sets the ground for increased market transparency and integrity.<br>REMIT is part of a wider reform of the EU's electricity market design. Relevant regulatory updates include the following:<br>- market participants are obliged to ensure that their representative has the necessary powers and means to ensure the market participant's efficient and timely compliance with the decisions and cooperation with the requests for information of the national regulatory authorities or the European Union Agency for the Cooperation of Energy Regulators (ACER);<br>- review of ACER's decision-making powers and competence to impose sanctions. ACER will now be able to conduct on-site inspections and issue requests for information as well as make statements;<br>- establishing the objection procedures to the exercise of ACER's investigation power;<br>- sanctions for legal and natural persons for the breaches of REMIT. | 13 December 2023 (proposal) | As of report announcement date, financial impact cannot be evaluated, but the impact should not be significant. |
| EU electricity market design update | The European Union has agreed to reform the EU's electricity market design to:<br>- accelerate a surge in renewables and the phase-out of gas;<br>- make consumer bills less dependent on volatile fossil fuel prices;<br>- better protect consumers from future price spikes and potential market manipulation;<br>- make the EU's industry clean and more competitive.<br><br>The new electricity market design aims to make electricity prices less dependent on volatile fossil fuel prices, protect consumers from price spikes, speed up the energy transition and improve consumer protection. Among the measures agreed on are the promotion of power purchase agreements (PPAs), two-way contracts for differences (CfDs) for new power plants, the establishment of a capacity mechanism by member states with no limits on $CO_2$ emissions by the end of 2028, the establishment of freedom to choose an electricity supplier, etc.<br>Other relevant regulatory updates include the following:<br>- introduction of dedicated measurement devices and energy sharing;<br>- updated network tariff methodologies;<br>- enhanced role of flexibility;<br>- defined TSO/DSO cooperation;<br>- updated activities of the supplier of last resort, etc. | 19 December 2023 (proposal) | Overall a positive impact as amendments aim to accelerate the energy transition which directly correlates with Ignitis and Ignitis Group Strategy. |

## Regulatory environment: Pan-Baltic

| Name | Description | Date of adoption | Impact to Ignitis |
|---|---|---|---|
| Agreement to synchronise the grids of the Baltic countries with the Continental Europe | On 2 August 2023 TSOs of Lithuania, Latvia, and Estonia, agreed on concrete steps and terms to synchronise the electricity networks of the Baltic countries with the Continental Europe, which will take place in February 2025. This is almost a year earlier than the previous deadline of the end of 2025. The agreement also stipulates that in the summer of 2024, half a year before the synchronisation, the Baltic countries will jointly withdraw from the BRELL contracts concluded with Russian and Belarusian operators. On 19 December 2023 the European Commission and the representatives of the Governments of Estonia, Latvia, Lithuania and Poland signed a corresponding political declaration, confirming their commitment to proceed at full speed to connect the electricity networks of the three Baltic states with the Continental Europe via Poland by February 2025. | 2 August 2023 | Overall a positive impact as amendments aim to accelerate the energy transition which directly correlates with Ignitis and Ignitis Group Strategy. |
| ACER Decision No 17/2023 on the alternative bidding zone configurations to be considered in the bidding zone review process for the Baltic region | On 21 December 2023 ACER has reached a decision that no alternative electricity bidding zone configurations need to be investigated in the Baltic region. The procedure to decide started on 26 September 2023. ACER's Decision is based on the feedback received from stakeholders in 2021, as well as on the following information provided by Transmission System Operators (TSOs): (i) the alternative configurations previously submitted to ACER; and (ii) the outcome of locational marginal pricing simulations (following the bidding zone review methodology approved in November 2020). ACER concludes that the current bidding zone configuration in the Baltic region is adequate, and no alternatives should be sought with priority. Nonetheless, this conclusion does not preclude the possibility to investigate potential mergers of the Baltic bidding zones in future reviews. | 21 December 2023 | As of report announcement date, financial impact cannot be evaluated. |

## Regulatory environment in Lithuania

| Name | Description | Date of adoption | Impact to Ignitis |
|---|---|---|---|
| Limiting the electricity suppliers' flexibility in B2C contract terms | The amendments to the Law on Electricity of the Republic of Lithuania stipulate that the new contracts with private customers, small and very small enterprises will prohibit suppliers:<br>from unilateral contract termination by the clients;<br>from asking to return any received discounts in case of unilateral contract termination by the clients;<br>from introducing termination fees when concluding new contracts. | 27 April 2023 | As of report announcement date, negative impact is expected. |
| Regulation of long term inter-zonal hedging products | Lithuanian regulator (NERC), pursuant to European Commission regulation, has obliged AB Litgrid (TSO), within the timeframe of 6 months, to ensure that wholesale electricity market participants have the possibility to purchase long term inter-zonal hedging products within the timeframe. However, TSO delays in implementing this commitment without the need to provide long-term transmission rights. | 27 June 2023 | As of report announcement date, no significant financial impact is expected. |
| Introducing the net-billing accounting system | There have been several amendments made to the laws (the Law on Energy from Renewable Sources and the Law on Electricity) to introduce the net-billing accounting system.<br><br>The amendments also include the following changes and requirements:<br>- setting a target of at least 55% of electricity produced from renewable energy sources compared to electricity consumption by 2030;<br>- ensuring a harmonious and balanced development of power plants using renewable energy resources;<br>- clarifying the conditions and procedures for connecting and accessing electricity networks to/by the hybrid power plants and storage facilities as well as amending the rules for network capacity reservation and changing the type of activities in the electricity sector. | 19 December 2023 | Overall a positive impact as amendments aim to accelerate the energy transition which directly correlates with Ignitis and Ignitis Group Strategy. |
| Amendments to the Methodology for determining the price caps for electricity transmission, distribution and public | ESO (Networks) has agreed with the regulator (NERC) to amend the repayment period of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.<br><br>According to the amendment, the regulatory differences for B2C customers (EUR 57.1 million, including accrued interest) will be repaid over a period of 2 years and 3 months (from on 1 April 2024 to 30 June 2026). For B2B customers (EUR 100.6 | 5 January 2024 | As of report announcement date, no significant financial impact is expected. |

| | | |
|---|---|---|
| supply services | million, including accrued interest), the repayment period is 7 years and 9 months (from 1 April 2024 to 31 December 2031).<br><br>The regulatory difference mentioned above relates to the changes in the Networks methodology in 2021 and, in turn, the recalculated ROI and D&A for the period 2018–2021. Accordingly, after the agreement made the Methodology for determining the price caps for electricity transmission, distribution and public supply services has been changed. | |

## Regulatory environment: Poland

| Name | Description | Date of adoption | Impact on Ignitis Polska Sp.z.o.o. |
|---|---|---|---|
| Amendments to the Energy Law | Amendments to the Energy Law included the following:<br>1. Termination of energy supply fixed-term agreements.<br>According to the amendment to the Article 4j(3a) of the Energy Law, the end consumer may terminate the contract concluded for a fixed period without incurring costs and compensations other than those resulting from the content of the contract by submitting a declaration of its termination to the trading company. The amount of these costs and compensation may not exceed the amount of direct economic losses suffered by the trading company as a result of the termination of the contract by the end consumer.<br><br>2. Dynamic price contracts.<br>A trading company selling energy to at least 200,000 end users is obliged to offer the sale of electricity under a contract with a dynamic electricity price and publish offers for a contract with a dynamic electricity price on its website. A contract with a dynamic price reflects the market price fluctuations. (Article 5(4g) of the Energy Law). | 24 October 2023 | As of report announcement date, no significant financial impact is expected. |

# 2.3 Strategy

## Main purpose and integrated strategy

Ignitis is an important part of Ignitis Group's integrated business model and strategy. Ignitis Group is a renewables-focused integrated utility and the largest energy group in the Baltic States.

**Our shared purpose is to create a 100% green and secure energy ecosystem for current and future generations.** We are enhancing our contribution to the decarbonisation and energy security in our region, by accelerating the green energy transition in the Baltics and creating a purely green energy system. The Group's purpose-driven priorities:

1. **Green** (growing green and flexible capacity)
2. **Flexible** (creating a flexible system that operates on 100% green energy in the short, medium, and long term)
3. **Integrated** (utilising the integrated business model to enable green and flexible generation build-out)
4. **Sustainable** (maximising sustainable value)

The Group is planning to deliver 4–5 GW of installed green and flexible capacities by 2030 and reach net zero emissions by 2040–2050 by developing a green generation portfolio with a focus on integrated business model.

**Integrated utility business model**

**Green Generation**

**Strategic focus**

Delivering 4–5 GW of installed green and flexible capacities by 2030

**Networks**

**Strategic focus**

Expanding a resilient and efficient network that enables electrification

**Customers & Solutions**

**Strategic focus**

Utilising and further expanding customer portfolio to enable Green Generation build-out

**Reserve capacities**

**Strategic focus**

Contributing to the security of the energy system

Ignitis is part of the Ignitis Group and belongs to the Customers & Solutions segment.

**Sustainability and ESG focus**

We deliver our strategy by focusing on decarbonization based on the science-based targets, promoting safety at work with a focus on TRIR and zero fatal accidents, taking care of employee experience driven by well-being, learning and growth, equal pay, diversity, and inclusion initiatives, promoting diversity at top management level and creating sustainable value through our sustainable investments and returns.

**Our values**

We are a team of diverse and energetic people united by a common purpose.

RESPONSIBILITY GROWTH PARTNERSHIP OPENNESS

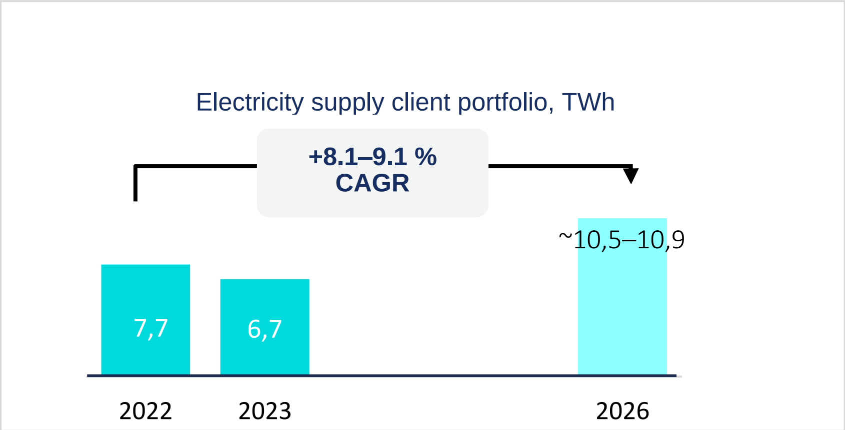
## Strategic priorities, targets and key performance indicators

### Strategic priorities

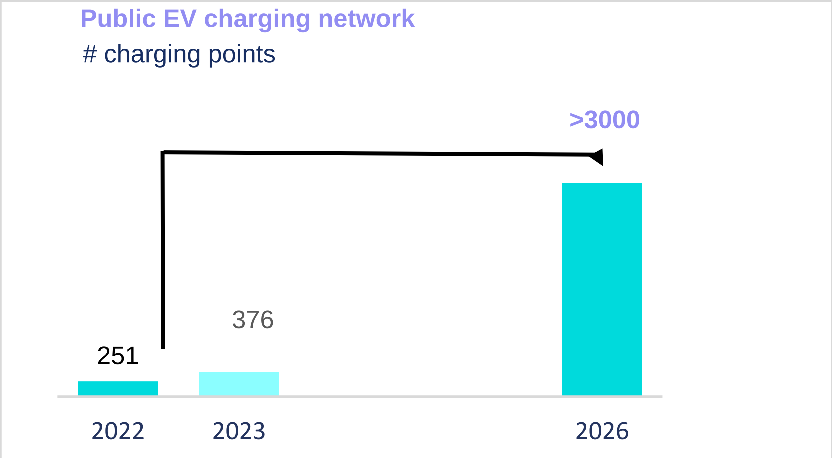
The Ignitis Group strategy for 2023 includes the following strategic priorities of Ignitis:

1. Utilising and further expanding customer portfolio to enable Green Generation build-out;
2. Building a leading EV public charging network in the Baltics;
3. Speeding up the transition from natural gas to electricity.

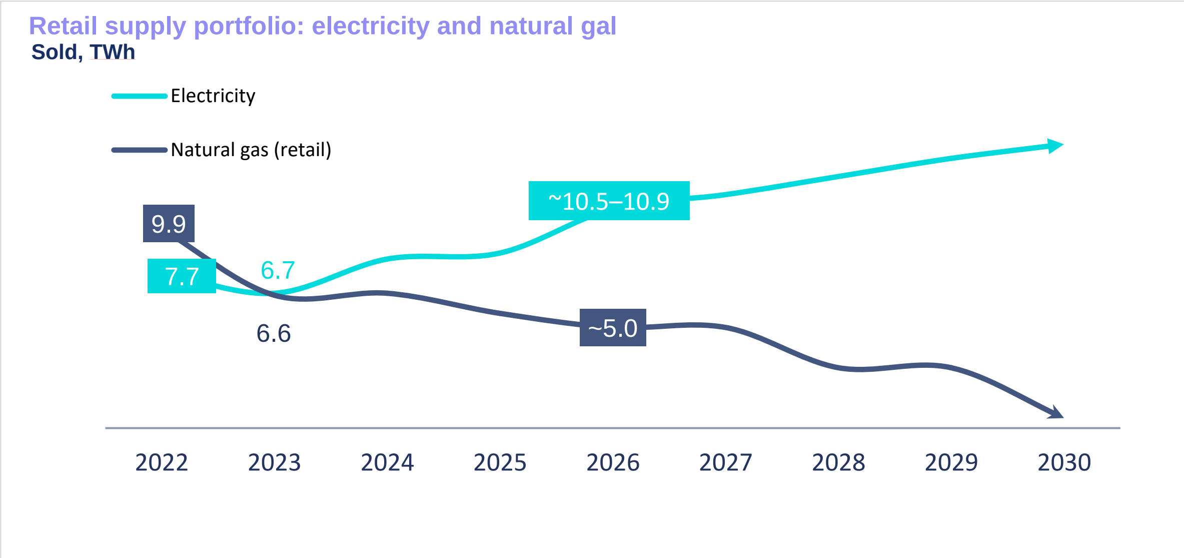
**The first priority: Utilising and further expanding customer portfolio to enable Green Generation build-out.** Expanding electricity supply portfolio to accelerate the green transformation of our customers.




**The second priority: Building a leading EV public charging network in the Baltics.** Targeting to reach about 50% market share of public EV charging infrastructure by 2026.




**The third priority: Speeding up the transition from natural gas to electricity.** We aim to optimize our retail gas supply portfolio to ~5.0 TWh in 2026 and committed to reduce further by securing supply levels required for the security of energy system during the energy transition period in Lithuania.




The 2024 targets and the 2023 results linked to the CEO's variable remuneration are disclosed in section "4.3 People and remuneration".

## Key projects and investments

The key object of Ignitis activity infrastructure is IT systems and programs as well as expansion of electric vehicle charging stations on the Ignitis ON network. In Lithuania alone, Ignitis has almost 1.4 million B2C customers and over 27 thousand B2B customers. By serving a large customer base daily, the company is continuously searching for solutions to enhance customer relationships and to simplify daily operations both for customers and employees. Ignitis 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. In 2023, Ignitis Group announced plans to invest up to EUR 115 million in the expansion of an EV charging network in the Baltics over the next 3–5 years. The main purpose of the investments is the acquisition of EV charging stations in order to expand the charging network infrastructure in the Baltic States.

The investment policy of Ignitis Group, which is also followed by Ignitis, stipulates that all investments must be in line with the objectives set out in the strategic plan and with the State's objectives, as set out in the current shareholder's Letter of Expectations.

Main investment directions:

- Business sector. Business sectors must be consistent with the directions of the strategy. The majority of the investments of Ignitis Group are directed towards the Green Generation and Networks segments, with a smaller share in Flexible Generation, Customers & Solutions (Ignitis) and other activities (e.g. IT). Ignitis Group does not invest in coal-fired power plants and nuclear power. Investments in new gas-fired generation capacity are limited to those necessary to ensure system security.
- Geography. Investments are made in projects in the countries identified in the strategy and strategic plan. The majority of the investments are directed towards the "home" markets – the Baltic States, Poland, Finland. Under favourable conditions, investment projects may be considered in other markets undergoing major energy market changes.
- Partnerships. Investments in new services, technologies, new markets or other unusual investments may consider collaboration with partners.
- Governance. Ignitis Group seeks to invest in controlling interests or interests that confer significant management rights (i.e. must be able to influence operational decisions).

However, when strategic benefits are present, participation in projects as a minority shareholder may be considered.

The investment actions of Ignitis Group must take into account the economic, environmental and social aspects of its operations, the greenhouse gas emission reduction targets of Ignitis Group, and sustainable value creation as described in the Sustainability Policy of Ignitis Group.

The total investment in IT systems in 2023 was EUR 2.6 million, and in the expansion of Ignitis ON charging stations network – EUR 14.3 million. In 2024, the planned investment is around 12.8% will be directed towards expansion of IT systems, and the remaining 87.2% – mostly towards the ongoing expansion of Ignitis ON. The investment in the Ignitis ON project is in line with Ignitis Group's strategy to accelerate the expansion of EV charging stations, to expand the largest network of fast EV charging stations in all the Baltic States, and to reach over 3,000 EV charging points by the end of 2026.

| Projects/directions | |
|---|---|
| **Investments in the innovative solutions segment** | **New key IT systems installed** |
| Expansion of Ignitis ON EV charging stations network<br>Project-based and other activities | Installation of the Contractors' Task Management System (OM)<br>Installation of Product Catalogue (PC)<br>Installation of main IT system (Billing) |
| Investment period: 2024–2026<br>Progress: EUR 16.5 million invested in 2023 | Investment period: 2024–2026<br>Progress: One enterprise management system has been completed in 2022, with another to be completed in 2024. Around EUR 2.6 million invested in 2023 |

# 3. Results

# 3.1 Annual results

## Revenue

In 2023, revenue decreased by 49.0% compared to 2022 and amounted to EUR 1,646.8 million. The main reasons for the change in revenue are the following:

1. **Lower revenue from energy supply (EUR -636.1 million).** Decrease in revenue from electricity supply resulted from the drop in electricity market prices (-51.8%) and lower sales volumes (-14%). Revenue from electricity supply increased from B2C customers, but decreased significantly from B2B customers. The decrease in revenue from energy supply to B2B customers (EUR -527.1 million) was driven by the above-mentioned lower average market prices and lower sales volumes (-13.4%) from a decreased customer base. Total electricity sales to B2C customers in independent supply increased (EUR +92.9 million) due to the second stage of market liberalisation on 1 July 2022, which affected the whole of 2023, while 2022 only affected the second half of the year. The decrease in revenue from public supply was due to a tariff reduction to reduce the difference between the tariff and the actual acquisition price (EUR -190.9 million).
2. **Lower revenue from natural gas supply (EUR -892.7 million).** The decrease in revenue from supply of natural gas and trade activities resulted mainly from the decrease in wholesale (EUR -414 million) and lower sales to B2B customers (EUR -398.6 million) due to a lower average price of natural gas (in 2023, the average price of TTF gas index decreased approximately by 63% compared to the same period in 2022) and decreased sales quantities.
3. **Lower revenue from project-based activities and other revenue (EUR -55.7 million).** The decline resulted mainly from realised derivative financial instruments which were ineffective for the purpose of financial reporting (EUR -50.1 million) and decreased revenue from the change of the market value of derivative financial instruments (EUR -8.4 million). Other revenue grew due to an increase in revenue from project-based activities (EUR +2.3 million) due to increased market demand for solar power plants.

**Revenue by nature of activity, EUR million**

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| Supply of electricity | 835.9 | 1,472.0 | *(636.1)* | *(43.2%)* |
| Natural gas supply | 787.5 | 1,680.2 | *(892.7)* | *(53.1%)* |
| Revenue from project-based activities | 21.9 | 19.7 | *2.3* | *11.5%* |
| Other | 1.6 | 59.6 | *(58.0)* | *(97.4%)* |
| **Revenue** | **1,646.8** | **3,231.4** | ***(1,584.6)*** | ***(49.0%)*** |

Main sources of revenue at Ignitis are the supply of natural gas and electricity:

- 48% of total revenue of Ignitis comprises revenue from natural gas supply. Ignitis sells natural gas in Lithuania and other Baltic States, as well as in Finland and to Polish customers. Electricity is sold to clients of both B2B and B2C segments. In 2023, 2.3 TWh of natural gas was sold to B2C customers, 4.2 TWh to B2B customers in the region, and 2.7 TWh to GET Baltic exchange and direct wholesale customers.
- 51% of total revenue of Ignitis comprises revenue from electricity supply. Ignitis sells electricity in Lithuania, Latvia and Poland. Electricity is sold to clients of both B2B and B2C segments. In 2023, 2.2 TWh of electricity was sold to B2C customers, and 4.5 TWh to B2B customers.

**Revenue by country, EUR million**

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| Lithuania | 1,143.8 | 2,174.8 | *(1,031.0)* | *(47.4%)* |
| Other[1] | 503.0 | 1,056.6 | *(553.6)* | *(52.4%)* |
| **Revenue** | **1,646.8** | **3,231.4** | ***(1,584.6)*** | ***(49.0%)*** |

*[1] Other – Latvia, Estonia, Poland and Finland.*

Other revenue of Ignitis in 2023 comprised sales of natural gas and electricity abroad.

**Revenue by type, EUR million**

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| B2B sales revenue | 1,071.7 | 2,481.6 | *(1,409.9)* | *(56.8%)* |
| B2C sales revenue | 575.2 | 749.9 | *(174.7)* | *(23.3%)* |
| **Revenue** | **1,646.8** | **3,231.4** | ***(1,584.6)*** | ***(49.0%)*** |

B2B sales revenue comprises 65% of total revenue of the company. Most of B2C revenue (approx. 56%) comes from regulated activity.

## Expenses

### Purchases of electricity, natural gas and other services

In 2023, the purchases of electricity and natural gas of Ignitis amounted to EUR 1,752.2 million and decreased by 44.3% compared to 2022. The decrease was due to lower purchases of natural gas (EUR -590.7 million) and electricity (EUR -895.3 million). The decrease in expenses was driven by stabilised wholesale commodity prices.

### Operating expenses

In 2023, operating expenses (OPEX) of Ignitis amounted to EUR 39.2 million, an increase of 9.5% compared to 2022. The main reasons for the increase in OPEX were an increase in remuneration costs (EUR +3.7 million), as the number of employees grew due to the expansion of activities and services, and annual review of employee remuneration.

### Other expenses

**Expenses, EUR million**

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| **Purchases of electricity, natural gas, and other services** | **1,725.2** | **3,095.5** | ***(1,370.2)*** | ***(44.3%)*** |
| Purchases of electricity and related services | 867.8 | 1,763.1 | *(895.3)* | *(50.8%)* |
| Purchases of natural gas and related services | 832.7 | 1,423.4 | *(590.7)* | *(41.5%)* |
| Other | 24.7 | (91.0) | *115.7* | *(127.1%)* |
| **OPEX** APM | **39.2** | **35.8** | ***3.4*** | ***9.5%*** |
| Wages and salaries and related expenses | 16.7 | 13.0 | *3.7* | *28.6%* |
| Other | 22.5 | 22.8 | *(0.3)* | *(1.5%)* |
| **Other expenses** | **13.0** | **5.2** | ***7.8*** | ***151.2%*** |
| Depreciation and amortisation | 4.3 | 3.4 | *0.9* | *26.2%* |
| Write-offs and impairment of non-current and current amounts receivable, inventories and other amounts | 8.7 | 1.8 | *6.9* | *389.2%* |
| **Total expenses** | **1,777.5** | **3,136.5** | ***(1,359.0)*** | ***(43.3%)*** |

### Adjusted EBITDA

In 2023, the adjusted EBITDA amounted to EUR -36.2 million and was lower by 331.5% or EUR 51.9 million than in the same period of 2022. In 2023, adjusted EBITDA margin was -2.2% (0.5% in the same period of 2022).

The main reasons behind the change in adjusted EBITDA were as follows:

1. Positive change in results from activity of supply and trade of natural gas (EUR +20.5 million). The main reasons for the positive change in EBITDA were: a positive accounting effect due to the reversal of the impairment of natural gas inventories; a positive impact from fixed-price sales on foreign markets, where the sales price was fixed in 2022; the efficient use of insurance transactions; and the recording of a non-recurring positive effect due to the adjustment of the methodology used to calculate revenue from over-declaration.
2. The negative change in the result for electricity supply and trading activities (EUR -72.1 million) was due to a decrease in the financial result from independent supply activities. Main reasons in 2023. The company incurred higher losses in the B2C segment (EUR -35.8 million) and recognised a provision (EUR -66.5 million) related to electricity purchase agreements concluded in the second half of 2022 in an environment of high prices for energy commodities. The company actively manages the risks of energy commodity price volatility and diversifies its portfolio of acquisitions. As a result of the significant drop in market prices, as well as the optimisation of the supply cost of B2C independent electricity supply segment and the migration to lower fixed price supply plans, some of the company's electricity purchase agreements generated losses in 2023 and are likely to continue to generate losses in future periods, which resulted in the provision of EUR -66.5 million. The current regulation restricts suppliers' ability to demand compensation for losses from residential consumers, and it is also unfavourable for suppliers regarding long-term fixed-price electricity purchase agreements and PPA market development in general. This was partly offset by an increase in the result from the supply of electricity to B2B customers (EUR +26.8 million), which was again profitable, as well as a positive change in the market value for ineffective derivatives (EUR +3.9 million).

**Adjusted EBITDA by nature of activity, EUR million**

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| Natural gas supply and trading activity | 101.6 | 81.1 | *20.5* | *25.3%* |
| Electricity supply and trading activity | (134.8) | (62.7) | *(72.1)* | *115.0%* |
| Other activities | (3.1) | (2.8) | *(0.3)* | *9.8%* |
| **Adjusted EBITDA** APM | **(36.2)** | **15.6** | ***(51.9)*** | ***(331.5%)*** |

## EBITDA adjustments

1. In 2023, the difference (EUR 16.5 million) accumulated by 2023 between actual acquisition prices of natural gas as compared to product prices set by the regulator was eliminated. In 2023, Ignitis repaid the full amount of the accumulated regulatory differences surplus until 2023.
2. The differences between Ignitis actual and average market LNG acquisition prices for designated supply, as well as the recoverable technological costs related to the designated supply activities of Ignitis, were calculated in 2023. Total change in regulatory differences for designated supply during the year is EUR 71.0 million, while remaining undercollected amount is equal to EUR 18.0 million. Designated supply activity is regulated by NERC and temporary differences are expected to be recovered during 2024, through LNGT component (more information in Note 3.2.4.2 of financial statements)
3. 2023 differences arising from recalculation of revenue from electricity supply activities comprise elimination of differences between income and expense due to evaluation of over-declaration effects (Note 5.4).

EBITDA adjustments, EUR million

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| **EBITDA** APM | **(126.4)** | **98.3** | ***(224.7)*** | ***(228.5%)*** |
| *Adjustments*[1] | | | | |
| Temporary regulatory differences arising from the activity of B2C natural gas supply (1) | 16.5 | (79.6) | *96.1* | *(120.7%)* |
| Temporary regulatory differences arising from the activity of designated supply (2) | 71.0 | (5.5) | *76.5* | *(1,401.6%)* |
| Temporary regulatory differences arising from the activity of public supply (3) | 2.6 | 2.4 | *0.2* | *8.4%* |
| **Total EBITDA adjustments** | **90.1** | **(82.7)** | ***172.8*** | ***(209.0%)*** |
| **Adjusted EBITDA** APM | **(36.2)** | **15.6** | ***(51.9)*** | ***(331.5%)*** |
| *Adjusted EBITDA margin* APM | -2.2% | 0.5% | *n/a* | *(2.7 p. p.)* |

## Net profit

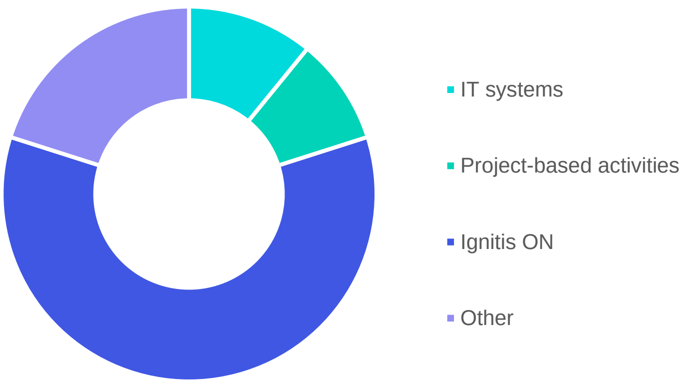
Adjusted net loss amounted to EUR -46.7 million in 2023 (EUR -40.8 million compared to the same period in 2022). Adjusted net loss increased due to a negative change in adjusted EBITDA (EUR -51.9 million, the reasons for the decrease are described in the section “Adjusted EBITDA”) and an increase in finance costs (EUR +5.1 million).

Reported net loss increased to EUR -123.3 million in 2023 (EUR -187.8 million compared to the same period in 2022). The main reasons behind the negative result: a negative change in EBITDA (EUR 224.7 million, see the comment on EBITDA), offset by an increase in finance income (EUR +5.1 million) and a change in the deferred tax asset (EUR +33.3 million) as a result of the negative financial result.

## Investments

In 2023, investments amounted to EUR 23.9 million (EUR +17.5 million compared to the same period in 2022). EUR 2.6 million of investments were made in modernisation and installation of IT systems (customer self-service, contact centre request management systems, data reporting and other systems focused on customer service and employee well-being). EUR 2.2 million was invested in the company’s project-based activities, investing in the development of renewable energy for B2C and B2B segments (solar power plants), and promoting smart energy solutions. EUR 14.3 million was spent on the expansion of the Ignitis ON electric vehicle charging network.

Investments by nature of activity in 2023, %



## Statement of financial position

### Assets

As at 31 December 2023, total assets reached EUR 555.7 million (EUR -886.0 million compared to 31 December 2022). The decline was mainly influenced by the decrease in value of trade receivables (EUR -295.4 million) and inventories (EUR -288.4 million) as at the year end. The common reason for the decline of the mentioned asset groups is the stabilisation in market prices of commodities.

### Equity capital

As at 31 December 2023, equity amounted to EUR 55.1 million (EUR -134.3 million compared to 31 December 2022). The change in equity was mainly influenced by net loss (EUR -123.3 million), change in the revaluation reserve of derivative financial instruments (EUR -86.4 million) and issued share premium (EUR +93.9 million).

### Liabilities

As at 31 December 2023, liabilities amounted to EUR 500.6 million (EUR -751.6 million compared to 31 December 2022). The decrease was due to the repayment of Ignitis loans (EUR -589.3 million). The fall in commodity prices also led to a significant decrease in other current amounts payable and liabilities (EUR -121.1 million).

**Statement of financial position, EUR million**

| | 31/12/2023 | 31/12/2022 | Δ | Δ,% |
|---|---|---|---|---|
| Non-current assets | 102.3 | 66.6 | *35.7* | *53.6%* |
| Current assets | 453.4 | 1,375.1 | *(921.7)* | *(67.0%)* |
| **TOTAL ASSETS** | **555.7** | **1,441.6** | ***(886.0)*** | ***(61.5%)*** |
| Equity capital | 55.1 | 189.4 | *(134.3)* | *(70.9%)* |
| Total liabilities | 500.6 | 1,252.2 | *(751.6)* | *(60.0%)* |
| Non-current liabilities | 61.2 | 392.1 | *(330.9)* | *(84.4%)* |
| Current liabilities | 439.4 | 860.1 | *(420.7)* | *(48.9%)* |
| **TOTAL EQUITY AND LIABILITIES** | **555.7** | **1,441.6** | ***(886.0)*** | ***(61.5%)*** |
| *Turnover of assets* APM | 1.6 | 2.9 | *(1.2)* | *(42.2%)* |
| *ROA* APM | (12.4%) | 5.7% | *n/a* | *(18.0 pp)* |
| *Current ratio* APM | 1.0 | 1.6 | *(0.6)* | *(35.5%)* |
| *Working capital/Revenue* (LTM) APM | 3.6% | 13.8% | *n/a* | *(10.2 pp)* |

## Financing

### Net debt

As at 31 December 2023, net debt amounted to EUR 12.1 million, a decrease of 96.6% or EUR 349.6 million compared to 31 December 2022. The main reason for the decrease in net debt is the fall in average natural gas prices (in 2023, the average price of the TTF natural gas index fell by 63% on average compared to the same period in 2022) and electricity prices (-51.8%).

FFO (LTM) / Net Debt ratio decreased from 27.2% to -1,041.2%, due to the decrease in FFO (LTM). The decrease in FFO (LTM) is due to a decrease in EBITDA (for more information see “EBITDA” section).

**Net debt, EUR million**

| | 31/12/2023 | 31/12/2022 | Δ | Δ,% |
|---|---|---|---|---|
| **Total non-current financial liabilities** | **12.6** | **371.0** | ***(358.4)*** | ***(96.6%)*** |
| Non-current loans | 11.8 | 370.8 | *(359.0)* | *(96.8%)* |
| Lease liabilities (IFRS 16) | 0.8 | 0.2 | *0.6* | *265.2%* |
| **Total current financial liabilities** | **67.1** | **297.3** | ***(230.2)*** | ***(77.4%)*** |
| Current loans | 66.8 | 297.1 | *(230.3)* | *(77.5%)* |
| Lease liabilities (IFRS 16) | 0.3 | 0.3 | *0.0* | *9.2%* |
| **Financial debts** APM | **79.6** | **668.3** | ***(588.7)*** | ***(88.1%)*** |
| **Cash, cash equivalents and funds in escrow account** | **67.5** | **306.6** | ***(239.1)*** | ***(78.0%)*** |
| Cash and cash equivalents | 67.5 | 306.6 | *(239.1)* | *(78.0%)* |
| Funds in escrow account | - | - | - | *n/a* |
| **Net debt** APM | **12.1** | **361.7** | ***(349.6)*** | ***(96.6%)*** |
| *Net debt / Adjusted EBITDA LTM* APM | (0.3) | 23.1 | *(23.4)* | *(101.4%)* |
| *Net debt / EBITDA LTM* APM | (0.1) | 3.7 | *(3.8)* | *(102.6%)* |
| *FFO (LTM) / Net debt* APM | (1,041.2%) | 27.2% | *n/a* | *(1,068.4 pp)* |
| *Gross debt / Equity* APM | 144.5% | 352.8% | *(208.3%)* | *(59.0%)* |
| *Equity ratio* APM | 9.9% | 13.1% | *(3.2%)* | *(24.5%)* |

## Dividends

Dividend policy of the subsidiary companies of Ignitis Group was approved in 2024. According to the policy:

1. governance bodies of the companies 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 companies may propose to distribute profit for the payment of dividends for the financial year if a company incurred loss during the reporting period but has retained earnings accrued from the previous reporting periods and, accordingly, the amount of the company's distributable profit (loss) for the reporting financial year is positive. This provision shall apply only when there is a necessary need for the Ignitis Group to receive dividends in the implementation of the Ignitis Group dividend policy.
3. governance bodies of the companies 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 company implements green generation investment projects in accordance with the strategy of Ignitis Group;

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

    3.3. a company implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania;

    3.4. a company'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 company is insolvent, or would become insolvent upon payment of dividends or company's debt level is too high;

    3.6. a company has received a written consent passed by the Head of Treasury and the Head of Finance and Treasury Service of the Ignitis Group to apply sub-paragraph 3 in cases which are not anticipated in sub-paragraphs 3.1 - 3.5.

In 2023, Ignitis distributed and paid out EUR 20.0 million of dividends. In 2022, Ignitis did not pay dividends due to the unusual market situation, high debt level and working capital needs.

**Dividends distributed for the specified years, EUR million**

| | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|
| Dividends paid for the period indicated | **20.0** | - | *20.0* | - |

## Key operating indicators

### Key operating indicators

| | | 2023 | 2022 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity** | | | | | |
| Number of customers | m | 1.4 | 1.4 | *(0.0)* | *(2.7%)* |
| EV charging points | Units | 376 | 251 | *125* | *49.8%* |
| **Natural gas** | | | | | |
| Number of customers | m | 0.6 | 0.6 | *(0.0)* | *(0.3%)* |
| Gas inventory | TWh | 1.7 | 3.0 | *(1.2)* | *(42.1%)* |
| **Electricity sales** | | | | | |
| Lithuania | TWh | 5.22 | 6.18 | *(0.97)* | *(15.6%)* |
| Latvia | TWh | 0.75 | 1.12 | *(0.37)* | *(33.0%)* |
| Estonia | TWh | 0.00 | 0.00 | *(0.00)* | *(22.0%)* |
| Poland | TWh | 0.69 | 0.41 | *0.27* | *65.8%* |
| Total retail | TWh | 6.65 | 7.71 | *(1.06)* | *(13.7%)* |
| *of wich: B2C* | TWh | 2.19 | 2.57 | *(0.38)* | *(14.7%)* |
| *of wich: B2B* | TWh | 4.46 | 5.15 | *(0.68)* | *(13.3%)* |
| **Natural gas sales** | | | | | |
| Lithuania | TWh | 5.76 | 7.09 | *(1.33)* | *(18.8%)* |
| Latvia | TWh | 1.36 | 2.64 | *(1.28)* | *(48.3%)* |
| Finland | TWh | 1.79 | 3.77 | *(1.98)* | *(52.5%)* |
| Poland | TWh | 0.36 | 0.16 | *0.20* | *122.9%* |
| Estonia | TWh | 0.01 | 0.20 | *-0.19* | *(94.7%)* |
| Total retail | TWh | 6.58 | 9.94 | *(3.36)* | *(33.8%)* |
| *of wich: B2C* | TWh | 2.34 | 2.55 | *(0.21)* | *(8.2%)* |
| *of wich: B2B* | TWh | 4.24 | 7.40 | *(3.16)* | *(42.7%)* |
| Wholesale market | TWh | 2.71 | 3.92 | *(1.21)* | *(30.9%)* |
| **Customer experience** | | | | | |
| NPS (B2C – Transactional) | % | 67.3 | 56.5 | *10,8 pp* | *n/a* |
| NPS (B2B – Transactional) | % | 73.0 | 53.0 | *20,0 pp* | *n/a* |

Sales of electricity in retail market decreased by almost 14% in 2023 compared to the same period in 2022. The ongoing market liberalisation has led to a further decline in total sales to B2C customers. Lower demand and increased competition continue to be the main reasons for the lower electricity B2B sales (except Poland).

Total sales volume of natural gas decreased by 33% in 2023 compared to the same period in 2022. The decrease was mainly due to a fall in wholesale of natural gas (-30.9%) and sales to B2B customers of businesses that were cutting production or looking for alternative solutions due to high prices (-42.7%).

# 3.2 Three-year annual summary

## Key financial indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Revenue | EURm | 1,646.8 | 3,231.4 | 997.2 |
| EBITDA APM | EURm | (126.4) | 98.3 | 14.9 |
| Adjusted EBITDA APM | EURm | (36.2) | 15.6 | 29.1 |
| Margin of the adjusted EBITDA APM | % | (2.2%) | 0.5% | 2.9% |
| EBIT APM | EURm | (130.7) | 94.9 | 12.0 |
| Adjusted EBIT APM | EURm | (40.5) | 12.2 | 26.2 |
| Net profit | EURm | (123.3) | 64.4 | 7.2 |
| Adjusted net profit APM | EURm | (46.7) | (5.9) | 19.2 |
| Investments APM | EURm | 23.9 | 6.4 | 2.0 |
| FFO APM | EURm | (126.4) | 98.3 | 14.9 |
| FCF APM | EURm | (38.1) | 129.9 | (36.8) |
| ROE APM | % | (100.9%) | 48.2% | 9.0% |
| Adjusted ROE APM | % | (38.2%) | (4.4%) | 24.2% |
| ROCE APM | % | (42.3%) | 17.9% | 3.9% |
| Adjusted ROCE APM | % | (13.1%) | 2.3% | 8.5% |
| ROA APM | % | (12.4%) | 5.7% | 1.4% |
| Adjusted ROA APM | % | (4.7%) | (0.5%) | 3.7% |
| | | 31/12/2023 | 31/12/2022 | 31/12/2021 |
| Total assets | EURm | 555.7 | 1,441.6 | 825.4 |
| Equity capital | EURm | 55.1 | 189.4 | 77.6 |
| Net debt APM | EURm | 12.1 | 361.7 | 433.9 |
| Net working capital APM | EURm | 59.9 | 446.6 | 431.5 |
| Equity ratio APM | % | 3.6% | 13.8% | 43.3% |
| Net debt / EBITDA APM | times | (0.1) | 3.7 | 29.0 |
| Net debt / Adjusted EBITDA APM | times | (0.3) | 23.1 | 14.9 |
| FFO/Net debt APM | % | (1,041.2%) | 27.2% | 3.4% |
| Current ratio APM | % | 103.2% | 159.9% | 154.1% |
| Turnover of assets APM | times | 1.6 | 2.9 | 1.9 |

## Key operating indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| **Electricity sales** | | | | |
| Lithuania | TWh | 5.22 | 6.18 | 5.62 |
| Latvia | TWh | 0.75 | 1.12 | 1.04 |
| Estonia | TWh | 0.00 | 0.00 | 0.00 |
| Poland | TWh | 0.69 | 0.41 | 0.09 |
| Total retail | TWh | 6.65 | 7.71 | 6.77 |
| *of which B2C* | TWh | 2.19 | 2.57 | 2.91 |
| *of which B2B* | TWh | 4.46 | 5.15 | 3.86 |
| Number of customers | m | 1.4 | 1.4 | 1.5 |
| **Natural gas sales** | | | | |
| Lithuania | TWh | 5.76 | 7.09 | 8.06 |
| Latvia | TWh | 1.36 | 2.64 | 0.76 |
| Finland | TWh | 1.79 | 3.77 | 2.72 |
| Poland | TWh | 0.36 | 0.16 | 0.01 |
| Estonia | TWh | 0.01 | 0.20 | 0.00 |
| Total sales of natural gas | TWh | 9.29 | 13.86 | 11.55 |
| Total retail | TWh | 6.58 | 9.94 | 8.93 |
| *of which B2C* | TWh | 2.34 | 2.55 | 2.84 |
| *of which B2B* | TWh | 4.24 | 7.39 | 6.10 |
| Wholesale market | TWh | 2.71 | 3.92 | 2.62 |
| Number of customers | m | 0.6 | 0.6 | 0.6 |

# 4. Governance report

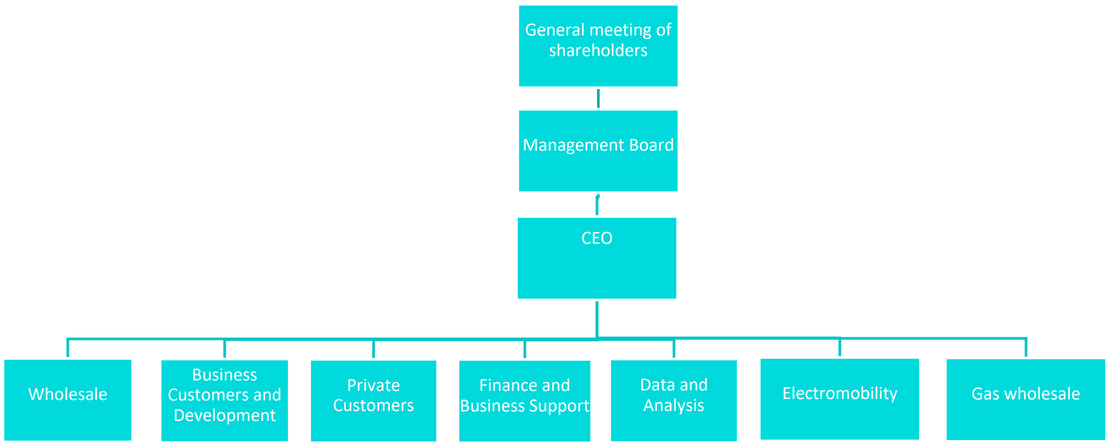
# 4.1 Governance framework

## The Company's governance framework

In 2023, a two-tier management model of Ignitis was replaced with a one-tier management model. The Management Board made up of employees was removed and instead the Board with a supervisory function made up of at least 1/3 of independent members, civil servants and shareholder representatives was formed. The new model ensures simpler but, at the same time, effective governance, which will continue to meet the highest standards of governance, speedy decision-making, fast communication, and active involvement of independent members.

The company's management structure consists of the CEO and the Management Board. The CEO represents the company in all matters and, alongside the Management Board, is responsible for the management of the company. The CEO manages daily activities of the company and is entitled to unilaterally represent the company.

With effect from 31 May 2023, the company's CEO has decided to set up an advisory body to the CEO, the Executive Committee, to assist the CEO on strategic issues and to provide an opinion on the organisation of the company. The competence, convening and decision-making procedures of the Executive Committee shall be determined by the company's Articles of Association and other legal acts regulating the activities of the Executive Committee.




## Shareholders, their rights and functions

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

# 4.2 Management Board

## Overview

In May 2023, the Supervisory Board and the Management Board of Ignitis Group adopted a decision to change the two-tier governance model in Ignitis to a one-tier governance model, i.e. to discontinue the executive board formed by employees and to replace it with board with a supervisory function; a new Management Board was approved.

The Management Board of Ignitis is a collegial management body of the parent company set out in the Articles of Association, which performs the supervisory functions set out in the Law on Companies of the Republic of Lithuania. It is removed and elected by the General Meeting of Shareholders for a term of four years. The Management Board is composed of 5 members, at least 1/3 of whom are independent and more than half of whom have no employment relationship with the company. The Management Board must also include at least one civil servant. The Management Board elects the Chairman of the Management Board from among its members.

## Information on selection criteria for the members of the Management Board

On 31 May 2023, the sole shareholder of Ignitis – AB Ignitis grupė – approved the following composition of the company's Management Board according to specific areas of competence, for a four-year term of office.

## Priorities for the reporting period and their implementation

Overall 49 meetings of the Management Board were held in 2023. The tables below provide an overview of meeting attendance.

**Overview of attendance of meetings of the Management Board members (before 30 May 2023)**

| Name, surname | |
|---|---|
| Artūras Bortkevičius - chairman | 31/33 |
| Darius Šimkus | 31/33 |
| Haroldas Nausėda | 33/33 |
| Tadas Adomaitis | 28/33 |
| Andrius Kavaliauskas | 33/33 |

** The numbers indicate how many meetings from 30 May to 1 January 2023 the members have attended out of total meetings during the reporting period.*

**Overview of attendance of meetings of the Management Board members (after 30 May 2023)**

| Name, surname | |
|---|---|
| Vidmantas Salietis - chairman | 15/16 |
| Mantas Mikalajūnas | 16/16 |
| Paulius Dambrauskas | 16/16 |
| Roger Hunter | 14/16 |
| Toma Sasnauskienė | 16/16 |

** The numbers indicate how many meetings from 30 May to 31 December 2023 the members have attended out of total meetings during the reporting period.*

The main activities of the Management Board until 30 May 2023:

- approving the parent company's and enterprises of the group strategic documents;
- approving the UAB "Ignitis" Electric vehicle public charging network strategy for the Baltic countries until 2035;
- adopting decisions on the company's borrowings and lending;

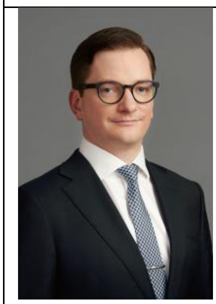
- evaluating the most significant transactions planned, approving their conclusion and material terms and conditions of those transactions;
- adopting decisions on independent auditor;
- approving annual reports and annual financial statements;
- determination of the achievement of the annual variable remuneration goals for 2022 and conditions for the payment of the variable remuneration portion to the CEO of the Company for the results of the year 2022; review of the fixed portion of the remuneration for the CEO of UAB Ignitis and a request for an opinion from the Supervisory Board of UAB Ignitis (29/03/2023);
- approving of the profit (loss) distribution projects for the year 2022;
- appealed to the sole shareholder of UAB Ignitis regarding the amendment of the articles of association of UAB "Ignitis".

The main activities of the new Management Board in 2023 (after 30 May 2023):

- approving the parent company's strategic documents;
- convened of a shareholders' meeting of UAB Ignitis to approve the increase of the authorised capital and amendment of the Articles of Association
- adopting decisions on the company's borrowings and lending;
- evaluating the most significant transactions planned, approving their conclusion and material terms and conditions of those transactions;
- making decisions related to parent company's governance.

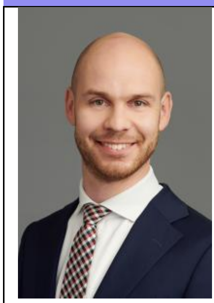
## Members of the Management Board (until 30 May 2023)

| | Description | Experience | Education | Other currently held positions |
|---|---|---|---|---|
|  | **Artūras Bortkevičius**<br>Chairman since 09/07/2021<br>Term of office: from 01/06/2019 to 29/05/2023 | 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. Before, he 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)<br>2002 – 2006 Certified Public Accountants Association<br>1995 – 2000 Bachelor's degree in business administration<br>LCC International University, Lithuania | Main employer - UAB Ignitis (company code 303383884, address: Laisvės pr. 10, LT-04215 Vilnius) CEO, Chairman of the Management Board<br><br>Other managerial positions held:<br><br>Ignitis Latvija SIA (company code 40103642991, address: Cēsu iela 31, LV–1012, Riga, Latvia) Supervisory Board member.<br><br>Ignitis Polska Sp. z o.o. (company code 0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland)<br>Supervisory Board member. |

| | | | | |
|---|---|---|---|---|
|  | **Darius Šimkus**<br>Member<br>Term of office: from 30/11/2021 to 29/05/2023 | 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. Served as a member of the Independent Audit Committee of AB Oro navigacija from 2021 to 2022. | 2012 – 2014<br>Master's degree in financial mathematics, Uppsala University, Sweden.<br>2008 – 2012<br>Bachelor's degree in statistics, Vilnius University, Lithuania.<br>2010 – 2011<br>Mathematical Statistics (Erasmus programme), Lund University, Sweden. | Main employer - UAB Ignitis (company code 303383884, address: Laisvės pr. 10, LT-04215 Vilnius) Head of Finance and Business Support, Management Board member.<br><br>Other managerial positions held:<br><br>Ignitis Latvija SIA (company code 40103642991,address: Cēsu iela 31, LV–1012, Riga, Latvia) Supervisory Board member.<br><br>Ignitis Suomi OY (company code 3202810-4, address: Firdonkatu 2, Workery West, 6th floor, 00520 Helsinki, Finland) Management Board member. |
|  | **Haroldas Nausėda**<br>Member<br>Term of office: from 01/06/2019 to 29/05/2023 | In 2008, Haroldas Nausėda started working for 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 B2B Customers and Development. | 2011 – 2013<br>Business Management Courses for managers, ISM University of Management and Economics, Lithuania<br>2007 – 2009<br>Master's degree in business management and administration, Vilnius University, Lithuania<br>2003 – 2007<br>Bachelor's degree in informatics, Vilnius University, Lithuania | Main employer - UAB Ignitis (company code 303383884, address: Laisvės pr. 10, LT-04215 Vilnius) Head of B2B Customers and Development Department, Management Board member<br><br>Other managerial positions held:<br>Ignitis Polska Sp. z o.o. (company code 0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland)<br>Supervisory Board member.<br><br>Ignitis Latvija OÜ (company code 12433862, address: Narva mnt. 5, 10117 Tallinn, Estonia) Management Board member.<br><br>Ignitis Suomi OY (company code 3202810-4, address: Firdonkatu 2, Workery West, 6th floor, 00520 Helsinki, Finland) Management Board member.<br><br>AB LTG Infra (company code 305202934, address: Geležinkelio g. 2, LT-02100 Vilnius) Management Board member |
|  | **Tadas Adomaitis**<br>Member<br>Term of office: from 01/06/2019 to 29/05/2023 | 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, | 2010 – 2012<br>Master's degree in regional politics, Institute of International Relations and Political Sciences, Vilnius University, Lithuania<br>2004 – 2007<br>Bachelor's degree in economics and business administration, Stockholm School of Economics, Latvia | Main employer - UAB Ignitis (company code 303383884, address: Laisvės pr. 10, LT–04215, Vilnius) Wholesale Trading<br>Department, Management Board member<br><br>Other managerial positions held:<br><br>Ignitis Polska Sp. z o.o. (company code 0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland) Supervisory Board member. |

| | | | | |
|---|---|---|---|---|
| | | after the company was merged to Lietuvos energijos tiekimas – he became the Head of Supply. | | |
|  | **Andrius Kavaliauskas**<br>Member<br>Term of office: from 01/06/2019 to 29/05/2023 | Andrius Kavaliauskas joined the group of Lietuvos energija in 2018 and became Head for B2C 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 7 years. | 2016 – 2018<br>Baltic Management Institute, Lithuania<br>2013-2014<br>IT/IP business development programme, KTH Royal Institute of Technology, Sweden<br>Master's degree in international business finance, Vilnius University, Lithuania (2008-2010)<br>2004 – 2008<br>Bachelor's degree in economics, Vilnius University, Lithuania | Main employer - UAB Ignitis (company code 303383884, address: Laisvės pr. 10, LT-04215 Vilnius ) Head of B2C, Management Board member.<br><br>Other managerial positions held:<br><br>Ignitis Latvija SIA (company code 40103642991, address: Cēsu iela 31, LV–1012, Riga, Latvia) Supervisory Board member.<br><br>UAB Elektroninių mokėjimų agentūra (company code 136031358, address: Laisvės pr. 10, LT-04215, Vilnius) Chairman of the Management Board. |

## Members of the Management Board (from 30 May 2023)

| | Description | Experience | Education | Other currently held positions |
|---|---|---|---|---|
|  | **Vidmantas Salietis**<br>Chairman (representative of shareholder)<br>Term of office: from 30/05/2023 to 29/05/2027. | 2018 - now<br>Management Board member of AB Ignitis grupė, Head for Commercial Activities<br>2018 - now<br>Different positions at the collegial bodies of AB Ignitis grupė companies<br>2015 – 2018<br>CEO of UAB Energijos tiekimas<br>2013 – 2016<br>Board member at AB Ignitis gamyba<br>2011<br>Market analyst at AB Ignitis gamyba<br>2009 – 2010<br>Consultant at UAB Ernst & Young Baltic (EY Lietuva) | Bachelor's degree in business and economics, Stockholm School of Economics, Latvia (2006-2009) | AB Ignitis grupė (company code 3018444044, address: Laisvės pr. 10, LT-04215 Vilnius)<br>Management Board member of AB Ignitis grupė, Head for Commercial Activities<br><br>Other managerial positions held:<br><br>AB Ignitis gamyba (company code 302648707, Elektrinės g. 21, LT-26108 Elektrėnai) Management Board member.<br><br>UAB Ignitis renewables (company code 304988904, Laisvės pr. 10, LT-04215, Vilnius) Member of the Management Board |
|  | **Mantas Mikalajūnas**<br>Member (representative of shareholder)<br>Term of office: from 30/05/2023 to 29/05/2027. | 2019 – now<br>Management Board member of AB Ignitis grupė, Head for Regulated Activities<br>2017 – now<br>Different positions at the collegial bodies of AB Ignitis grupė companies<br>2014 – 2019<br>CEO of UAB Lietuvos dujų tiekimas / UAB Lietuvos energijos tiekimas<br>2013 – 2014<br>Head of Strategic Development at UAB Lietuvos dujų tiekimas<br>2008 – 2013<br>Project Manager / Strategic Development | 2002 – 2004<br>Master's degree in business administration and management, Vilnius University, Lithuania<br>Bachelor's degree in communications and information management, Vilnius University, Lithuania (1998 - 2004) | AB Ignitis grupė (company code 3018444044, address: Laisvės pr. 10, LT-04215 Vilnius)<br>Head for Regulated Activities and Management Board member<br><br>Other managerial positions held:<br><br>AB Ignitis gamyba (company code 302648707, Elektrinės g. 21, LT-26108 Elektrėnai) Management Board member.<br><br>UAB Kauno kogeneracinė jėgainė (company code 303792888, Jėgainės g. 6, Biruliškių k, LT-54469 Kauno r.) Management Board member<br><br>UAB Vilniaus kogeneracinė |

| | | | | |
|---|---|---|---|---|
| | | 2006 – 2008<br>Business controller at E. ON Ruhrgas International | | jėgainė (company code 303782367, Jočionių g. 13, LT-02300, Vilnius) Management Board member |
|  | **Paulius Dambrauskas**<br>Independent member<br>Term of office: from 30/05/2023 to 29/05/2027 | 2020 – now<br>CEO of UAB AL Holdingas<br>2017 – 2020<br>Head of UAB Girteka Logistics<br>2016 – 2017<br>Head for Commerce of UAB Maxima LT<br>2009 – 2016<br>CEO of UAB Cgates<br>2008 – 2009<br>Head for Development at UAB ActiveSec<br>1999 – 2008<br>Member of the Management Boards of Bite Group | 2005 – 2006<br>Corporate Talent Pool leadership programme INSEAD<br>1996 – 1998<br>Master's degree in international marketing, Vilnius University, Lithuania<br>1992 – 1996<br>Bachelor's degree in International trading and marketing, Vilnius University, Lithuania | UAB AL Holdingas (company code 3002288643, address: Ulonų g. 2, LT-08245 Vilnius)<br>General Manager |
|  | **Roger Hunter**<br>Independent member<br>Term of office: from 30/05/2023 to 29/05/2027 | 2023 – now<br>BorgWarner Vice-president (Charging)<br>2021 – 2023<br>Vice-president at Shell Electromobility<br>2016 – 2019<br>Vice-president at Shell Digital Enterprises<br>2014 – 2016<br>CEO at Shell Alternative Energy Strategy<br>2011 – 2014<br>Head of Shell UK Nordic Transactions | 1994 – 1998<br>MSc in Electronic and Electrical Engineering, University of Birmingham, UK | UAB Connected Freight, address: The Metropolis Tower 1, 9 North Buona Vista Drive, Singapore, 138588<br>Member of the Management Board<br><br>Ravin.AI, address: Suite 03A135, 11801 Domain Blvd 3rd floor, Austin, TX 78758<br>Non-Executive Director<br><br>ChargeUp Europe, address: 227 Rye de la Loi, 1040 Brussels – Belgium<br>Non-executive Director<br><br>Zemo partnership, address: 3 Birdcage Walk, London SW1H 9JJ<br>Non-Executive Director<br><br>Shell Brand International Address: Baarermatte Baar, ZUG, 6340 Switzerland<br>Chairman of the Management Board |
|  | **Toma Sasnauskienė**<br>Member (civil servant)<br>Term of office: from 30/05/2023 to 29/05/2027 | 2012 – now<br>Head of the Borrowing and Investment Division of the Ministry of Finance of the Republic of Lithuania<br>2012 – 2017<br>Member of the Management Board of Agricultural Credit Guarantee Fund | 2006 – 2008 Master's degree in economics, Vilnius University, Lithuania<br>2002 – 2006 Master's degree in economics, Vilnius University, Lithuania | |

## CEO

### Overview

The CEO of the company is a single-person governing body of the parent company. The CEO 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 CEO, election and recalling procedures are established by laws, other legal acts and the Articles of Association of the parent company. The CEO is elected and revoked by the Management Board. Information about the CEO is provided below:

## Profile

| | Description | Experience | Education | Other currently held positions |
|---|---|---|---|---|
|  | **Artūras Bortkevičius**<br>General Manager<br>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)<br>2002 – 2006 Certified Public Accountants Association<br>1995 – 2000 Bachelor's degree in business administration LCC International University, Lithuania | Main employer - UAB Ignitis (company code 303383884, address: Laisvės pr. 10, LT-04215 Vilnius) CEO, Chairman of the Management Board<br><br>Other managerial positions held:<br><br>Ignitis Latvija SIA (company code 40103642991,address: Cēsu iela 31, LV–1012, Riga, Latvia) Supervisory Board member.<br><br>Ignitis Polska Sp. z o.o. (company code 0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland) Supervisory Board member. |

# 4.3 People and remuneration

## People and culture

### Overview

Ignitis Group, of which Ignitis is a part, is one of the largest employers in Lithuania. Maintaining good employee relations and contributing to employee engagement and well-being is a huge responsibility, a challenge and an opportunity at the same time.

Ignitis Group develops and strives to maintain an organisational culture that fosters a long-term partnership between employer and employee, based on values and a Code of Ethics, mutual understanding and the opportunity to work together to create an energy smart future.

The overall objective of the Ignitis Group Remuneration Policy is to attract and retain competent, fast-learning, technologically advanced, globally minded and creative employees. It includes remuneration elements that support our strategy. The Group is rapidly moving towards sustainability, including the management of human resources. Hence, the ongoing transition requires new skills and competences as well as continuous development of the culture. In 2023, was continued to develop Remuneration Policy to maintain the principles of transparency and clarity.

### Employees, diversity, and representation

As at 31 December 2023, the parent company had 362 employees (31 December 2022: 320 employees). Ignitis Latvija SIA had 24 employees (31 December 2022: 18 employees), Ignitis Polska Sp. Z.o.o. had 15 employees (31 December 2022: 16 employees), Ignitis Eesti OU – 6 employees (31 December 2022: 0 employees), and Ignitis Suomi Oy had 2 employees (31 December 2022: 3 employees).

In Ignitis, as in the Ignitis Group as a whole, the job opportunities are independent of the gender of an employee. Ignitis 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 2023, men accounted for 30% of all employees, women comprised 70%. Male specialists accounted for 28%, and female – for 72%. Distribution of mid-level executives: men accounted for 41%, and women – for 59%.

Ignitis provides job opportunities to people of various ages. As at 31 December 2023, most employees of the Company belonged to the age group of 25-36 years (44%), and the lowest number of employees belonged to the age group of 17-24 years (6%). More than 80% of employees have gained higher education.

The Company promotes and maintains social dialogue with employee representatives. Employees are represented by the Labour Council that consists of 6 members.

## Remuneration

### Overview

Remuneration structure of the Group is based on two key documents: the Remuneration Policy and the Remuneration Guidelines. The Remuneration Policy defines the key principles and essential provisions on remuneration management and structure whereas Remuneration Guidelines, which is an internal document, is a supporting document detailing the provisions of the Remuneration Policy (e.g., setting and evaluating objectives, determining and payment of short-term incentives). Both documents are integrated and apply to all companies of the Group.

The Remuneration Policy's approval process is based on the Lithuanian Labour Code, the Corporate Governance Code for the Companies Listed on Nasdaq, and the Law on Companies. Ignitis Group is required to submit any proposed amendments to the Remuneration Policy for the approval of the General Meeting of Shareholders. Before that, Ignitis Group's Nomination and Remuneration Committee and the Supervisory Board provide their comments and proposals regarding the amendments to the Remuneration Policy. The latest version of the Remuneration Policy is available on Ignitis Group website.

The Remuneration Guidelines are approved by the board of parent company.

The key objective of our Remuneration Policy is to support the Group's pathway towards achieving its goals through 5 key principles detailed on the right side.

**Key principles of the Ignitis Group's Remuneration Policy**

| | |
|---|---|
| **Internal fairness** | We ensure that similar- or same-value-creating work is compensated equally throughout the organisation. |
| **External competitiveness** | Employees are entitled to receive a competitive salary based on their function, market conditions and geography. |
| **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** | We believe in transparency and share our objective remuneration criteria with our employees. |
| **Equal opportunities and non-discrimination** | Decisions on remuneration must be made in accordance with the provisions set out in the Remuneration Policy and the Equal Opportunities and Diversity Policy in force in the Ignitis Group. |

The Remuneration Policy defines the remuneration structure, the fixed base salary (FBS) review and determination process, the composition of the maximum variable remuneration, related guidelines, principals, etc. To be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys to obtain a fair view of market expectations and tendencies.

Overall, our Remuneration Policy is designed to attract, retain, and motivate employees to ensure the achievement of the Group's targets. Thus, we aim to pay the median of the market where the Group companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower) than the median of remuneration market may be set. To ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually while considering the data of an independent national salary survey and the remuneration market trends. Salary ranges are determined for each job level based on the median of the salary market.

Remuneration includes fixed and variable remuneration parts, which are described in detail in the following table. Additionally, further information on short-term incentives (STI) and long-term incentives (LTI) is provided separately in the following pages

## Remuneration structure of Ignitis Group

| Type | Element | Applicability |
|---|---|---|
| Fixed remuneration | Fixed base salary (FBS) | All Group employees |
| | Payment for being a board member (PBM)[1] | Members of the parent company's or Group companies' collegial bodies |
| Variable remuneration | Short-term incentives (STI) | All Group employees |
| | Long-term incentives (LTI) | Key Executives[2] |
| | | Managers with strategic responsibilities[3] |
| Other rewards | Additional financial incentives | All Group employees except CEOs, members of the Management Board of the parent company and the executive committees of the Group companies |
| | Expatriate's/attraction package | Employees who are hired from a foreign country |
| | Additional benefits | All Group employees |

Further information on the Remuneration Policy is available on the website of Ignitis Group.

### Remuneration of the parent company's employees

The parent company's salary fund in 2023 amounted to EUR 12.55 million compared to EUR 11.17 million in 2022. Average monthly salary (FBS and STI) for the period of 2022–2023 is provided in the following table.

**Average monthly remuneration of the parent company's employees, EUR (before taxes)**

| Position category | 2022 | | 2023 | |
|---|---|---|---|---|
| | Number of employees | Average salary | Number of employees | Average salary |
| CEO | 1 | 9,925 | 1 | 12,504 |
| Top-level managers | 4 | 8,574 | 4 | 10,623 |
| Mid-level managers | 37 | 5,171 | 44 | 5,565 |
| Experts, specialists | 278 | 2,329 | 313 | 2,735 |
| **Total** | **320** | **2,760** | **362** | **3,199** |

### Remuneration of the Management Board and Company's CEO

The Executive Remuneration Guidelines aim to attract and retain competent members of the Management Board. In order to attract high level professionals to management positions, it is aimed to maintain remuneration close to the market median in the country, in which the company operates. The remuneration structure of the members of the Management Board is in line with the remuneration structure of the rest of Ignitis Group's employees (with the exception of the provision of the company car). More details on the elements of remuneration elements applicable to the Management Board and the company's CEO are set out in the table *Remuneration Structure* above.

**Remuneration of the Company's Management Board members in 2023, EUR (before taxes) (up until 30 May 2023)**

| Name, surname (position) | Total |
|---|---|
| Artūras Bortkevičius (Chairman) | 5,445 |
| Tadas Adomaitis | 3,900 |
| Andrius Kavaliauskas | 3,900 |
| Haroldas Nausėda | 3,900 |
| Darius Šimkus | 3,900 |

**Remuneration of the Company's Management Board members in 2023, EUR (before taxes) (from 30 May 2023)**

| Name, surname (position) | Total |
|---|---|
| Paulius Dambrauskas* | 17,585 |
| Roger Hunter | 17,585 |
| Toma Sasnauskienė | 8,793 |
| Mantas Mikalajūnas | 0 |
| Vidmantas Salietis | 0 |

*Paulius Dambrauskas has received income as an independent member of the Supervisory Board until 30 May. – EU 11,693.

**Remuneration of the parent company's Management Board members in 2022, EUR (before taxes)**

| Name, surname (position) | Total |
|---|---|
| Artūras Bortkevičius (Chairman) | 21,780 |
| Tadas Adomaitis | 15,600 |
| Andrius Kavaliauskas | 15,600 |
| Haroldas Nausėda | 15,600 |
| Darius Šimkus | 15,600 |

**Remuneration of the CEO of Ignitis in 2023, EUR (before taxes)**

| Name, surname | FBS | STI | PBM* | Total |
|---|---|---|---|---|
| Artūras Bortkevičius | 129,855 | 18,323 | 5,445 | 153,623 |

*PBM - payment for the activities as a Board member. Since 1 April 2023, PBM has been included in FBS.

**Remuneration of the CEO of Ignitis in 2022, EUR (before taxes)**

| Name, surname | FBS | STI | PBM* | Total |
|---|---|---|---|---|
| Artūras Bortkevičius | 103,410 | 15,301 | 21,780 | 140,491 |

*PBM - payment for the activities as a Board member.

More information on the Ignitis Group's Remuneration principles is available in the Annual Report of Ignitis Group.

## Targets

Annual objectives of the CEO of the parent company are based on the strategic plan and are aligned with the annual objectives of the parent company. The criteria applicable to the STI of the CEO of the parent company for 2023 and objective achievements are available in the following table.

**Meeting the 2023 targets**

| Performance evaluation criteria | Weight, % | Indicators | Realisation |
|---|---|---|---|
| Financial targets | 30 | Adjusted EBITDA 2023* (10%) | 96% |
| | | Net working capital (20%) | 100% |
| Strategic projects and key milestones + Service quality | 65 | Optimal electricity generation and sales model (20%) | 100% |
| | | Total amount of CO2 emission of Target No. 3** (20%) | 100% |
| | | Expansion of the network of charging stations for electric vehicles (15%) | 100% |
| | | Customer experience enhancement (B2C NPS***) (5%) | 100% |
| | | Customer experience enhancement (B2B NPS) (5%) | 100% |
| Sustainability targets | 5 | The lists of candidates to leading positions, ensuring gender equality (5%) | 100% |
| | | **Weighted STI****, %** | 100% |

*Indicators of UAB Ignitis and its companies (Ignitis Latvija SIA, Ignitis Eesti OÜ, Ignitis Suomi Oy, Ignitis Polska sp. z o.o.) are being evaluated.
** The target was changed during 2023. Previous target: active management of gas supply portfolio (20%)
***NPS - Net Promoter Score.
**** Rounded to the whole number.

**Targeted for 2024**

| Criteria | Weight, % | Indicators |
|---|---|---|
| Financial targets | 30 | **Achievement of financial targets, with priority given to:**<br>• Adjusted EBITDA 2024* (20%)<br>• Net working capital (10%) |
| Strategic projects and key milestones | 30 | **Utilising customer portfolio to enable Green Generation build-out:**<br>• Implementation of the optimal electricity generation and sales model at the level of Ignitis Group, completion of key milestones in 2024 (10%)<br>• Sales model development and implementation of long-medium term power purchase agreements, completion of key milestones in 2024 (20%) |
| | 20 | **Development of public electric vehicle charging network in the Baltic States:**<br>• The number of new charging points contracted |
| Service quality targets | 10 | **Customer experience enhancement:**<br>• Customer Satisfaction Index - B2C transactional NPS (5%)<br>• Customer Satisfaction Index - B2B transactional NPS (5%) |
| Sustainability targets | 10 | **Achievement of ESG targets, with priority given to:**<br>• Increase of the share of green electricity in the supply portfolio (5%)<br>• Implementation of inclusive selection programme (5%) |

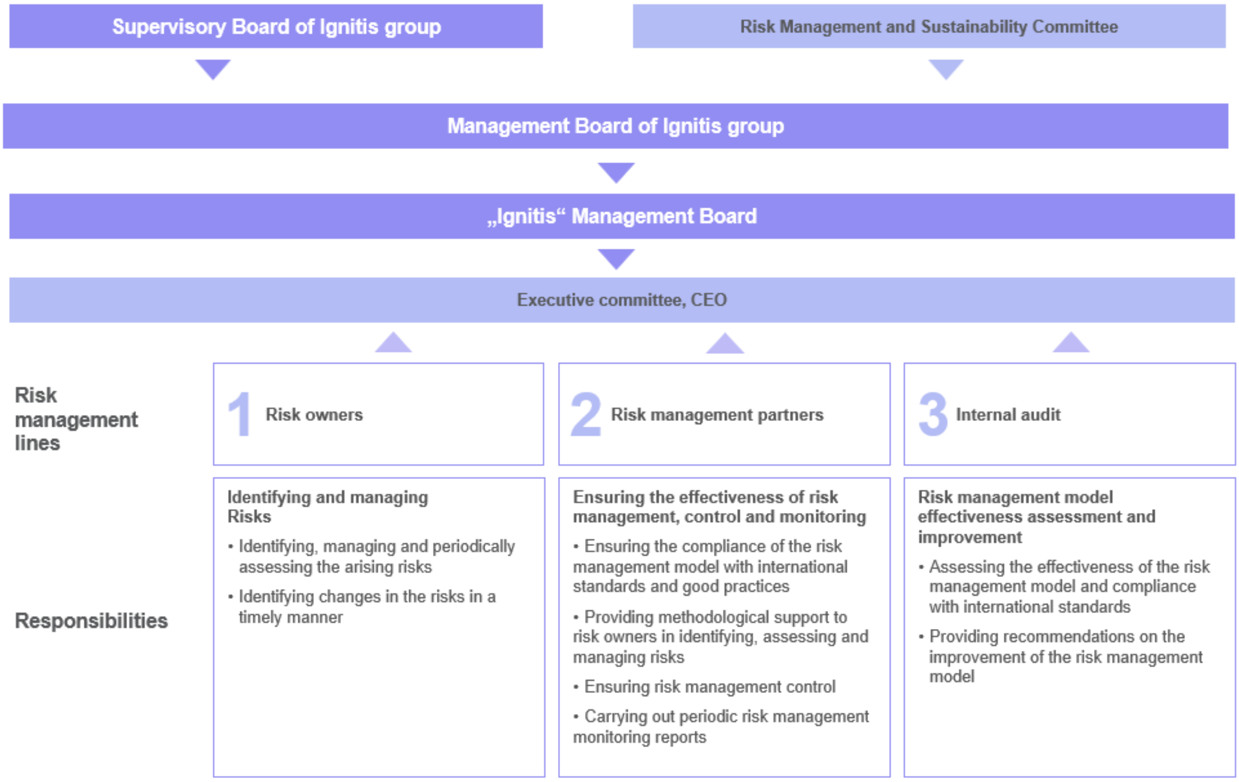
# 4.4 Risks and risk management

## Risk management framework

In connection with the business activities, Ignitis is exposed to both internal and external risks that might affect its performance. To ensure their mitigation to an acceptable level, Ignitis Group applies uniform risk management principles, which are based on the best market practices, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009.

A clear segregation of risk management and control duties is controlled by applying the “Three-lines enterprise risk management framework” in Ignitis, where the duties are distributed between the company’s management and supervisory bodies, structural units, and functions.

### Three-lines enterprise risk management model




A single risk management process covering all areas of the company's business is in place to ensure that decisions taken by the management reflect all operational developments in the company and across Ignitis Group. To ensure effective risk management control risks, risk management measures, and key risk indicators are being monitored quarterly and reported to the Ignitis Executive Committee and Management Board with supervisory function.

More details on the company’s risk management framework, including key risks for 2023, are presented below. Additionally, this year ESG related risks are highlighted, considering the increasing importance of ESG related matters.

Key risk management objectives:

- to ensure that all decisions taken to achieve the objectives of Ignitis are consistent with the company’s values;
- to eliminate or minimise the impact of risks on the company's objectives over time;

– to ensure the stability (including financial stability) and sustainability of the company's operations;

– to ensure that accurate information reaches the parties concerned on time;

– to protect the company's reputation and ensure its credibility;

– to protect the interests of stakeholders.

## Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic operating environment, Ignitis pays special attention to proactive risk management. Therefore, on a quarterly basis, Ignitis reviews risk levels, plans new risk management measures as needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that the management receives the most relevant information to make necessary decisions in a timely manner. In addition, the risks and uncertainties arising from ESG (Environmental, Social and Governance) risk and uncertainty situations are integrated into the overall risk management process of Ignitis and Ignitis Group.

The risk management process comprises four stages: risk identification, assessment, establishing management strategy and monitoring. Sources of risks are constantly assessed and new risks are registered immediately; subsequently, the risk assessment is carried out, the risk management strategy is established and periodic risk management monitoring is performed.

## Risk management process


**1. Identification stage.** Potential impact of different sources of risks such as climate change, regulation changes, geopolitical and economic situation, raw materials/services/labour market trends, cultural and social issues that affect the achievement of the goals of Ignitis and Ignitis Group are constantly assessed. All employees of Ignitis are responsible for timely risk identification.

Based on the potential impact of risks on the goals of Ignitis, all risks are assessed based on the periods of when they could potentially materialise and are categorised as follows:

- short-term risks (0–1 years), which can influence the annual goals of the company;
- medium-term risks (2–4 years), which relate to the implementation of strategic goals defined in the company's 4-year strategic plans;
- long-term (≥5), which can affect the implementation of the company's strategy.

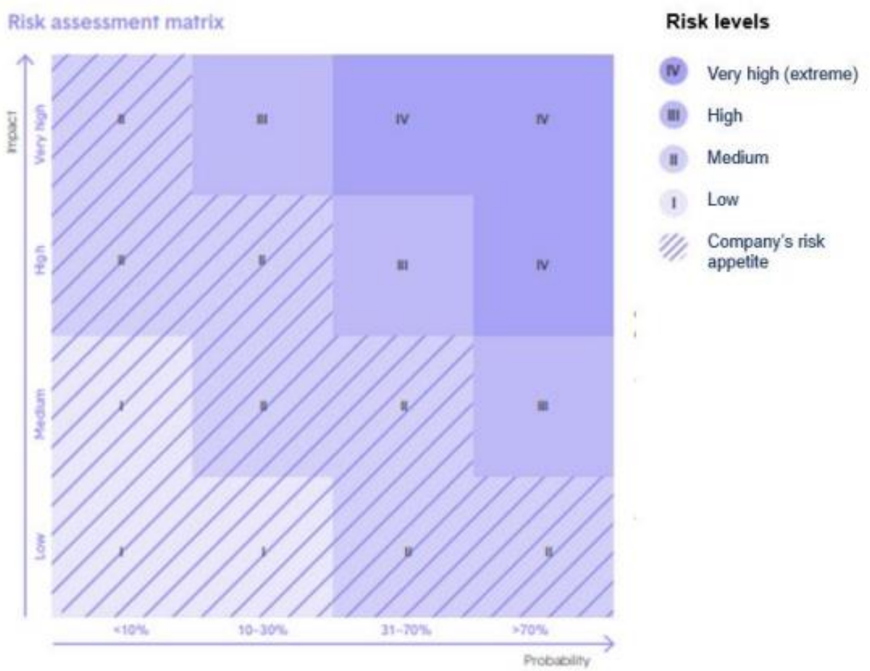
**2. Assessment stage.** Assessment stage is where risk levels are determined and defined from low to very high based on the ratio of probability of the risk occurrence to its potential impact. In addition, the risks are assigned to a specific category, ESG type (to an environmental, social, or governance area). We also assign risks to a strategic direction of Ignitis Group (which is affected) and establish key risk indicators.

The risks that Ignitis Group faces while running its businesses are classified into 4 different categories. They are described below.

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

Assessment stage is where risk levels are also determined. Risk levels are defined from low to very high and are calculated by multiplying probability of the risk occurrence and the potential impact (in terms of financial, reputational, compliance, corruption, people, OHS directions). The assessment is carried out considering existing risk management measures. See risk assessment matrix below.

## Risk assessment matrix



During the evaluation of the potential impact of the risk, it is important to determine whether the risk exceeds the company's risk appetite. Risks exceeding the company's risk appetite – all types of risks, including high and very high level (except for external type risks – only very high), and risks with significant financial impact on the Company (>2% of the adjusted EBITDA) – must be managed.

Key Risk Indicators (KRI) may be set depending on the type of the risk and the period when it could potentially materialise. KRIs are quantitative or qualitative indicators that specify a risk's trend (decreasing, increasing or stable). At risk assessment stage, specific KRI thresholds are determined, which will allow to identify the risk trend during the monitoring stage.

**3. Response strategy determination stage.** In this stage, one of the risk management strategies is established (*accept, reduce, avoid* or *transfer*). Risks above the company's risk appetite, including high and very high level risks and risks with significant financial impact on the company (>2% of the company's Adjusted EBITDA) – must be managed. To manage these risks, a plan is drawn up to implement a risk mitigation strategy. Plan implementation control is carried out in the monitoring stage.

**4. Monitoring stage.** Each quarter, risk monitoring is carried out, and information on risk management measures, key risk indicators, and signals is provided to the management and collegial bodies. During this stage, the level of risks is also re-assessed, new risks can be registered, and the risks that are no longer relevant are eliminated.

## Key risks and their control

### Risk management in 2023

Both direct and indirect impact of the Russian invasion in Ukraine on Ignitis operations is still present in 2023 - geopolitical uncertainty affects the supply chains, availability and supply of electricity products. The incident in Autumn related to the damage to the *Balticconnector* gas pipeline has made it challenging to ensure proper cross-border gas supply and fulfilment of supply obligations by finding alternative routes.

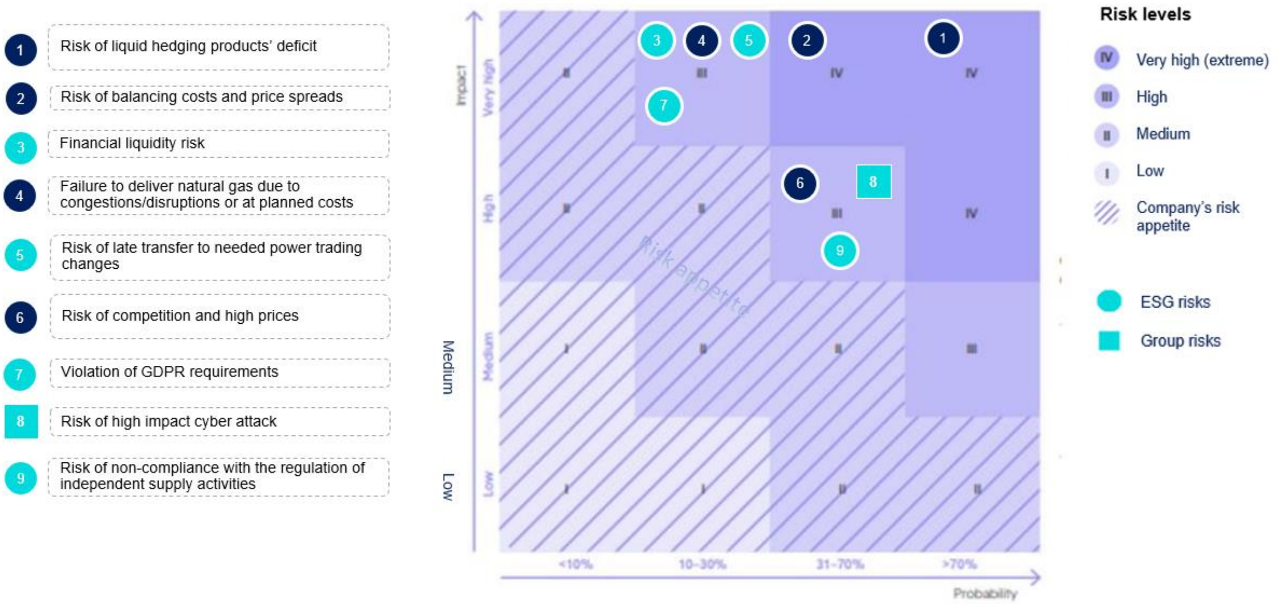
Price volatility and low liquidity of hedged financial products on the Nasdaq Futures Exchange have kept the performance risk of derivatives stubbornly high, but have encouraged the company to search for alternative electricity price hedging transactions and to successfully enter into over-the-counter (OTC) transactions directly with electricity producers, suppliers or other market participants.

An increase in cyber-attacks, the use of social engineering techniques and external network scanning to access corporate and personal data was observed in 2023 - management of these risks is, and has been, the focus of particular attention, and these risks are managed centrally throughout the Ignitis Group.

For more information on Ignitis Group's Risk Management Framework, risk factors and their management, please refer to Ignitis Group's Annual Report for 2023 (link).

## Map of the key risks of Ignitis

The map of risks below lists the key risks (of very high, high risk level) of the company. The company's key risks include risks that could have a material impact on the company's strategic and / or financial objectives.




* Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

## 1 Risk of liquid hedging products' deficit

**Main source of risk**
- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states

**KRI monitoring**
- Portfolio hedge part in RIG zone
- MtM value of portfolio PnL

**Risk category** | Financial

**ESG type** | Not related

**Impact on strategic direction**
Finance

**Potential impact**
Finance

**Risk level** - very high

**Main risk mitigation directions**
- Daily monitoring of the hedging portfolio

Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolioContracting long-term PPAs in Lithuania/Latvia

## 2 Risk of balancing cost and price differences

**Main source of risk**
- The drop in demand is hard to predict;
- Insufficient data quality;
- Exploitation of surplus gas potentially at below purchase price;
- 2-month degasification period - price differences may lead to significant losses.

**KRI**
- Monthly price difference

**Risk category** | Operational

**ESG type** | Not related

**Impact on strategic direction**
Finance

**Potential impact**
Finance

**Risk level** - very high

**Main risk mitigation directions**
- Additional bilateral agreements and intensive trading on organised markets;
- Monitoring and analysis of data provided by the market operator.

## 3 Financial liquidity risk

**Main source of risk**
- Increased energy prices, disparity between electricity and gas market prices and fixed prices for customers;
- The obligation to maintain a higher level of natural gas reserves;

**Risk category** | Financial

**ESG type** | Governance

**Impact on strategic direction**
Finance

**Main risk mitigation directions**
- Working capital optimisation;
- Daily cash flow monitoring;
- Monitoring of internal and external financing.

- Significant increase in the level of trade deposits in the wholesale market.

**KRI**
- Number of delayed payments.

**Potential impact**
Finance
Reputation

**Risk level** - High

## 4 Risk of disruptions in supply of natural gas

**Main source of risk**
- Failures related to pipelines, interconnections, storages, LNGT;
- Disruptions in LNG supply chains due to weather or other conditions.

**KRI**
- Additional costs incurred as a result of the introduction of an alternative supply mechanism.

**Risk category** | External

**ESG type** | Not related

**Impact on strategic direction**
Customers & Solutions

**Potential impact**
Financial, Reputational

**Risk level** - High

**Main risk mitigation directions**
- Diversification of LNG and natural gas supply.

## 5 Risk of delays in delivering business changes

**Main source of risk**
- Main source of risk is the complexity and timing of the procurement process

**KRI**
- Start date of the procurement;
- Procurement claims.

**Risk category** | Operational

**ESG type** | Governance

**Impact on strategic direction**
Customers & Solutions

**Potential impact**
Financial, Reputational, Compliance

**Risk level** - High

**Main risk mitigation directions**
- Early market analysis, drawing up a procurement plan.

## 6 Risk of competition and high prices

**Main source of risk**
- High energy prices and a competitive energy supply market.

**KRI**
- Periodic reporting of key risk signals to the management.

**Risk category** | Strategic

**ESG type** | Not related

**Impact on strategic direction**
Customers & Solutions

**Potential impact**
Financial, Reputational, Compliance

**Risk level** - High

**Main risk mitigation directions**
- Defining customer lifecycle management processes.

## 7 GDPR compliance risk

**Main source of risk**
- Large volumes of personal data.

**KRI**
- BDAR violation files.

**Risk category** | Operational

**ESG type** | Governance

**Impact on strategic direction**
Customers & Solutions

**Potential impact**

**Main risk mitigation directions**
- Centralised coordination of compliance issues within the Group and local oversight of GDPR matters within the company;
- Improvement of processes and applicable control mechanisms;
- Mandatory training programmes of employees;

Financial, Reputational, Compliance

**Risk level** - High

- Adaptation and improvement of IT systems in order to meet personal data protection requirements;
- Analysis of the market and external regulation.

## 8 Risk of high impact cyber attack

**Main source of risk**

- Cyber attacks against Ignitis organised by the third parties
- Social engineering, data theft
- Known vulnerabilities in the systems have been removed late or improperly

**KRI**

- Number of internal and external critical vulnerabilities
- Average time to fix critical vulnerabilities

**Risk category** | Operational

**ESG type** | Governance

**Impact on strategic direction**
Organisation

**Potential impact**

Reputation
Compliance

**Risk level** - High

**Main risk mitigation directions**

- Periodically preparing vulnerability reports and submitting them to
- responsible persons Existing vulnerability management process. Vulnerabilities are classified and treated according to their criticality Limiting/isolating critical systems in a local network
- Cooperating with external partners
- Developing digital security competences by becoming accredited members of the CERT organisation, participating in cyber security exercises with external partners
- Ensuring 24/7 Group-wide cyber security supervision
- Existing incident management process is ensuring effective response

## 9 Risk of failure to ensure compliance with the regulatory environment

**Main source of risk**

- The constantly evolving legal framework governing electricity supply.

**KRI**

- Number of financial and non-financial sanctions.

**Risk category** | Operational

**ESG type** | Governance

**Impact on strategic direction**
Customers & Solutions

**Potential impact**
Reputational, Compliance

**Risk level** - High

**Main risk mitigation directions**

- Monitoring of legislative processes and providing advice;
- Timely preparation for regulatory changes;
- Implementation and development of the mandatory compliance training programme.

In addition to the map of risks above, the company also recognizes the following external regulatory environment-related risks that could have a material impact on the company's strategic and/or financial objectives:

– Net-metering model for prosumers implemented in the Lithuanian market.

– Unfavourable regulatory environment prohibiting suppliers from applying contract termination fees or asking to return any received discounts in case of unilateral contract termination by private customers, small, and very small enterprises (more information in section "2.2 Business environment" and in Note 24 "Provisions" of financial statements).

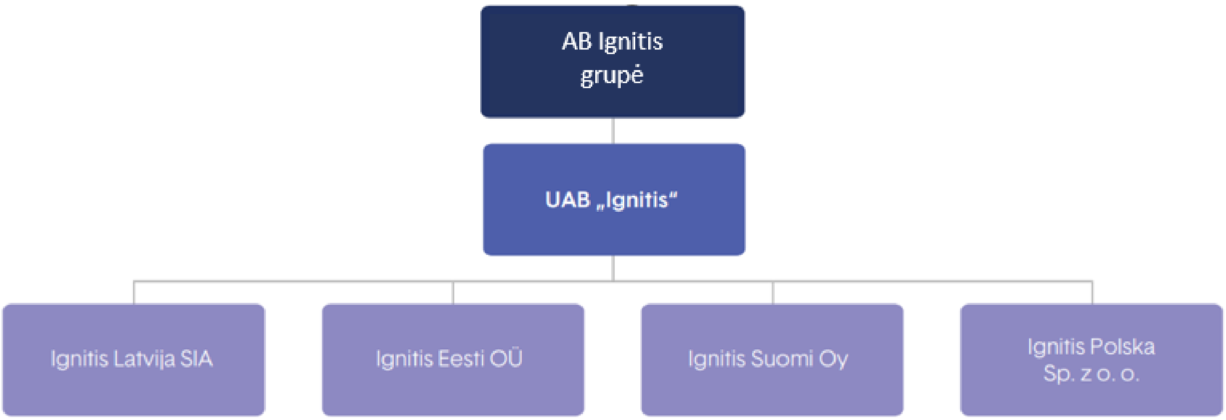
# 4.5 Information on subsidiaries

### Overview of subsidiaries

As at the issuing date of this report, UAB Ignitis directly controls 4 subsidiaries presented in the picture of the structure below.

The main activity of the companies – supply of gas and electricity to B2B segments in the markets of Poland, Estonia, Latvia and Finland. The companies in Latvia and Estonia are also engaged in development of the electric vehicle charging network.

### Structure




Ignitis Eesti, OÜ was established in 2023, and the company is currently actively investing in the expansion of the *IgnitisON* charging station network in Estonia.

Ignitis Suomi Oy was established in 2021 to move closer to local customers in order to better understand and respond to their needs, to gain trust and knowledge of the country's legal framework. Through the new Estonian-Finnish gas interconnector Balticconector, natural gas is supplied to Finland's largest industrial companies and its largest natural gas distribution operator. In 2023, the company's supply volumes to Finland amounted to 1.7 TWh.

In addition to supplying electricity and natural gas to the Latvian retail market, Ignitis Latvia SIA also developed solar energy projects and a network of charging stations for electric vehicles in 2023. In 2023, the company had a market share of around 15% in the supply of electricity to B2B customers (around 0.7 TWh supplied), and supplied around 0.3 TWh of natural gas.

Ignitis Polska sp. z o. o. was established in 2017 to achieve synergies with other companies of AB Ignitis grupė operating on the Polish market. The aim is also to take advantage of the supply of highly skilled employees with specific competefnces available on this market. The company trades on the *PolPx* Polish exchange and has been supplying electricity and natural gas on the retail market since 2021. In total, Ignitis Polska Sp. z o. o. supplied 0.7 TWh of electricity and over 0,3 Twh of natural gas to B2B customers in 2023.

## Subsidiaries of UAB Ignitis and their performance results as at the end of the reporting period

| | | |
|---|---|---|
| **Ignitis Latvija**<br><br>Supply of electricity and natural gas, *IgnitisON* EV charging network development | **Company's code:** 40103642991<br>**Registered address:** Gustava Zemgala street 74A, Riga, LV-1039, Latvia<br>**Effective ownership interest:** 100%<br>**Share capital:** EUR 11,500,000<br>**Website:** www.ignitis.lv | **Performance results (EUR million):**<br>Revenue: 102.9<br>Expenses: 106.0<br>Adjusted EBITDA: (3.0)<br>Net profit: (3.0)<br>Investments: 4.7<br>Assets: 25.4<br>Liabilities: 13.6<br><br>**Number of employees: 24** |
| **Ignitis Eesti**<br><br>IgnitisON EV charging network development | **Company's code:** 12433862<br>**Registered address:** Hobujaama 4, 10151 Tallinn, Estonia<br>**Effective ownership interest:** 100%<br>**Share capital:** EUR 85,000 | **Performance results (EUR million):**<br>Revenue: 0.0<br>Expenses: 0.0<br>Adjusted EBITDA: 0.0<br>Net profit: 0.0<br>Investments: 0<br>Assets: 0.0<br>Liabilities: 2<br><br>**Number of employees: 6** |
| **Ignitis Polska**<br><br>Supply and sale of electricity and gas | **Company's code: 0000681577**<br>**Registered address:** Puławska 2-B, PL-02-566, Warsaw<br>**Effective ownership interest:** 100%<br>**Share capital:** PLN 10,500,000<br>**Website:** www.ignitis.pl | **Performance results (EUR million):**<br>Revenue: 148.8<br>Expenses: 148.0<br>Adjusted EBITDA: 0.6<br>Net profit: 0.7<br>Investments: 0<br>Assets: 56.5<br>Liabilities: 54.7<br><br>**Number of employees: 15** |
| **Ignitis Suomi**<br><br>Supply and sale of gas | **Company's code: 3202810-4**<br>**Registered address:** Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland<br>**Effective ownership interest:** 100%<br>**Share capital:** EUR 200,000<br>**Website:** www.ignitis.fi | **Performance results (EUR million):**<br>Revenue: 167.2<br>Expenses: 168.6<br>Adjusted EBITDA: (1.4)<br>Net profit: (2.0)<br>Investments: 0<br>Assets: 42.0<br>Liabilities: 41.7<br><br>**Number of employees: 2** |

# 5. Sustainability (Social Responsibility) Report

# 5.1 Overview of sustainability

The sustainability performance and results of Ignitis Group companies, including its subsidiary Ignitis are summarised in the consolidated Annual Report 2023 of Ignitis Group, of which the Group's Sustainability (Social Responsibility) Report (hereinafter "the Group's Sustainability Report") is an integral part. This report is available on www.ignitisgrupe.lt in sections Investor Information and Sustainability Overview.

Article $23^2$ of the Law of the Republic of Lithuania on Financial Reporting by Undertakings effective as at the date of issue of these financial statements stipulates that a company which is a subsidiary is exempt from the obligation to prepare a Corporate Social Responsibility Report if the information of the company and of its subsidiaries is included in the parent company's consolidated annual report prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, or the legislation of another Member State, or in a separate report containing the information required in the Consolidated Social Responsibility Report. Since Ignitis Group prepares and publicly discloses such a report, which is integrated into the annual report, Ignitis does not prepare a separate corporate social responsibility report. The following provides a summarised overview of the relevant sustainability information for Ignitis and where it can be found in the Ignitis Group's Sustainability Report.

To meet the requirements of various stakeholders, the Group's Sustainability Report, which covers the period from 1 January to 31 December 2023, has been prepared in accordance with the regulatory requirements and recommendations of several reporting frameworks and standards.

The disclosures are made on a materiality basis and reflect the progress of Ignitis Group in implementing the principles of the United Nations Global Compact (UNGC) and the contribution of Ignitis Group to the United Nations Sustainable Development Goals (SDGs). The Sustainability Report follows the Global Reporting Initiative standards.

The Group's Sustainability Report complies with the requirements for social responsibility reports, as provided for in Lithuanian legislation. In addition, Ignitis Group demonstrates in this report its compliance with the provisions and guidelines of the Corporate Sustainability Reporting Directive (CSRD). Part of the requirements and recommendations of the European Sustainability Reporting Standards (ESRS) developed by EFRAG have already been applied in preparing the Group's Sustainability Report. Ignitis Group understands that it will need to implement the remaining requirements into future reports. Ignitis Group will prepare the reports once the provisions of the CSRD have been transposed into national law.

The Sustainability Report also includes an assessment of the compliance with the EU Taxonomy Regulation.

# 5.2 Sustainability in Ignitis Group and the company Ignitis

As part of the strategy of Ignitis Group and the ambition to create a 100% green and safe energy ecosystem for today's and future generations, we are focusing on our Environmental, Social and Governance (ESG) activities and accountability.
The Group's Sustainability Policy establishes shared sustainability principles of Ignitis Group and their implementation measures in all the companies of Ignitis Group. which shape the culture and practice of responsible and sustainable business development. The Sustainability Policy discloses, among other things, the commitment of Ignitis Group to the principles of the United Nations Global Compact and to aligning its strategic goals and activities with the Sustainable Development Goals, to contributing to the Paris Agreement in the fight against climate change, and to adhering to good governance practices.

Information on other policies and sustainability management is publicly disclosed and presented in this report. Alongside detailed information on our sustainability management, we periodically publish a sustainability overview and ESG data in our interim and annual reports. This ensures that all our stakeholders receive the necessary information about the sustainability objectives of Ignitis Group.

Sustainability activities in the companies of Ignitis Group are coordinated centrally through a separate Sustainability function reporting directly to the CEO of the parent company. The Management Board of Ignitis Group decides on the formulation, approval and updating of sustainability strategic directions, policies and activities of the organisation. Detailed description of the management of sustainable activities within the Group is available in the Sustainability Report for 2023 and in the Sustainability section on the website of Ignitis Group.

Below is a general overview of the sustainability management framework of Ignitis Group, showing how we are improving ESG performance.

### Sustainability management framework of Ignitis Group

**Embedding sustainability / ESG in governance and processes**

We follow good governance practices and take into account the recommendations of international institutions and the scientific community.

**Setting measurable sustainability / ESG targets**

We adhered to the principles of the UN Global Compact and directly contribute to Sustainable Development Goals, and the Paris Agreement.
Following the approved Group's short-term goals based on SBTi, we are committed to reduce net GHG emissions to zero by 2040–2050.

...ur purpose is to c... 100% green and secure energy ecosystem for ...rent and fu... generation...

**Progress evaluation and continuous refining**

We aim to benchmark our continuous improvement using ESG ratings provided by independent leading ESG ratings agencies and certification companies, and seek to improve our ESG ratings.

**Strengthening disclosures**

We disclose information on the Group's progress on material issues in accordance with globally recognised frameworks, standards and channels tailored to a wide range of stakeholders.

## Sustainability goals and target indicators

Ignitis places great importance on ESG aspects, has set key status indicators for ESG and constantly monitors their values.

### ESG key indicators monitored by Ignitis

| Sustainable direction | Indicator | Company | Unit of measure | 2022 | 2023 |
|---|---|---|---|---|---|
| Reducing climate impacts | GHG emissions | Ignitis (Lietuva, Latvia, Eesti, Suomi, Polska) | million t CO2 equiv. | 3.76 | 3.87 |
| | Scope 1[1] | | | - | - |
| | Scope 2[2] | | | - | - |
| | Scope 3 | | | 3.76 | 3.87 |
| | Business travel emissions | Ignitis (Lietuva) | t CO2 equiv. | 113 | 92 |
| | Proportion of green energy sold | Ignitis (Lietuva, Latvia, Eesti, Suomi, Polska) | % | 37 | 15 |
| | Electric vehicle charging stations installed | Ignitis (Lietuva) | number | 99 | 175 |
| | Energy savings delivered to customers; proportion of total energy delivered (education) | Ignitis (Lietuva) | % | 2.19 | 6.49 |
| | Energy savings in the office | Ignitis (Lietuva) | % | -14 | 5 |
| | Water savings in the office | Ignitis (Lietuva) | % | -1 | 61 |
| Protection of natural resources | Sorting availability, proportion of all administrative premises | Ignitis (Lietuva) | % | 100 | 100 |
| | Proportion of green procurements within public procurements | Ignitis (Lietuva) | % | 98 | 100 |
| Future-fit employees | Fatal accidents (total)[3] | Ignitis (Lietuva, Latvia, Suomi, Polska) | number | 0 | 0 |
| | Employees | | Units | 0 | 0 |
| | Contractors | | Units | 0 | 0 |
| | TRIR (indicator of overall occupational injuries of employees)[4] | | times | 0 | 0 |
| | eNPS (employee NET Promoter Score)[5] | Ignitis (Lietuva, Latvia, Polska) | % | 71.1 | 57.1 |
| | Proportion of women in engineering and IT positions | Ignitis (Lietuva) | % | 28.57 | 44.44 |
| | Proportion of women in management positions | Ignitis (Lietuva) | % | 0 | 15.38 |
| | | Ignitis (Polska) | | 16.67 | 0 |
| | | Ignitis (Eesti) | | 0 | 0 |
| | | Ignitis (Latvia) | | 0 | 0 |
| | | Ignitis (Suomi) | | 0 | 0 |
| | Proportion of employees having participated in voluntary initiatives at least once | Ignitis (Lietuva) | % | 8.1 | 16.3 |
| Reliable organisation | Intolerance of corruption among employees[6] | Ignitis | % | 94.0 | 95.2 |
| | Proportion of employees who have taken and passed a knowledge test on the Code of Ethics and anti-corruption | Ignitis (Lietuva) | % | 95.15 | 100 |

[1, 2] In case of this company, Scope 1 and Scope 2 emissions are very low and therefore not evaluated.
[3, 3.4] In case of Ignitis Eesti, there are no employment relations; therefore, the indicators of fatal accidents and TRIR are not recorded.
[5] eNPS indicator is not monitored in the companies Ignitis Eesti and Ignitis Suomi.
[6] Indicator applicable at the level of the Group of companies.

# 5.3 Stakeholder relations and assessment of ESG priorities

Stakeholder engagement is crucial to ensure that Ignitis Group companies respond proactively to trends, emerging issues and opportunities. By applying the ESG principles in our relationships 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 collaboration can increase the positive impact of our activities.

Within Ignitis Group, we disclose sustainability-related information based on a comprehensive materiality assessment conducted in 2021. It identified and prioritised the key aspects of sustainability that are most relevant and material to the Group and its stakeholders.

With the new sustainability reporting requirements in place, Ignitis Group is currently undertaking a two-tier materiality assessment. The goal of this approach is to determine the extent to which sustainability aspects affect the company and the extent to which the company affects these aspects. The results of two-tier materiality assessment will be published on the website of Ignitis Group and included in the 2024 Sustainability Report.

The expectations of stakeholders expressed during this process were aligned with existing goals and objectives of Ignitis, which led to the identification of priority topics that are in line both with stakeholders' expectations and the established operational objectives of Ignitis. The outcome of the materiality assessment provides for the basis for further embedding sustainable development in the activities of the Company in a way that makes it possible to take into account the overall impact of Ignitis on its stakeholders and align the expectations expressed by the stakeholders with the strategic objectives.

In 2021, in the course of stakeholder engagement, 4 main stakeholder groups were identified and interviewed:

- employees;
- B2B customers;
- B2C customers;
- state, municipal and their subordinate institutions.

Key facts on Ignitis materiality assessment:

- we interviewed 903 stakeholder representatives;
- we identified 13 topics of the ESG that are most relevant to Ignitis and its stakeholders;
- stakeholders shared their views on which ESG aspects are most relevant to the Company;
- during the internal strategy sessions, the management of Ignitis clarified the links between stakeholders' expectations and the operational strategy.

### Materiality assessment matrix of Ignitis

# 5.4 ESG Risks and risk management

The key ESG Risks and risk management solutions are disclosed in more detail in section 4.7. Risk Management in the Annual Report of Ignitis Group.

# 5.5 Overview of most significant sustainability impacts and implemented initiatives / measures of Ignitis for 2023

## Environment

| Main impacts of Ignitis | Impact management is described in the following section of the Group's Sustainability Report: |
|---|---|
| 1. Climate impact / GHG emissions – supply of green energy to customers and reduction of greenhouse gases ($CO_2$, etc.) generated by activities. | 6.2 Environment – Climate change |
| 2. Diverting waste from landfills, promoting circular economy - using secondary raw materials in the activities, reducing waste from own activities | 6.2 Environment – Use of resources and circular economy |
| 3. Sustainable solutions and services for customers – promoting the development of producing consumers, development of electric vehicle charging stations, and other environmentally friendly and smart solutions for customers. | 6.2 Environment – Climate change<br>6.3 Social aspects – Consumers and end users |
| 4. More sustainable self-consumption of energy – using green energy for self-consumption; reducing self-consumption of energy. | 6.2 Environment – Climate change |
| 5. Energy efficiency for the public and customers - encouraging consumers to save energy and not to waste it. | 6.2 Environment – Climate change |

## Social aspects

| Main impacts of Ignitis | Impact management is described in the following section of the Group's Sustainability Report: |
|---|---|
| Occupational health and safety – ensuring workplace safety and promoting the health of employees and contractors. | 6.3 Social aspects – Our employees – Occupational health and safety<br>6.3 Social aspects – Value chain employees |
| Competent employees now and in the future – professional and personal development of employees, building the competences needed for the energy sector. | 6.3 Social aspects – Our employees – Competent employees |
| Employee welfare and cooperation with employees – fair remuneration, employee job satisfaction, ensuring freedom of association. | 6.3 Social aspects – Our employees – Employee welfare, fair remuneration and cooperation with employees |
| Influencing and engaging with local communities – protecting the health of community members and the natural environment, listening to community needs. | 6.3 Social aspects – Affected communities |
| Diversity, equal opportunity and human rights – ensuring gender equality and equal opportunities, promoting diversity at work. | 6.3 Social aspects – Our employees – Diversity, inclusion and well-being |
| Involvement in community activities – participating in civic initiatives and NGOs; volunteering. | 6.3 Social aspects – Our employees – Diversity, inclusion and well-being |

## Governance

| Main impacts of Ignitis | Impact management is described in the following section of the Group's Sustainability Report: |
|---|---|
| Ethical business, anti-corruption and transparency – transparent corporate governance, anti-corruption, fair and ethical market conduct. | 6.4 Governance – Corruption prevention and detection |
| Ensuring access to energy - financial availability of electricity and heating. | 6.3 Social aspects – Consumers and end users |
| Responsibility and sustainability in the company's supply chain – buying more environmentally friendly goods and services for your own use and reducing the negative impact of suppliers on the natural and social environment. | 6.2 Environment – Group and environment<br>6.4 Governance – Sustainable supply chain |

We encourage to report possible unethical behaviour of employees or representatives, 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. Both employees and all stakeholders can use these contacts.

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

# 6. Financial statements

# 6.1 Consolidated financial statements

**Unaudited consolidated financial statements prepared for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union**



The Group's consolidated financial statements were prepared and signed by UAB „Ignitis" management on 28 March 2024:

| | | |
|---|---|---|
| **Artūras Bortkevičius** | **Darius Šimkus** | **Natalija Timofejeva** |
| General Manager | Director of Finance and Business Support Department | Accounting expert of UAB „Ignitis grupės paslaugų centras", acting under Decision No 24_GSC_SP_0004 of 10 January 2023 |

# Consolidated Statement of profit or loss

**For the year ended 31 December 2023**

| EUR thousand | Notes | 2023 | 2022 |
|---|---|---|---|
| Revenue from contracts with customers | 6 | 1,645,288 | 3,171,871 |
| Other income | 7 | 1,543 | 59,549 |
| **Total revenue and other income** | | **1,646,831** | **3,231,420** |
| Purchases of electricity, natural gas and other services | 8 | (1,725,234) | (3,095,478) |
| Salaries and related expenses | | (16,741) | (13,013) |
| Depreciation and amortisation | | (4,289) | (3,399) |
| Other expenses | 9 | (31,242) | (24,608) |
| **Total expenses** | | **(1,777,506)** | **(3,136,498)** |
| **Operating profit (loss)** | | **(130,675)** | **94,922** |
| Finance income | 10 | 6,656 | 1,346 |
| Finance expenses | 10 | (20,845) | (20,038) |
| **Finance activity, net** | | **(14,189)** | **(18,692)** |
| **Profit (loss) before tax** | | **(144,864)** | **76,230** |
| Income tax benefit (expenses) | 11 | 21,523 | (11,818) |
| **Net profit (loss) for the year** | | **(123,341)** | **64,412** |

# Consolidated Statement of comprehensive income

**For the year ended 31 December 2023**

| EUR thousand | Notes | 2023 | 2022 |
|---|---|---|---|
| **Net profit (loss) for the year** | | **(123,341)** | **64,412** |
| **Other comprehensive income (expenses)** | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Change in actuarial assumptions | 21 | (15) | 14 |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | | **(15)** | **14** |
| **Items that may be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Cash flow hedges – effective portion of changes in fair value | 21 | (168,866) | 226,389 |
| Cash flow hedges – reclassified to profit or loss | 21 | 82,426 | (178,871) |
| Foreign operations – foreign currency translation differences | 21 | 470 | (122) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | **(85,970)** | **47,396** |
| **Total other comprehensive income (expenses) for the year** | | **(85,985)** | **47,410** |
| **Total comprehensive income (expenses) for the year** | | **(209,326)** | **111,822** |

# Consolidated Statement of financial position

**31 December 2023**

| EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | 18,427 | 18,943 |
| Property, plant and equipment | 13 | 19,515 | 6,424 |
| Right-of-use assets | | 975 | 415 |
| Prepayments for non-current assets | | 5,282 | - |
| Non-current receivables | 14 | 5,845 | 3,627 |
| Other financial assets | | - | 177 |
| Other non-current assets | 28.1 | - | 17,299 |
| Deferred tax assets | 11.5 | 52,219 | 19,694 |
| **Total non-current assets** | | **102,263** | **66,579** |
| **Current assets** | | | |
| Inventories | 15 | 90,435 | 378,804 |
| Prepayments and deferred expenses | | 3,736 | 7,001 |
| Trade receivables | 16 | 203,480 | 498,875 |
| Other receivables | 17 | 73,704 | 138,828 |
| Other current assets | 28.1 | 8,933 | 44,914 |
| Prepaid income tax | | 5,600 | - |
| Cash and cash equivalents | 18 | 67,512 | 138,828 |
| **Total current assets** | | **453,400** | **1,375,058** |
| **TOTAL ASSETS** | | **555,663** | **1,441,637** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 19.2 | 41,155 | 40,140 |
| Share premium | 19.2 | 93,985 | - |
| Reserves | | | |
| Legal reserve | 20.1 | 5,151 | 2,572 |
| Hedging reserve | 20.2 | (10,528) | 75,912 |
| Other reserves | | 261 | (209) |
| Retained earnings (deficit) | | (74,915) | 71,021 |
| **Total equity** | | **55,109** | **189,436** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current loans | 22 | 11,800 | 370,800 |
| Non-current lease liabilities | | 767 | 210 |
| Provisions | 24 | 35,926 | 145 |
| Other non-current liabilities | | 12,676 | 20,928 |
| **Total non-current liabilities** | | **61,169** | **392,083** |
| **Current liabilities** | | | |
| Loans | 22 | 66,797 | 297,067 |
| Lease liabilities | | 285 | 261 |
| Trade payables | 25 | 183,527 | 163,149 |
| Prepayments received | 26.2 | 16,079 | 14,680 |
| Income tax payable | | 242 | 33,459 |
| Provisions | 24 | 45,487 | 20,453 |
| Deferred income | 26.1 | 23,059 | 97,722 |
| Other current liabilities | 27 | 103,909 | 233,327 |
| **Total current liabilities** | | **439,385** | **860,118** |
| **Total liabilities** | | **500,554** | **1,252,201** |
| **TOTAL EQUITY AND LIABILITIES** | | **555,663** | **1,441,637** |

# Consolidated Statement of changes in equity

**For the year ended 31 December 2023**

| EUR thousand | Notes | Issued capital | Share premium | Legal reserve | Hedging reserve | Other reserves | Retained earnings (deficit) | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | | **40,140** | **-** | **2,572** | **28,394** | **(87)** | **6,595** | **77,614** |
| Net profit (loss) for the year | | - | - | - | **-** | - | 64,412 | **64,412** |
| Other comprehensive income (expenses) for the year | 21 | - | - | - | 47,518 | (122) | 14 | **47,410** |
| **Total comprehensive income (expenses) for the year** | | **-** | **-** | **-** | **47,518** | **(122)** | **64,426** | **111,822** |
| **Balance as at 31 December 2022** | | **40,140** | **-** | **2,572** | **75,912** | **(209)** | **71,021** | **189 436** |
| **Balance as at 1 January 2023** | | **40,140** | **-** | **2,572** | **75,912** | **(209)** | **71,021** | **189 436** |
| Net profit (loss) for the year | | - | - | - | - | - | (123,341) | (123,341) |
| Other comprehensive income (expenses) for the year | 21 | - | - | - | (86,440) | 470 | (15) | (85,985) |
| **Total comprehensive income (expenses) for the year** | | **-** | **-** | **-** | **(86,440)** | **470** | **(123,356)** | **(209,326)** |
| Transfer to legal reserve | | - | - | 2,579 | - | - | (2,579) | - |
| Dividends | 19.3 | - | - | - | - | - | (20,000) | (20,000) |
| Share capital increase | 19.2 | 1,015 | 93,985 | - | - | - | - | 95,000 |
| **Balance as at 31 December 2022** | | **41,155** | **93,985** | **5,151** | **(10,528)** | **261** | **(74,915)** | **55,109** |

# Consolidated Statement of cash flows

**For the year ended 31 December 2023**

| EUR thousand | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit (loss) for the year | | (123,341) | 64,412 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | 4,289 | 3,399 |
| Fair value change of derivatives | 28.1 | 6,714 | (19,076) |
| Income tax expenses (benefit) | 11 | (21,523) | 11,818 |
| Increase (decrease) in provisions | 24 | 60,798 | 20,400 |
| Inventory write-down to net realisable value (reversal) | 15 | (88,882) | 102,912 |
| Impairment/(reversal of impairment) of financial assets | | (1,732) | 1,367 |
| Loss (gain) on disposal/write-off of property, plant and equipment | | (64) | (121) |
| Interest income | 10 | (3,197) | (714) |
| Interest expenses | 10 | 17,426 | 19,684 |
| Other expenses (income) of financing activities | | (40) | (278) |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade and other receivables | | 363,107 | (158,782) |
| (Increase) decrease in inventories, advances and deferred expenses, other non-current and current assets | | 382,454 | (278,348) |
| Increase (decrease) in trade payables, deferred income, advances received, other non-current and current liabilities | | (242,648) | 338,613 |
| Income tax (paid) received | | (34,534) | (8,774) |
| **Net cash flows from operating activities** | | **318,827** | **96,512** |
| **Cash flows used in investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (23,526) | (5,642) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 216 | 345 |
| Interest received | | 2,807 | 102 |
| Finance lease payments received | | 700 | 703 |
| Other increases/(decreases) in cash flows from investing activities | | 252 | 12 |
| **Net cash flows from investing activities** | | **(19,551)** | **(4,480)** |
| **Cash flows from financing activities** | | | |
| Loans received | 23 | - | 82,000 |
| Repayments of loans | 23 | (332,000) | (109,341) |
| Lease payments | 23 | (353) | (361) |
| Interest paid | 23 | (28,354) | (12,289) |
| Dividends | 19.3 | (20,000) | - |
| Overdraft | 23 | (172,878) | 172,878 |
| AB „Ignitis grupė“ group’s cash-pool platform, net | 23 | (76,958) | - |
| Share capital increase | 19.2 | 95,000 | - |
| Other increases/(decreases) in cash flows from financing activities | | (2,857) | - |
| **Net cash flows from financing activities** | | **(538,400)** | **132,887** |
| **Increase (decrease) in cash and cash equivalents** | | **(239,124)** | **224,919** |
| Cash and cash equivalents at the beginning of the period | 18 | 306,636 | 81,717 |
| **Cash and cash equivalents at the end of the period** | | **67,512** | **306,636** |

# Explanatory notes

**For the year ended 31 December 2023**

## 1 General information

UAB „Ignitis" (hereinafter – the parent company) is a private limited liability company registered in the Republic of Lithuania. The parent company was registered on 02 September 2014 with the Register of Legal Entities managed by the public institution the Centre of Registers. Parent company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. Parent company code 303383884, VAT code LT100008860617. Parent company has been founded for an indefinite period.

The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core line of business is the supply, purchase (import), planning and sale of natural gas and electricity to consumers. The Group 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 Group also develops a range of smart services, offers charging solutions for electric vehicles, an electricity balancing service, solar power and other energy solutions based on technological innovations, and sells electricity origin certificates. Information on the Group's structure is provided in Note 29.

The Group's sole shareholder is AB „Ignitis grupė“:

| | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Number of shares held | Ownership interest (%) | Number of shares held | Ownership interest (%) |
| AB „Ignitis grupė“ | 141,913,794 | 100 | 138,413,794 | 100 |
| **Total** | **141,913,794** | **100** | **138,413,794** | **100** |

The Group's sole shareholder is AB „Ignitis grupė“ (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania), which owns 100% of shares as at 31 December 2023 and 2022. As at 31 December 2023 and 31 December 2022, the shareholder structure of AB „Ignitis grupė“ is as follows: the Ministry of Finance of the Republic of Lithuania (74.99%), and retail and institutional investors (25.01%).

AB „Ignitis grupė“ is an ultimate controlling company. AB "Ignitis grupė" group comprises AB Ignitis grupė and all of its subsidiaries (AB "Ignitis grupė" group).

These consolidated financial statements were prepared and signed for issue by the Group's management on 28 March 2024.

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

# 2 Basis of preparation of the financial statements

## 2.1 Basis of accounting

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

The Group’s financial statements as at and for the year ended 31 December 2023 have been prepared on a going concern basis applying measurement based on historical cost, except certain financial instruments measured at fair value.

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

## 2.2 Consolidation principles

### 2.2.1 Consolidation

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

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

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

### 2.2.2 Business combinations

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

Acquisition of subsidiaries that are not 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 the statement of profit or loss as incurred.

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

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

#### 2.2.2.2 Goodwill

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

#### 2.2.2.3 Contingent consideration

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

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

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

#### 2.2.2.4 Business combination in stages

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

#### 2.2.2.5 Business combination of entities under common control

For a business combination of entities under common control the following methods are applied:

(a) the acquisition method set out in IFRS 3; or
(b) the pooling of interests' method.

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

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

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

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

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

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

## 2.3 Foreign currency translation

### 2.3.1 Functional and presentation currency

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

### 2.3.2 Transactions and balances

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

### 2.3.3 Group companies

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

# 3 Significant accounting policies

### 3.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022, with the exception of the new standards which entered into force during the year of 2023.

#### 3.1.1 New standards, amendments and interpretations

##### 3.1.1.1 Material accounting policy information

The Group has adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require entities to disclose their material accounting policy information, rather than their significant accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

##### 3.1.1.2 Global minimum top-up tax

The Group has adopted the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary exception from deferred tax accounting for the top-up tax, which is effective immediately and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the financial statements (Note 11.5).

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

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2023.

| Standards or amendments that came into force during 2023 |
|---|
| Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS12) |
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts |
| Definition of Accounting Estimates (Amendments to IAS 8) |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) |

The adoption of these standards, revisions and interpretations had no material impact on these financial statements.

#### 3.1.3 Standards issued but not yet effective and not early adopted

In preparation of these financial statements, the Group did not apply new IFRS issued by IASB, IAS, amendments and interpretations, the effective date of which is later than 31 December 2023 and early adoption whereof is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

#### Other standards

The following amended standards are not expected to have a significant impact on the Group's financial statements:

| Other new standards or amendments | IASB Effective date | EU Endorsement status |
|---|---|---|
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1) | 1 January 2024 | Endorsed |
| Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback | 1 January 2024 | Endorsed |
| Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements | 1 January 2024 | Not yet endorsed |
| Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability | 1 January 2025 | Not yet endorsed |

### 3.2 Revenue from contracts with customers

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

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

The Group's performance obligations set out in the agreements with customers are as follows:

- *Sale of electricity (Note 3.2.1)*
- *Supply of electricity (Note 3.2.1)*
- *Sale of natural gas (Note 3.2.2)*
- *Liquefied Natural Gas Terminal Security Component Services (hereinafter "LNGT services") (Note 3.2.2)*
- *Project activities (Note 3.2.3)*

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 Group expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

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

### 3.2.1 Electricity related revenue

The Group'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 3.2.1.2) or independent supply tariff (Note 3.2.1.1). Electricity to non-household customers is supplied at independent supply tariff (Note 3.2.1.1).

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 3.2.1.1, 3.2.1.2);
(b) fee for electricity supply services (Note 3.2.1.1, 3.2.1.2);
(c) price of electricity distribution services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 3.2.1.1);
(d) price of electricity system services (includes capacity reserve services) (Note 3.2.1.1);
(e) fee for PSO services (hereinafter "PSO fees") (Note 3.2.1.1).

Regulation of tariffs and the Group's profitability is presented in Note 3.2.4.1.

#### 3.2.1.1 Revenue from the sale of electricity

Revenue from sales of electricity (Note 6 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 Group collects fees and other tariff components (Note 3.2.1) 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 Group collects fees for these services through the electricity tariff and transfers to aforesaid operator. The Group's management has identified that in respect of electricity distribution and transmission services (Note 5.2.2) the Group acts as an agent. Revenue and costs from these services are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

*Tariff component: system services*

System services are provided by and acquired from the electricity transmission system operator. The Group 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 5.2.2), the Group's management has identified that the Group acts as an agent system services also. Revenue and costs from these services are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

*Tariff component: PSO fee*

PSO fee is an integral part of electricity tariff. The Group 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 Group's management has identified that in respect of PSO fees the Group acts as an agent (Note 5.2.1). Revenue and costs from these fees are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

#### 3.2.1.2 Revenue from public supply of electricity

Revenue from public electricity supply (Note 6 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 5.5) the Group estimates the amount of deferred income (Note 6) and accounts for as a contract liability. If the Group doesn't receive the data of electricity consumed according to the readings of meters due to specific reasons (customer's delays to present readings, fails of the remote meter's scanner or other agreements with the customer) the revenue from sale of electricity is recognised based on the average usage estimation method. By applying the average usage estimation method consumption of the electricity is calculated according to the historical 12 months data of electricity consumption, i.e. the average consumption for the certain period is calculated, and at the end of year is adjusted according to the actual readings.

Public electricity supply is regulated (Note 3.2.4.1).

When performing public electricity supply, through tariff paid by customers, the Group collects fees (Note 3.2.1) for other tariff components and transfers them to other entities (Note 3.2.1.1).

### 3.2.2 Gas related revenue

The Group's gas related revenue includes:

*sale of natural gas (Note 3.2.2.1),*

*income of LNGT security component (Note 3.2.2.2).*

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 3.2.2.1);
(b) price of natural gas transmission over high-pressure grid;
(c) price of natural gas distribution over medium and low pressure grid services;
(d) LNGT security component (Note 3.2.2.2).

The Group 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 the operator of natural gas distribution network. The Group is an agent in collection of transmission service component (Note 5.2.3), LNGT security component (Note 5.2.1) and distribution service component fees (Note 5.2.3). Revenue and costs from are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

Regulation of tariffs and the Group's profitability is presented in Note 3.2.4.2.
Accounting policy for revenue from business customers is presented in Note 3.2.2.1.

#### 3.2.2.1 Revenue from gas sales

Revenue from sales of gas (Note 6 line item "Sales revenue of natural gas") consists of gas price and supply margin. Gas sales are performed by the Group 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 5.4) the Group estimates the amount of deferred income (Note 27) and accounts for as a contract liability. Revenue and costs from are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

In Latvia natural gas distribution services are provided and acquired from the operator of gas distribution grid which is not a part of the Group. The Group as a natural gas supplier collects payments for distribution service component and transfers to operator of distribution grid. The Group is an agent in the collection of distribution service component in Latvia (Note 5.2).

#### 3.2.2.2 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 Group 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.

##### 3.2.2.2.1 The Group's activity as 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 Group in providing these services consider itself by acting as an Agent and recognises the revenue on a net basis (Note 5.2). 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, natural gas and other services" in the statement of profit or loss.

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, natural gas and other services" in the statement of profit or loss.

#### 3.2.2.2.2 The Group's activity as designated LNGT supplier to gas market

The Group 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 Group receives revenue from LNGT funds. Natural gas designated supply activities are regulated by NERC (Note 3.2.4.2).

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 Group's technological needs at LNG Terminal. Revenue of LNGT funds is recognised under the "Revenue from contracts with customers" item in the statement of profit or loss. LNGT security component income is presented in Note 3 line item "LNGT security component income".

Revenue from LNGT security component is regulated by NERC (Note 3.2.4.2).

## 3.2.3 Other significant revenue from contracts with customers

### 3.2.3.1 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 Group 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.

## 3.2.4 Regulation of tariffs and profitability

Profitability of some individual activities of the Group 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 Group 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 Group 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 5.5.

### 3.2.4.1 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.

### 3.2.4.2 Regulation of gas related activities

The NERC regulates the prices of gas transmission and distribution services and LNGT security component, in respect of which the Group acts as an agent, which are included in gas tariff for household customers

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 Group 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 Group 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 Group'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 Group 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.

## 3.3 Intangible assets

### 3.3.1 Patents, licences

Patents and licenses are measured initially at acquisition cost and are amortised on a straight-line basis over the estimated useful life of 3 to 5 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis.

### 3.3.2 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 to 4 years. Useful life is reviewed on year-by-year basis.

### 3.3.3 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.

## 3.4 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 Group and the costs can be measured reliably. All other repairs and maintenance costs charged to the statement of profit or loss during the financial period in which they are incurred.

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

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

Depreciation periods (number of years):

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

## 3.5 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Group to use the leased asset over the life of a lease. The Group 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.

### 3.5.1 Initial measurement of right-of-use assets

On the lease commencement date, the Group 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 Group ; and an estimate of the costs that the Group 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 Group incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Group recognises these costs as part of the cost of the right-of-use assets when a liability is incurred for these costs.

### 3.5.2 Subsequent measurement of right-of-use assets

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

The right-of-use assets depreciated by the Group 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 Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group 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 Group presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

### 3.6 Financial instruments

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

#### 3.6.1 Financial assets

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

- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value recognising the change in fair value through other comprehensive income (hereinafter – "FVOCI"); and
- 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 Group would not have paid if it had not entered into an agreement on the financial instrument.

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

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

##### 3.6.1.1 Financial assets subsequently measured at FVOCI

The Group only has derivatives subsequently measured at FVOCI. More information is disclosed in Note 3.6.3.

##### 3.6.1.2 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.

##### 3.6.1.3 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 Group includes Derivatives in this category (see Note 3.6.3).

##### 3.6.1.4 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 the statement of profit or loss 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 Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, advance payment, 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 Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

#### 3.6.1.5 Impairment of financial assets – expected credit losses (hereinafter "ECL")

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

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

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

Valuation of ECLs for receivables (other than trade receivables):

- *For receivables from Group companies, ECLs are assessed on an individual basis;*
- *For other receivables, prepayments and accrued income, ECLs are assessed on an individual basis.*

The Group's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular 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 Group 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 Group recognises the expected credit losses for the twelve-month period. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL;
2. Upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Group 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 Group establishes that the recovery of the loan or finance lease debt is doubtful, the Group 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 Group 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 Group 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.

#### 3.6.1.6 Credit-impaired financial assets

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

#### 3.6.1.7 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.

### 3.6.2 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 Group has not issued any equity instruments, except for issued capital.

#### 3.6.2.1 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.

#### 3.6.2.2 Subsequent measurement

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

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

#### 3.6.2.3 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 Group 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.

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

#### 3.6.2.4 Financial liabilities at amortised cost

This is the category most relevant to the Group. 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.

#### 3.6.2.5 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 date of the balance sheet, that financial liability is classified as non-current.

#### 3.6.2.6 Effective interest method

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

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability.

#### 3.6.2.7 Derecognition of financial liabilities

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

### 3.6.3 Derivatives and hedge accounting

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

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

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

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

#### 3.6.3.1 Presentation

Fair value of derivatives is presented in the statement of financial position as “Other non-current assets”, “Other current assets”, “Other non-current liabilities” and “Other current liabilities” (Note 28).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in the statement of profit or loss either as “Other income” (Note 7), if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 9).

Changes in fair value and 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:

#### 3.6.3.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in the statement of financial position, in the hedging reserve, while any ineffective portion is recognised immediately directly profit or loss of the statement of profit or loss in other income or expenses (accounting method is similar to derivatives that do not meet the hedge criteria – Note 3.6.3.1). 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. However, at least 67% hedged item coverage not exceeding 150% is expected in order for derivative to be classified as effective for hedge accounting purposes.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in the statement of profit or loss as “Purchases of electricity, natural gas and other services”.

## 3.7 Energy saving solutions – Finance lease — the Group is a lessor

The Group 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 Group. For the contracts where acquisition of equipment and construction works is financed by the Group, the recognised sales revenue of the system correspond to the minimum payments accumulated by the Group 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.

## 3.8 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 Group 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.

### 3.9 Lease liabilities

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

#### 3.9.1 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). 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.

#### 3.9.2 Group as a lessor in finance leases

Leases in which the Group 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 Group 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 the statement of profit or loss. 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 the statement of profit or loss.

### 3.10 Employee benefits

#### 3.10.1 State plans

The Group 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 Group 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.

#### 3.10.2 Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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.

#### 3.10.3 Non-current employee benefits

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

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.

### 3.11 Fair value

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within 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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# 4. Risk management

## 4.1 Overview

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

## 4.2 Financial risk factors

The Group 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 Group seeks to minimise potential adverse effects which could negatively impact the financial performance of the Group.

### 4.2.1 Market risk

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

#### 4.2.1.1 Foreign currency exchange risk

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

The sale/purchase contracts of the Group are denominated in the euro. Foreign exchange risk is mainly characteristic to contracts concluded by the Group 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.

#### 4.2.1.2 Interest rate risk

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

Assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount, interest rate derivatives would be used for the purpose of interest management (the Group did not use interest rate derivatives during 2023 and 2022). The aim is that non-current loans with fixed interest rates comprised no less than 50% of the Group'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.

As at 31 December 2023, loans received with variable interest rate amounted to EUR 27,000 thousand (EUR 199,878 thousand as at 31 December 2022).

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

| | Increase/decrease, percentage points | (Decrease)/increase in profit |
|---|---|---|
| 2023 | 1/(1) | (270)/270 |
| 2022 | 1/(1) | (1,999)/1,999 |

#### 4.2.1.3 Energy and commodity risk

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

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

In the ordinary course of its operations, the Group is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with cash flows from sales of 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 Group 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 Group 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 Group 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). During the reporting period of 2023, on average 100% of all electricity hedge contracts in terms of value has been effective.

Overview of the Group's derivatives positions:

| EUR thousand | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Contractual nominal value | Market value | Contractual nominal value | Market value |
| Market derivatives – Electricity (Nasdaq commodities) | 29,246 | 2,591 | 28,940 | 101,203 |
| Over the counter (OTC) derivatives – Electricity | 43,742 | (14,051) | 173,383 | (15,534) |
| Over the counter (OTC) derivatives – Natural gas | 10,194 | (1,705) | 134,392 | 27,385 |
| **Total** | **83,181** | **(13,165)** | **336,715** | **113,054** |

Nominal amounts (quantities in MW) hedged:

| | 31 December 2023 | | |
|---|---|---|---|
| | 2024 | 2025 | 2026 |
| Electricity hedges | 1,898,342 | 162,646 | - |
| Natural gas hedges | (321,968) | 526,327 | 6,000 |
| **Total** | **1,576,374** | **688,973** | **6,000** |

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

Nominal values hedged:

| | 31 December 2023 | | |
|---|---|---|---|
| EUR thousand | 2024 | 2025 | 2026 |
| Electricity hedges | 63,341 | 9,647 | - |
| Natural gas hedges | (15,325) | 25,282 | 237 |
| **Total** | **48,016** | **34,929** | **237** |

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

| EUR thousand | 31 December 2023 | | |
|---|---|---|---|
| | Increase by 10% | Current prices | Decrease by 10% |
| | Market value | Market value | Market value |
| Market derivatives – Electricity (Nasdaq commodities) | 5,600 | 2,591 | (736) |
| Over the counter (OTC) derivatives – Electricity | (11,082) | (14,051) | (17,020) |
| Over the counter (OTC) derivatives – Natural gas | (1,106) | (1,705) | (2,388) |
| Total | **(6,588)** | **(13,165)** | **(20,144)** |

#### 4.2.1.4 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 Group's exposure to credit risk arises from operating activities (trade and other amounts receivable) and from financing activities (granted loans, finance lease agreements, derivatives). The Group's risk related to cash is limited, as the Group keeps cash balances only in reliable financial institutions.

The Group is not exposed to significant credit risk concentration related to trade and other amounts receivable.

To make optimal decisions on the possibility of concluding agreements with the Group's customers, the Group follows a process and criteria for assessing the solvency of its customer, organises a financial/expert due diligence and, on the basis of the information obtained, makes a decision on the customer's risk. The agreements are concluded with the Group's 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 Group's account, sureties, bills of exchange, etc. To manage the risk of counterparty default, the Group applies an approved Customer Solvency Risk Management Standard.

The Group measures receivables using expected credit loss provision matrix (Note 5.3.1) or on an individual basis (Note 5.3.2), 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 Group's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

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

| EUR thousand | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Financial assets measured at amortised cost:** | | | |
| Non-current receivables | | 139 | 91 |
| Trade receivables | 16 | 203,480 | 498,875 |
| Other receivables | 17 | 49,190 | 99,434 |
| Cash and cash equivalents | 18 | 67,512 | 306,636 |
| **Amounts receivable under finance lease agreements** | | | |
| Non-current portion | 14.1 | 5,706 | 3,536 |
| Current portion | 17 | 943 | 642 |
| **Financial assets measured at FVPL or FVOCI** | | | |
| Derivatives | 28.1 | 8,933 | 62,213 |
| **Total** | | **335,903** | **971,427** |

### 4.2.2 Liquidity risk

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

As at 31 December 2023, the Group's current liquidity ratio (total current assets/total current liabilities) and quick ratio (total current assets – inventories) / total current liabilities) were 1.03 and 0.83 respectively (31 December 2022: 1.60 and 1.16 respectively). As at 31 December 2023, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 441,042 thousand (31 December 2022: EUR 291,206 thousand).

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

| EUR thousand | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Amounts payable measured at amortised cost** | | | |
| Loan | 22 | 78,597 | 667,867 |
| Lease liabilities | 23 | 1,052 | 471 |
| Trade payables | 25 | 183,527 | 163,149 |
| Other current liabilities | 27 | 78,597 | 88,568 |
| **Financial liabilities measured at FVPL or FVOCI** | | | |
| Derivatives | 28.1 | 24,689 | 50,362 |
| **Total** | | **312,628** | **970,417** |

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

| EUR thousand | 2023 | | | | Total |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | From 1 to 5 years | After 5 years | |
| Loans | 66,941 | 185 | 13,298 | - | **80,424** |
| Lease liabilities | 87 | 277 | 641 | 210 | **1,215** |
| Trade payables | 106,117 | 77,410 | - | - | **183,527** |
| Other current liabilities | 24,763 | - | - | - | **24,763** |
| Derivatives | 2,208 | 9,805 | 12,676 | - | **24,689** |
| **31 December 2023** | **200,116** | **87,677** | **26,615** | **210** | **314,618** |

| EUR thousand | 2022 | | | | Total |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | From 1 to 5 years | After 5 years | |
| Loans | 177,459 | 129,079 | 351,305 | 46,237 | **704,080** |
| Lease liabilities | 79, | 237 | 276 | - | **592** |
| Trade payables | 163,149 | - | - | - | **163,149** |
| Other current liabilities | 88,568 | - | - | - | **88,568** |
| Derivatives | 23,561 | 25,093 | 1,708 | - | **50,362** |
| **31 December 2022** | **452,816** | **154,409** | **353,289** | **46,237** | **1,006,751** |

# 5. Critical accounting estimates and judgements used in the preparation of the financial statements

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

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 Group's financial statements in the future.

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

## 5.1 Impact of climate change

The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the activities of the parent company. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Read more on the impact of climate change and the parent company's approach on managing it in section "5.1 Sustainability overview" of the annual report.

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

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

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

### Impact of climate change on provision for risk and on ECL

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

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

## 5.2 Determining whether the Group acts as a Principal or an Agent in relation to PSO fees and LNGT security component

### 5.2.1 Collection and transfer of PSO and LNGT security component fees

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

- the Group 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 Group is not exposed to any inventory risk,
- the Group has no legal power to establish pricing of these components.

### 5.2.2 Collection and transfer of fees for electricity transmission and distribution components

The Group's management has identified that in respect of gas distribution and transmission services the Group acts as an agent. The management relied on the following arguments:

- for all transmission and distribution services the Group is not ultimately responsible, since the owners of the transmission and distribution grid take full responsibility, as provided for in the laws and regulations, and agreements with customers;
- the Group also does not bear inventory risk since price of distribution and transmission services is determined based on meter readings, i.e. fee of transmission and distribution components is charged to the Group 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.

### 5.2.3 Collection and transfer of fees for gas transmission and distribution components

The Group's management has identified that in respect of gas distribution and transmission services the Group acts as an agent. The management relied on the following arguments:

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

### 5.3 Expected credit losses of trade receivables

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The Group 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.

#### 5.3.1 Collective assessment of ECL applying provision matrix

The Group uses provision matrices to calculate ECL for trade receivables. The provision rates are based on days past due or allocation to the Group'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 Group'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 Group'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 Group's trade receivables is disclosed in Note 16.

#### 5.3.2 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 Group assesses the debt on a collective basis.

### 5.4 Estimation of over-declaration of electricity and natural gas consumption by private customers and accounting for deferred income

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

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.

### 5.5 Regulated activities: accrued income and provisions

Profitability of the Group's public electricity supply 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 Group 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 Group may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

#### 5.5.1 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 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 that if the Group discontinues public supply services, the Group must refund raised discrepancies between the forecasted and actual costs of providing these services if the costs actually incurred by the Group were less than the income received. The amount must be refunded to the Group if the costs actually incurred by the Group were higher than the income received. The difference shall be reimbursed by 31 December 2025.

With regard what is said above, the Group recognises contract assets and/or contract 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 2023, the current part of a payable of EUR 13,171 thousand (31 December 2022: receivable of EUR 20,335 thousand) to be set-off with the future regulatory differences of public supply activity within one year. The payable amount was accounted in the current liabilities under the caption 'Provisions' (Note 4).

### 5.6 Determining whether the Group acts as a Principal or an Agent in relation to electricity transfer, which includes both transmission

and distribution, gas distribution services and gas transmission services

### 5.6.1 Electricity transmission and distribution services

In providing electricity transfer service, which includes transmission and distribution services, to end-users, the Group in Lithuania and Latvia acquires electricity transmission services from transmission grid operator (not a part of the Group), and in Latvia acquires electricity distribution services from distribution grid operator which is not a part of the Group. Management of the Group analysed related contracts with electricity transmission and distribution grid operators and contracts with customers, also evaluated applicable regulatory environment for the conclusion whether the Group is acting as a Principal or as an Agent in relation of electricity transmission services in Lithuania and electricity transfer (includes both transmission and distribution) services in Latvia , management has concluded that the Group acts:

– as an Agent in relation to electricity transmission and distribution services acquired from the Latvian operator of electricity transfer system;

as a Principal in relation to electricity transmission services acquired from the Lithuanian operator of transmission system.

### 5.6.2 Gas distribution services

In providing gas distribution services to customers in Lithuania the Group uses its own distribution network, in Latvia – the Group acquires these services from the company which is not a part of the Group. Management of the Group analysed related contracts with the Latvian gas distribution grid operator and contracts with customers, also evaluated applicable regulatory environment and for the conclusion whether the Group is acting as a Principal or as an Agent in relation to gas distribution services in Latvia have considered arguments provided further:

for gas distribution services the Group is not ultimately responsible, since according to the laws and regulations and agreements with customers the owner of the distribution grid takes full responsibility;

the Group also does not bear inventory risk since price of distribution services is determined based on meter readings – i.e. distribution fee is charged to the Group only to the amount of gas consumed by the end-customer;

the price of distribution component is determined by the grid operator, which is not a part of the Group, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgement and concluded that the Group acts as an Agent in relation to gas distribution services acquired from the Latvian operator of gas distribution system.

## 5.7 Assessment of onerous contracts

As at 31 December 2023, the Group's management carried out a review of whether the Group has loss-making power purchase agreements. It was found that the Group has such contracts relating to the purchase of electricity which were entered into in the high commodity price environment prevailing in the second half of 2022. In the case of such contracts, the lesser of the cost incurred in the event of continuation of the contract or the termination of the contracts and the contractual penalty is recorded (Note 24).

# 6 Revenue from contracts with customers

## 6.1 Disaggregated revenue information

| EUR thousand 2023 | Non-household customers | Household customers | Total |
|---|---|---|---|
| Revenue from gas sales | 504,479 | 271,775 | 776,254 |
| Revenue from the sale of electricity | 531,095 | 256,359 | 787,454 |
| Revenue from public electricity supply | - | 48,423 | 48,423 |
| Revenue from project activities | 13,570 | 6,455 | 20,025 |
| Revenue of LNGT security component | 11,235 | - | 11,235 |
| Other | 1,897 | - | 1,897 |
| **Total** | **1,062,276** | **583,012** | **1,645,288** |

| EUR thousand 2022 | Non-household customers | Household customers | Total |
|---|---|---|---|
| Revenue from gas sales | 1,312,817 | 348,403 | 1,661,220 |
| Revenue from the sale of electricity | 1,068,755 | 163,820 | 1,232,575 |
| Revenue from public electricity supply | - | 239,414 | 239,414 |
| Revenue from project activities | 10,783 | 8,477 | 19,260 |
| Revenue of LNGT security component | 18,995 | - | 18,995 |
| | 407 | - | 407 |
| **Total** | **2,411,757** | **760,114** | **3,171,871** |

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

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Performance obligation settled over time | 1,567,788 | 2,703,017 |
| Performance obligation settled at a point of time | 77,500 | 468,854 |
| **Total** | **1,645,288** | **3,171,871** |

## 6.2 Contract balances

| EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Trade receivables** | 16 | **203,480** | **498,875** |
| **Contract assets** | | **20,641** | **33,408** |
| Accrued revenue from gas sales | 17 | 6,868 | 7,669 |
| Accrued revenue from electricity related sales | 17 | 7,828 | 19,235 |
| Other accrued income | 17 | 5,945 | 6,504 |
| **Contract liabilities** | | **39,125** | **109,400** |
| Advances received | 26.2 | 16,066 | 11,678 |
| Deferred income | 26.1 | 23,059 | 97,722 |

### 6.2.1 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 16 and 17.

### 6.2.2 Contract liabilities

| EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Current | 26 | 39,125 | 109,400 |

## 6.3 Rights to returned goods assets and refund liabilities

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

# 7 Other income

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Interest on late payments | 890 | 581 |
| Gain on disposal of non-current assets | 64 | 121 |
| Ineffective hedging result (Note 28.2) | - | 58,495 |
| Other income | 589 | 352 |
| **Total** | **1,543** | **59,549** |

# 8 Purchases of electricity, natural gas and other services

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Purchases of natural gas and related services | 934,703 | 1,554,108 |
| Purchases of electricity and related services | 772,493 | 1,524,774 |
| Other purchases | 18,038 | 16,596 |
| **Total** | **1,725,234** | **3,095,478** |

# 9 Other expenses

| EUR thousand | 2023 | 2022[1] |
|---|---|---|
| Ineffective hedging result (Note 28.2) | 8,829 | - |
| Customer service | 8,146 | 9,230 |
| Telecommunications and IT services | 4,083 | 3,239 |
| Asset management and administration | 1,760 | 1,515 |
| Communication | 1,699 | 1,447 |
| Finance and accounting | 1,440 | 1,248 |
| Tax (other than income tax) expenses | 1,127 | 1,066 |
| People and culture | 915 | 555 |
| Law | 879 | 725 |
| Other | 2,364 | 5,583 |
| **Total** | **31,242** | **24,608** |

*[1]During 2023 Group has reclassified 'Asset management and administration', 'Law', 'Finance and accounting', 'Communication', 'Other' expenses in other rows, due to that comparative amounts for 2022 were reclassified accordingly, EUR 2,379 thousand reclassified from ‚Consultation services" to ‚Finance and accounting', ‚Law', ‚Other', EUR 1,515 thousand from ‚Other' to , 'Asset management and administration', EUR 1,367 thousand from 'Write-offs of non-current and current amounts receivable (bad debts)' to 'Other'.*

# 10 Finance activity

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Interest income at the effective interest rate | 3,197 | 714 |
| Positive effect of changes in exchange rates | 2,841 | - |
| Other income from financing activities | 618 | 632 |
| **Total finance income** | **6,656** | **1,346** |
| Interest expenses | 17,426 | 19,684 |
| Negative effect of changes in exchange rates | - | 277 |
| Other expenses from financing activities | 3,419 | 77 |
| **Total finance expenses** | **20,845** | **20,038** |
| **Total** | **(14,189)** | **(18,692)** |

# 11 Income taxes

## 11.1 Recognised in profit or loss

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Income tax expenses (benefit) for the year | (1,606) | 30,219 |
| Deferred tax expenses (benefit) | (19,917) | (18,401) |
| **Total** | **(21,523)** | **11,818** |

## 11.2 Amount recognized in other comprehensive income

Income taxes during 2023 recognised in other comprehensive income comprise EUR 2,675 thousand in income tax benefit and EUR 12,581 thousand in deferred tax benefit (in 2022 EUR 8,386 thousand in income tax expenses and EUR 3 thousand in deferred tax expenses) mainly related to the Group's effective hedging derivatives.

## 11.3 Reconciliation of effective tax rate

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

| EUR thousand | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| Profit (loss) before tax | | (144,864) | | 76,230 |
| Income tax expenses (benefit) at tax rate of 15% | 15.00% | (21,730) | 15.00% | 11,435 |
| Effect of tax rates in foreign jurisdictions | 0.10% | (152) | (0.91%) | (690) |
| Non-taxable income and non-deductible expenses | (3.89%) | 5,631 | 1.43% | 1,085 |
| Adjustments in respect to previous years | 3.12% | (4,523) | - | - |
| Other | 0.52% | (749) | (0.02%) | (12) |
| **Income tax expenses (benefit)** | **14.86%** | **(21,523)** | **15.50%** | **11,818** |

Standard corporate income tax rate of 15% was applicable to the companies in Lithuania, in Poland – 19%, in Finland – 20%. Standard corporate income tax rate in Latvia and Estonia is 20% (14% in certain cases) on the gross amount of the distribution.

## 11.4 Global minimum top-up tax

The Group operates in Lithuania, Latvia, Estonia, Poland and Finland. As at 31 December 2023, only Finland has enacted the new legislation to implement the global minimum top-up tax. However, since the newly enacted tax legislation is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as current, when it is incurred.

### 11.5 Deferred tax

| EUR thousand | 31 December 2021 | Recognised in profit or loss | Recognised in other comprehensive income | 31 December 2022 | Recognised in profit or loss | Recognised in other comprehensive income | Difference on exchange rate | 31 December 2023 |
|---|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | | |
| Tax loss carry forward | - | 36 | - | **36** | 20,938 | 12,579 | - | **33,553** |
| Provision for onerous contracts | - | - | - | **-** | 9,980 | - | - | **9,980** |
| Inventories write down to NRV | - | 15,537 | - | **15,537** | (13,333) | - | - | **2,204** |
| Accrued expenses | 2,223 | 1,339 | - | **3,562** | (193) | - | 49 | **3,418** |
| Impairment of trade and other receivables | 987 | 213 | - | **1,200** | (184) | - | 5 | **1,021** |
| Differences of financial and tax value (PPE) | 2,217 | (258) | - | **1,959** | (257) | - | - | **1,702** |
| Non-current employee benefits | 123 | (67) | (3) | **53** | (36) | 2 | - | **19** |
| Lease liability (IFRS16) | 35 | (24) | - | **11** | 46 | - | 2 | **59** |
| Other | 729 | (257) | - | **472** | 23 | - | 13 | **508** |
| **Deferred tax asset, net** | **6,314** | **16 519** | **(3)** | **22,830** | **16,984** | **12,581** | **69** | **52,464** |
| **Deferred income tax liability** | | | | | | | | |
| Derivatives | 3,008 | 117 | - | **3,125** | (2,571) | - | - | **554** |
| Right-of-use asset (IFRS16) | 29 | (29) | - | **-** | 45 | - | - | **45** |
| Other | 1 981 | (1 970) | - | **11** | (407) | - | 42 | **(354)** |
| **Deferred income tax liability, net** | **5,018** | **(1,882)** | **-** | **3,136** | **(2,933)** | **-** | **42** | **245** |
| **Net deferred tax** | **1,296** | **18,401** | **(3)** | **19,694** | **19,917** | **12,581** | **27** | **52,219** |

The Group's statement of financial position as at 31 December 2023 presents separately deferred tax assets EUR 52,219 thousand related to different subsidiaries. The net balance of deferred tax is liability of EUR 52,219 thousand. Deferred tax assets and liabilities arising from the same entity are presented on net basis in the statement of financial position (as at 31 December 2022 deferred tax assets EUR 19,694 thousand).

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

In Poland, losses that could not have been set off may be carried forward for the maximum period of 5 years. Up 50% of loss may be utilised in a given year. It is also possible to reduce the losses by the amount not exceeding EUR 1,152 thousand (PLN 5.0 million) at a time, with the amount not deducted being settled in the remaining years over the five-year period, provided that the amount of the reduction in any of those years may not exceed 50% of the amount of the losses.

# 12 Intangible assets

| EUR thousand | Patents and licences | Computer software | Intangible assets identified during business combination | Software projects in progress | Total |
|---|---|---|---|---|---|
| **Acquisition cost at 1 January 2022** | **9** | **3,859** | **43,958** | **19** | **47,845** |
| Acquisitions | - | 847 | - | 1,914 | **2,761** |
| Reclassifications between categories | - | 711 | - | (711) | **-** |
| **Acquisition cost at 31 December 2022** | **9** | **5,417** | **43,958** | **1,222** | **50,606** |
| | | | | | |
| **Accumulated amortisation at 1 January 2022** | **(7)** | **(1,618)** | **(27,640)** | **-** | **(29,265)** |
| Amortisation | (2) | (1,198) | (1,198) | - | **(2,398)** |
| **Accumulated amortisation at 31 December 2022** | **(9)** | **(2,816)** | **(28,838)** | - | **(31,663)** |
| **Carrying amount as at 31 December 2022** | **-** | **2,601** | **15,120** | **1,222** | **18,943** |
| | | | | | |
| **Acquisition cost at 1 January 2023** | **9** | **5,417** | **43,958** | **1,222** | **50,606** |
| Acquisitions | - | 305 | - | 2,415 | **2,720** |
| Reclassifications between categories | - | 1,146 | - | (1,146) | **-** |
| Foreign currency exchange difference | - | (3) | - | - | **(3)** |
| **Acquisition cost at 31 December 2023** | **9** | **6,865** | **43,958** | **2,491** | **53,323** |
| | | | | | |
| **Accumulated amortisation at 1 January 2023** | **(9)** | **(2,816)** | **(28,838)** | **-** | **(31,663)** |
| Amortisation | - | (2,035) | (1,198) | - | (3,233) |
| **Accumulated amortisation at 31 December 2023** | **(9)** | **(4,851)** | **(30,036)** | **-** | **(34,896)** |
| **Carrying amount as at 31 December 2023** | **-** | **2,014** | **13,922** | **2,491** | **18,427** |

As at 31 December 2023, the Group carried out an analysis to determine existence of indications of impairment for intangible assets. The Group considered information from external and internal sources of information.

For the purpose to determine impairment indications it is assessed whether at least one of the following criteria exists:

1. actual EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) is less than budgeted EBITDA;
2. actual Adjusted net profit is less than the actual dividends paid;
3. carrying amount of intangible assets is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications. Additionally, the management assessed whether during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate. Management has identified indicators of possible impairment in respect of the intangible assets. Having identified the indications of impairment of hedging activity and balancing services, the Group performed impairment tests as at 31 December 2023, as the Group incurred a loss during the financial year. The impairment test showed that no impairment needs to be recognised as at 31 December 2023 in respect of intangible assets.

*Assets identified during business combination: hedging activity*
The carrying amount of derivative trading activities that were acquired in previous periods as at 31 December 2023 was EUR 4,980 thousand (31 December 2022: EUR 5,395 thousand). Amortisation is calculated over a period of 20 years.
*Assets identified during business combination: balancing services*
The carrying amount of balancing services that were acquired in previous periods was EUR 6,884 thousand as at 31 December 2023 (31 December 2022: EUR 7,458 thousand). Amortisation is calculated over a period of 20 years.
As at 31 December 2023, the Group performed a collective impairment test for the above intangible assets. The impairment test did not indicate that an impairment of the intangible assets should be recognised.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2032;
2. the average working capital at EUR 117.8 million;
3. discount rate of 7.1% (post-tax) was used to calculate discounted cash flows.

The Group exercised the fair value assessment analysis of unobservable inputs variation relying on the sensitivity of the rate of return on investment (WACC). The possible recoverable amount changes due to variation of this input are disclosed in table below (EUR million):

| EUR million | WACC (post-tax) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 5,60% | 6,10% | 6,60% | 7,1% | 7,60% | 8,10% | 8,60% |
| Δ | -1,50% | -1,00% | -0,50% | 0,0% | 0,50% | 1,00% | 1,50% |
| Change in recoverable amount (EUR million) | 32,74 | 19,43 | 8,78 | - | -7,39 | -13,72 | -19,23 |

*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 2023 was EUR 2,058 thousand (31 December 2022: EUR 2,267 thousand). Amortisation is calculated over a period of 15 years. The Group carried out an impairment test. The impairment test showed that no impairment needs to be recognised as at 31 December 2023 in respect of this intangible asset.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2032;
2. the average working capital at EUR 22.4 million;
3. discount rate of 7.1% (post-tax) was used to calculate discounted cash flows.

The Group exercised the fair value assessment analysis of unobservable inputs variation relying on the sensitivity of the rate of return on investment (WACC). The possible recoverable amount changes due to variation of this input are disclosed in table below (EUR million):

| EUR million | WACC (post-tax) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 5,60% | 6,10% | 6,60% | 7,1% | 7,60% | 8,10% | 8,60% |
| Δ | -1,50% | -1,00% | -0,50% | 0,0% | 0,50% | 1,00% | 1,50% |
| Change in recoverable amount (EUR million) | 5,40 | 3,93 | 2,53 | - | -0,09 | -1,33 | -2,51 |

## 12.1 Fully amortised intangible assets

As at 31 December 2023 and 2022, the cost of acquisition of fully amortised intangible assets used by the Group were as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Patents and licences | 1 | 1 |
| Computer software | 2,913 | 153 |
| **Acquisition cost of fully amortised assets, total** | **2,914** | **154** |

## 12.2 Acquisition commitments

The Group has no significant acquisition commitments of intangible assets which will have to be fulfilled during the later years.

## 12.3 Pledged assets

As at 31 December 2023 and 2022, the Group did not have non-current intangible assets pledged.

# 13 Property, plant and equipment

| EUR thousand | Solar plants | Other property, plant and equipment | Construction in progress | Total |
|---|---|---|---|---|
| **Acquisition cost at 1 January 2022** | **2,414** | **1,943** | **135** | **4,492** |
| Additions | - | 16 | 3,633 | **3,649** |
| Sales | (303) | - | - | **(303)** |
| Reclassifications between categories | - | 63 | (63) | **-** |
| **Acquisition cost at 31 December 2022** | **2,111** | **2,022** | **3,705** | **7,838** |
| | | | | |
| **Accumulated depreciation at 1 January 2022** | **(277)** | **(593)** | **-** | **(870)** |
| Depreciation | (238) | (384) | - | **(622)** |
| Sales | 78 | - | - | **78** |
| **Accumulated depreciation at 31 December 2022** | **(437)** | **(977)** | **-** | **(1,414)** |
| **Carrying amount as at 31 December 2022** | **1,674** | **1,045** | **3,705** | **6,424** |
| | | | | |
| **Acquisition cost at 1 January 2023** | **2,111** | **2,022** | **3,705** | **7,838** |
| Additions | - | 4 | 15,857 | **15,861** |
| Sales | (237) | - | - | **(237)** |
| Reclassified from (to) inventories | - | (15) | (1,934) | **(1,949)** |
| Reclassifications between categories | 2,207 | 1,172 | (3,379) | **-** |
| **Acquisition cost at 31 December 2023** | **4,081** | **3,183** | **14,249** | **21,513** |
| | | | | |
| **Accumulated depreciation at 1 January 2023** | **(437)** | **(977)** | **-** | **(1,414)** |
| Depreciation | (226) | (454) | - | **(680)** |
| Sales | 85 | - | - | **85** |
| Reclassified from (to) inventories | - | 11 | - | **11** |
| **Accumulated depreciation at 31 December 2023** | **(578)** | **(1,420)** | **-** | **(1,998)** |
| **Carrying amount as at 31 December 2023** | **3,503** | **1,763** | **14,249** | **19,515** |

## 13.1 Fully depreciated property, plant and equipment

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

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Other property, plant and equipment | 56 | 20 |
| **Total** | **56** | **20** |

## 13.2 Pledged property, plant and equipment and acquisition commitments

As at 31 December 2023 and 2023, the Group did not have property, plant and equipment pledged.

# 14 Non-current receivables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Finance lease | 5,706 | 3,536 |
| Other non-current amounts receivable | 139 | 91 |
| **Total** | **5,845** | **3,627** |
| Less: loss allowance | - | - |
| **Carrying amount** | **5,845** | **3,627** |

## 14.1 Finance lease

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Non-current receivables | 5,706 | 3,536 |
| Other amounts receivable (Note 17) | 943 | 642 |
| **Carrying amount** | **6,649** | **4,178** |

The Group's amounts receivable under the energy saving services agreements are included in the line items "Amounts receivable after one year" and "Other amounts receivable".

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Minimum payments** | | |
| Within the first year | 1,050 | 772 |
| From two to five years | 4,091 | 2,994 |
| More than five years | 1,832 | 865 |
| **Total** | **6,973** | **4,631** |
| **Unearned finance income** | | |
| Within the first year | (107) | (130) |
| From two to five years | (212) | (293) |
| More than five years | (5) | (30) |
| **Total** | **(324)** | **(453)** |
| **Carrying amount** | **6,649** | **4,178** |

As at 31 December 2023 and 2022, the Group assessed whether credit risk of finance lease clients has increased significantly and did not establish a significant increase in credit risk.

# 15 Inventories

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Natural gas | 83,877 | 366,063 |
| Consumables, raw materials and spare parts | 6,548 | 11,928 |
| Other | 10 | 813 |
| **Carrying amount** | **90,435** | **378,804** |

Under the Lithuanian legislation the Group 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 Group. As at 31 December 2023, the latter quantity comprised 480 GWh or EUR 16,851 thousand (31 December 2022: 496 GWh or EUR 53,209 thousand).

The carrying amount of natural gas decreased during 2023 due to lower inventory quantity and lower inventory cost per MWh.

The Group's inventories expensed were as follows:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Natural gas | 805,421 | 1,399,227 |
| Consumables, raw materials and spare parts | 14,803 | 16,002 |
| **Total** | **820,224** | **1,415,229** |

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

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Carrying amount as at 1 January** | **103,576** | **664** |
| Additional write-down to net realisable value | 1,430 | 102,912 |
| Reversal of write-down to net realisable value | (90,311) | - |
| **Carrying amount as at 31 December** | **14,695** | **103,576** |

In 2023, the reversal of write-down to net realisable value was made because gas purchased in 2023 was purchased at lower prices, and at the end of the year the difference between the cost of inventory and the market prices was substantially lower. The quantity of gas in the inventory was also reduced during 2023.

The write-down is recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

# 16 Trade receivables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Amounts receivable from contracts with customers** | | |
| Receivables for electricity / gas from non-household customers | 140,770 | 399,399 |
| Receivables for electricity / gas from household customers | 66,031 | 73,367 |
| Other trade receivables | 4,152 | 35,252 |
| **Total** | **210,953** | **508,018** |
| Less: loss allowance | (7,473) | (9,143) |
| **Carrying amount** | **203,480** | **498,875** |

As at 31 December 2023 and 2022, the Group had not pledged claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is 15 to 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group didn't identify any significant financing component. For terms and conditions on settlement between related parties see Note 31.

## 16.1 Loss allowance of amounts receivable (lifetime expected credit losses) assessed using the loss ratio matrix

The table below presents information on the Group's trade receivables from contracts with customers as at 31 December 2023 that are assessed on a collective basis using the loss ratio matrix:

| EUR thousand | Loss ratio | Trade receivables | Loss allowance |
|---|---|---|---|
| Not past due | 0.19 | 83,367 | 161 |
| Up to 30 days | 1.33 | 5,701 | 76 |
| 30-60 days | 4.90 | 1,245 | 61 |
| 60-90 days | 11.41 | 640 | 73 |
| 90-120 days | 18.56 | 361 | 67 |
| More than 120 days | 72.02 | 7,254 | 5,224 |
| **31 December 2023** | **5.74** | **98,568** | **5,662** |

The Group's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

| EUR thousand | Loss ratio | Trade receivables | Loss allowance |
|---|---|---|---|
| Not past due | 0.20 | 95,836 | 195 |
| Up to 30 days | 1.48 | 4,044 | 60 |
| 30-60 days | 3.45 | 1,335 | 46 |
| 60-90 days | 9.20 | 522 | 48 |
| 90-120 days | 21.93 | 342 | 75 |
| More than 120 days | 79.15 | 5,783 | 4,577 |
| **31 December 2022** | **4.64** | **107,862** | **5,001** |

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.

### 16.2 Loss allowance of amounts receivable (lifetime expected credit losses) calculated using internal rating system

The table below presents information on the Group's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the internal rating system:

| Internal ratings | Trade receivables | Loss allowance |
|---|---|---|
| A | 72,378 | 184 |
| B | 12,108 | 129 |
| C | 6,067 | 113 |
| D | 460 | 62 |
| E | 1,534 | 1,323 |
| **31 December 2023** | **92,547** | **1,811** |

The table below presents information on the Group's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the internal rating system:

| Internal ratings | Trade receivables | Loss allowance |
|---|---|---|
| A | 165,758 | 995 |
| B | 37,002 | 466 |
| C | 11,818 | 304 |
| D | 2,809 | 383 |
| E | 1,879 | 1,763 |
| **31 December 2022** | **219,266** | **3,911** |

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 Group. 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 Group 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.

### 16.3 Loss allowance of amounts receivable (lifetime expected credit losses) calculated on an individual basis

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

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| EUR thousand | Trade receivables | Loss allowance | Trade receivables | Loss allowance |
| Not past due | 11,167 | - | 179,673 | - |
| Up to 30 days | 8,526 | - | 702 | - |
| 30-60 days | 134 | - | 46 | 2 |
| 60-90 days | - | - | 92 | 9 |
| 90-120 days | 11 | - | 90 | 27 |
| More than 120 days | - | - | 287 | 193 |
| **Carrying amount** | **19,838** | **-** | **180,890** | **231** |

Loss allowance of amounts receivable is stated in profit or loss of the statement of profit or loss.

Movements in the loss allowance of trade receivables during the year 2023 and 2022 were as follows:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Carrying amount as at 1 January** | **9,143** | **7,526** |
| Loss allowance during the year | 3,295 | 2,132 |
| Reversal of loss allowance | (4,965) | (515) |
| **Carrying amount as at 31 December** | **7,473** | **9,143** |

# 17 Other receivables

| EUR thousand | 31 December 2023 | 31 December 2022[1] |
|---|---|---|
| Deposits for electricity related derivatives in electricity market | 38,510 | 74,484 |
| Deposits for gas related derivatives to commodity traders | 10,680 | 24,950 |
| Accrued revenue from electricity sales | 7,828 | 19,235 |
| Accrued revenue from natural gas sales | 6,868 | 7,669 |
| Other accrued income | 5,945 | 6,504 |
| Current portion of finance lease | 943 | 642 |
| Other receivables | 2,930 | 5,344 |
| **Total** | **73,704** | **138,828** |
| Less: loss allowance | - | - |
| **Carrying amount** | **73,704** | **138,828** |

*[1]Part of amounts do not agree to financial statements as at 31 December 2022, as the Group has reclassified EUR 16,890 thousand deposits for electricity related derivatives in electricity market from "Other receivables" to "Deposits for electricity related derivatives in electricity market" in order to provide more reliable information for users of financial statements.*

As at 31 December 2023, financial assets comprise EUR 50,133 thousand (31 December 2022: EUR 100,076 thousand) ); contract assets cover the following items: "Deposits for electricity related derivatives in electricity market", "Deposits for gas related derivatives to commodity traders", "Current portion of finance lease".

### 17.1 Deposits for electricity and gas related derivatives

The Group 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 Group 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. In the Group's assessment, the expected credit losses on derivative-related deposits are insignificant and therefore not accounted for.

# 18 Cash and cash equivalents

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash balances in bank accounts | 67,512 | 299,649 |
| Cash in transit | - | 6,978 |
| Restricted cash | - | 9 |
| **Carrying amount** | **67,512** | **306,636** |

Based on contracts with solar fleet developers, the Group 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 2023, the amount of payments collected on behalf of such developers amounted to EUR 1,247 thousand (31 December 2022: EUR 1,556 thousand).

# 19 Equity

### 19.1 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 20223 the parent company and all subsidiaries met requirements of capital regulation (31 December 2022: the parent company and all the subsidiaries met requirements of capital regulation).

### 19.2 Issued capital

| EUR thousand | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Issued capital** | | |
| Ordinary shares | 41,155 | 40,140 |
| **Ordinary shares issued and fully paid** | **41,155** | **40,140** |

As at 31 December 2023, the Group's issued capital comprised EUR 41,155 thousand and was divided in to 141,913,794 registered ordinary shares with par value is EUR 0.29 of each. (As at 31 December 2022 – EUR 40,140 thousand and was divided in to 138,413,794 registered ordinary shares with par value is EUR 0.29 of each.)

On 5 September 2023, as to the sole shareholder 's decision issued capital was increased by issuing additional 3,500,000 ordinary registered shares with a par value of EUR 0,29 per share. The issue price of all newly issued shares is EUR 95,000 thousand, of which EUR 1,015 thousand is the value of all newly issued shares and EUR 93,985 thousand is the premium of all newly issued shares.
In 2023 October 9 new statutes were registered at the Register Center of VĮ.

### 19.3 Dividends

Dividends declared during the year:

| EUR thousand | 2023 m. | 2022 m. |
|---|---|---|
| AB „Ignitis Grupė“ | 20,000 | - |

Dividends of EUR 20,000 thousand for the year 2022 were approved during the General Shareholders' Meeting held on 19 April 2023.

# 20 Reserves

### 20.1 Legal reserve

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

The Group's legal reserve as at 31 December 2023 was fully formed (as at 31 December 2022 was not fully formed).

### 20.2 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.

# 21 Other comprehensive income

| EUR thousand | Hedging reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | |
| Result of change in actuarial assumptions | - | - | 17 | **17** |
| Tax | - | - | (3) | **(3)** |
| **Items that may be reclassified to profit or loss in subsequent periods** | | | | |
| Cash flow hedges – effective portion of change in fair value | 266,340 | - | - | **266,340** |
| Cash flow hedges – reclassified to profit or loss | (210,436) | - | - | **(210,436)** |
| Foreign operations – foreign currency translation differences | - | (122) | - | **(122)** |
| Tax | (8,386) | - | - | **(8,386)** |
| **In total as at 31 December 2022** | **47,518** | **(122)** | **14** | **47,410** |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | |
| Result of change in actuarial assumptions | - | - | (17) | **(17)** |
| Tax | - | - | 2 | **2** |
| **Items that may be reclassified to profit or loss in subsequent periods** | | | | |
| Cash flow hedges – effective portion of change in fair value | (198,666) | - | - | **(198,666)** |
| Cash flow hedges – reclassified to profit or loss | 96,972 | - | - | **96,972** |
| Foreign operations – foreign currency translation differences | - | 470 | - | **470** |
| Tax | 15,254 | - | **-** | **15,254** |
| **In total as at 31 December 2023** | **(86,440)** | **470** | **(15)** | **(85,985)** |

# 22 Loans

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Non-current** | | |
| Non-current loans | 11,800 | 370,800 |
| **Current** | | |
| Overdraft | - | 172,878 |
| AB “Ignitis grupė” group’s cash-pool platform | 39,266 | 116,305 |
| Current loans | 27,531 | 7,884 |
| **Total** | **78,597** | **667,867** |

Non-current loans by maturity:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Up to 1 year | 66,797 | 297,067 |
| From 2 to 5 years | 11,800 | 327,000 |
| After 5 years | - | 43,800 |
| **Total** | **78,597** | **667,867** |

All loans of the Group are denominated in euros.

## 22.1 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the Group is obliged to comply with. As at 31 December 2023 and 2022, the Group complied with all contractual commitments.

As at 31 December 2023, the balance of the Group’s unwithdrawn balance 441,042 thousand (31 December 2022: EUR 291,206 thousand).

# 23 Net debt

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

Debts to financial institutions, loans under cash-pool agreement to Group companies and related interest payables and lease liabilities are included in the net debt calculation.

Net debt balances:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash and cash equivalents | (67,512) | (306,636) |
| Non-current loans | 11,800 | 370,800 |
| Current loans | 66,797 | 297,067 |
| Lease liabilities | 1,052 | 471 |
| **Net debt** | **12,137** | **361,702** |

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

| EUR thousand | Assets<br>Cash | Lease liabilities<br>Non-current | Current | Loans<br>Non-current | Current[1] | Total |
|---|---|---|---|---|---|---|
| **Net debt as at 1 January 2022** | **(81,717)** | **367** | **256** | **288,800** | **226,151** | **433,857** |
| **Cash changes** | | | | | | |
| (Increase) decrease in cash and cash equivalents | (224,919) | - | - | - | - | **(224,919)** |
| Loans received | - | - | - | 82,000 | - | **82,000** |
| Repayments of loans | - | - | - | - | (109,341) | **(109,341)** |
| Lease payments | - | - | (361) | - | - | **(361)** |
| Interest paid | - | - | (70) | - | (15,817) | **(15,887)** |
| Net change in overdraft | - | - | - | - | 172,878 | **172,878** |
| **Non-cash changes** | | | | | | |
| Accrual of interest payable | - | - | 86 | - | 19,598 | **19,687** |
| Lease contracts concluded | - | - | 195 | - | - | **195** |
| VAT on interest payable | - | - | - | - | 3,598 | **3,598** |
| Lease liabilities written-off | - | - | (2) | - | - | **(2)** |
| Reclassifications between items | - | (157) | 157 | - | - | **-** |
| **Net debt at 31 December 2022** | **(306,636)** | **210** | **261** | **370,800** | **297,067** | **361,702** |
| **Net debt as at 1 January 2023** | **(306,636)** | **210** | **261** | **370,800** | **297,067** | **361,702** |
| **Cash changes** | | | | | | |
| (Increase) decrease in cash and cash equivalents | 239,124 | - | - | - | - | **239,124** |
| Loans received | - | - | - | | - | **-** |
| Repayments of loans | - | - | - | (332,000) | - | **(332,000)** |
| Lease payments | - | - | (353) | - | - | **(353)** |
| Interest paid | - | - | (64) | - | (28,290) | **(28,354)** |
| Overdraft received (repaid) | - | - | - | - | (172,878) | **(172,878)** |
| AB "Ignitis grupė" group's cash-pool platform, net change | - | - | - | - | (76,958) | **(76,958)** |
| **Non-cash changes** | | | | | | |
| Accrual of interest payable | - | - | 64 | - | 17,362 | **17,426** |
| Lease contracts concluded | - | 841 | 80 | - | - | **921** |
| Lease liabilities written-off | - | - | (2) | - | - | **(2)** |
| VAT on interest payable | - | - | - | - | 3,494 | **3,494** |
| Reclassifications between items | - | (299) | 299 | (27,000) | 27,000 | **-** |
| Change in foreign currency | - | 15 | - | - | - | **15** |
| **Net debt as at 31 December 2023** | **(67,512)** | **767** | **285** | **11,800** | **66,797** | **12,137** |

*[1] Some of the amounts are not consistent with the annual financial statements as at 31 December 2022 due to the restatement of line items – an amount of EUR 3,598 thousand has been reclassified from "Interest paid" to "VAT on interest payable".*

# 24 Provisions

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Non-current | 35,926 | 145 |
| Current | 45,487 | 20,453 |
| **Total** | **81,413** | **20,598** |

Movement of the Group's provisions was as follows:

| EUR thousand | Provisions for employee benefits | Regulatory differences of public electricity supply services | Onerous contracts | Other provisions | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | **94** | **-** | **-** | **121** | **215** |
| Increase during the year | - | 20,335 | - | 76 | **20,411** |
| Utilised during the year | (6) | - | - | (5) | **(11)** |
| Result of change in assumptions | (17) | - | - | - | **(17)** |
| **Balance as at 31 December 2022** | **71** | **20,335** | **-** | **192** | **20,598** |
| **Balance as at 1 January 2023** | **71** | **20,335** | **-** | **192** | **20,598** |
| Increase during the year | 23 | 10,896 | 66,734 | 1,226 | **78,879** |
| Utilised during the year | - | (18,060) | - | (21) | **(18,081)** |
| Result of change in assumptions | 17 | - | - | - | **17** |
| **Balance as at 31 December 2023** | **111** | **13,171** | **66,734** | **1,397** | **81,413** |
| Non-current portion | 89 | - | 35,763 | 74 | 35,926 |
| Current portion | 22 | 13,171 | 30,971 | 1,323 | 45,487 |

The total change in provisions in 2023 is EUR 60,815 thousand. Change recognised in the statement of profit or loss – EUR 60,798 thousand, recognised in the statement of comprehensive income – EUR 17 thousand (total change in provisions in 2022 – EUR 20,383 thousand, change recognised in the statement of profit or loss – EUR 20,400 thousand, recognised in the statement of comprehensive income – EUR -17 thousand).

*Regulatory differences of public electricity supply services*
The provision for regulatory differences of public electricity supply activity consists of EUR 13,171 thousand provision (31 December 2022: EUR 20,335 thousand) related to regulatory differences of public electricity supply activity, set-off with the future regulatory differences of public electricity supply activity will be made within one year.

*Provisions for onerous contracts*
As at 31 December 2023, the Group recognised a provision of EUR 66,734 thousand (of which EUR 35,763 thousand is the non-current portion) related to electricity purchase agreements concluded in the second half of 2022 in an environment of high prices for energy commodities. The company actively manages the risks of energy commodity price volatility and diversifies its portfolio of acquisitions. As a result of the significant drop in market prices, as well as the optimisation of the supply cost of B2C independent electricity supply segment and the migration to lower fixed price supply plans, some of the Group's electricity purchase agreements might generate losses in future periods. The expected loss will be realised in roughly equal instalments over the next two years.

# 25 Trade payables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Amounts payable for gas | 138,230 | 105,022 |
| Amounts payable for electricity | 37,551 | 47,496 |
| Other payables | 7,746 | 10,631 |
| **Carrying amount** | **183,527** | **163,149** |

# 26 Deferred income and advances received

## 26.1 Deferred income

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Deferred income under contracts with customers** | | |
| Deferred income related to gas | 23,059 | 61,125 |
| Deferred income related to gas over declaration | - | 33,697 |
| Deferred income related to electricity over declaration | - | 2,900 |
| **In total** | **23,059** | **97,722** |

Movement in the Group's deferred income:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| | Current portion | Current portion |
| **Balance as at 1 January** | **97,722** | **8,699** |
| Increase during the year | - | 97,722 |
| Recognised as revenue | (74,663) | (8,699) |
| **Balance as at 31 December** | **23,059** | **97,722** |

## 26.2 Advances received

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current advances from contracts with customers (contract liabilities) | 16,066 | 11,678 |
| Current advances from other contracts | 13 | 3,002 |
| **Total** | **16,079** | **14,680** |

# 27 Other current liabilities

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Accrued expenses | 50,592 | 43,616 |
| Taxes (other than income tax) | 24,882 | 98,848 |
| Derivatives (Note 28) | 12,013 | 29,434 |
| Payroll related liabilities | 3,672 | 2,295 |
| Amounts payable for property, plant and equipment | 1,355 | 947 |
| Deposits received for derivatives | - | 55,990 |
| Other current liabilities | 11,395 | 2,197 |
| **Carrying amount** | **103,909** | **233,327** |

As at 31 December 2023, financial liabilities comprise EUR 24,763 thousand (31 December 2022: EUR 88,568 thousand); financial liabilities include the following: "Deposits received for derivatives", "Derivatives", "Amounts payable for property, plant and equipment", "Other liabilities".

# 28 Derivatives

The Group's derivatives mainly comprise:

- contracts made directly with other parties – over-the-counter (OTC);
- contracts made through Nasdaq Commodities market – Nasdaq;
- other contracts.

Fair value of Nasdaq contracts are set-off with cash on day-to-day basis. Accordingly, no financial assets or liabilities are recognised in statement of financial position, they are shown in the Net Profit (Loss) line (instead of the Adjustments line) in the Statement of Cash Flow. Gain or loss of such transactions is recognised same as all derivatives.

## 28.1 Derivatives included in the statement of financial position

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Other non-current assets | - | 17,299 |
| Other current assets | 8,933 | 44,914 |
| Other non-current liabilities | (12,676) | (20,928) |
| Other current liabilities | (12,013) | (29,434) |
| **Carrying amount** | **(15,756)** | **11,851** |

Movement of derivative financial instruments were as follows:

| EUR thousand | 2023 | 2023 |
|---|---|---|
| **Carrying amount as at 1 January** | **11,851** | **(45,760)** |
| Unrealised gain (loss) of OTC | (6,714) | 19,076 |
| Unrealised gain (loss) of Nasdaq ineffectiveness | (17,946) | (10,632) |
| **Total Unrealised gain (loss)** | **(24,660)** | **8,444** |
| Fair value change of OTC effectiveness | (20,893) | 38,535 |
| Fair value change of Nasdaq effectiveness | (80,727) | 17,394 |
| **Unrealised gain (loss) in 'Other comprehensive income'** | **(101,620)** | **55,929** |
| **Fair value change of Nasdaq set off with cash** | **98,673** | **(6,762)** |
| **Carrying amount as at 31 December** | **(15,756)** | **11,851** |

### 28.2 Derivatives in the statements of profit or loss

| EUR thousand | 2023 | 2023 |
|---|---|---|
| Realised gain (loss) from OTC and Nasdaq | 15,831 | 50,051 |
| Unrealised gain (loss) | (24,660) | 8,444 |
| **Total in profit or loss – ineffective energy hedging result** | **(8,829)** | **58,495** |
| Cash flow hedges – reclassified to profit or loss from OCI | (96,972) | 210,436 |
| **Total in profit or loss – effective energy hedging result** | **(96,972)** | **210,436** |
| **Total recognised in the 'Statement of profit or loss'** | **(105,801)** | **268,931** |

# 29 Structure of the group

The Group's structure as at 31 December 2023 and 2022:

| Company name | Country of registered office | Activities profile | Effective ownership interest, % | Non-controlling interest's effective ownership interest, % |
|---|---|---|---|---|
| UAB „Ignitis“ | Lithuania | Parent company - Electricity and gas supply, trading; Expansion of EV charging stations | - | - |
| **Subsidiaries of the Group:** | | | | |
| Ignitis Polska Sp. Z o. o. | Poland | Supply and trading of electricity and natural gas | 100,00 | - |
| Ignitis Latvija SIA | Latvia | Supply of electricity and natural gas; Expansion of EV charging stations | 100,00 | - |
| Ignitis Eesti, OÜ | Estonia | Supply of electricity; Expansion of EV charging stations | 100,00 | - |
| Ignitis Suomi OY | Finland | Supply of natural gas | 100,00 | - |

# 30 Contingent liabilities and assets

## 30.1 Litigations

### 30.1.1 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 against the National Energy Regulatory Council (hereinafter referred to 'the Council') regarding the Council's decisions of the setting of the LNG price supplement. The Group's subsidiary UAB „Ignitis” in these cases is intervened 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 referred to 'Decision'). The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme which have 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.

Following the General Court's judgment, the Commission has re-examined the compatibility of the 2016 amendments and has decided to open an in-depth investigation under EU State aid rules. The Commission will now investigate further to determine whether the amount of compensation received by Litgas for the period 2016-2018, in particular regarding the boil-off and balancing costs, is in line with the SGEI Framework.

The European Commission's formal investigation procedure, limited to the points of doubt raised by the General Court, should lead to the adoption of a final and complete decision of the European Commission.

After the formal investigation procedure (which stared in December 2022) there will be more certainty in assessing the actual financial impact for the Group.

## 30.2 Regulatory assets and liabilities

### 30.2.1 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 sale price and the actual natural gas purchase price were not recognized in the financial statements till 31 December 2023 as Group had no guarantee for this difference to be considered when setting tariffs in the future according to the legislation base.

The undercollected unrecognised amount as of 31 December 2023 is EUR 437 thousand (overdercollected amount of EUR (16,072) thousand as of 31 December 2022). The management expects that underrcollected unrecognised amount EUR 437 thousand to household customers will be included in future tariffs for upcoming next 12 months period.

### 30.2.2 Designated supply of natural gas

Designated supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognize regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future. The undercollected amount of EUR 18,046 thousand as of 31 December 2023 will be included in the LNGT security component in the future (overcollected amount of EUR (52,989) thousand as of 31 December 2022).

# 31 Related-party transactions

| Related parties, in EUR thousand | Amounts receivable 31 December 2023 | Amounts payable 31 December 2023 | Loans received 31 December 2023 | Sales 2023 | Purchases 2023 | Finance income (costs) 2023 |
|---|---|---|---|---|---|---|
| AB „Ignitis grupė“ | - | 125,161 | 73,092 | - | 837 | (19,958) |
| AB „Ignitis grupė“ group's companies | 6,117 | 65,157 | 4,666 | 36,092 | 386,563 | (80) |
| State-controlled UAB EPSO-G group companies | 7,751 | 3,202 | - | 111,878 | 55,169 | - |
| **Total** | **13,868** | **193,520** | **77,758** | **147,970** | **442,569** | **(20,038)** |

| Related parties, in EUR thousand | Amounts receivable 31 December 2022 | Amounts payable 31 December 2022 | Loans received 31 December 2022 | Sales 2022 | Purchases 2022 | Finance income (costs) 2022 |
|---|---|---|---|---|---|---|
| AB „Ignitis grupė“ | - | 8,398 | 483,325 | - | 781 | (17,081) |
| AB „Ignitis grupė“ group's companies | 9,114 | 75,197 | 3,391 | 306,249 | 297,843 | 37 |
| State-controlled UAB EPSO-G group companies | 6,043 | 5,402 | - | 152,282 | 96,257 | - |
| Other related parties | 100 | - | - | 2 | - | - |
| **Total** | **15,157** | **88,997** | **486,716** | **458,531** | **394,881** | **(17,044)** |

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

During 2023 and 2022, the Group used the group's cash-pool platform. In 2023, the funds granted were repaid and additional funds were withdrawn (Note 23). Movements of loans from related parties are disclosed in a Note 23.

## 31.1 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.

## 31.2 Compensation to key management

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Wages and salaries and other current benefits to key management | 443 | 623 |
| Whereof: | | |
| *Short-term benefits* | 420 | 623 |
| *Long-term benefits* | 23 | - |
| Number of key management personnel | 6 | 8 |

In 2023 and 2022, the members of the Management Board and the Chief Executive Officer of the Group are designated as the Group's key management personnel (the Supervisory Board was also designated as key management personnel in 2022 – see below). For more information on the key management personnel, see the "Governance report" of Annual report.

In May 2023, the Supervisory Board and the Management Board of the ultimate controlling company adopted a decision to replace the Group's two-tier governance model with a one-tier governance model, i.e. to remove the Executive Board made up of employees and instead to form the Board with a supervisory function; a new composition of the Management Board was approved.

# 32 Fair values of financial instruments

## 32.1 Financial instruments measured at fair value

As at 31 December 2023 and 2022, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 3.6.3. 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 derivatives 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 Group's derivatives are measured at fair value (all allocations to hierarchy levels are presented in a table below).

## 32.2 Financial instruments for which fair value is disclosed

The fair value of the Group's financial liabilities related to loans to commercial banks and parent company's controlling shareholder 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 6.42% as at 31 December 2023 (31 December 2022: 4.80%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

### 32.3 Financial instruments' fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2023:

| EUR thousand | 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 | 28 | **8,933** | - | 8,933 | - | 8,933 |
| **Liabilities** | | | | | | |
| Derivatives | 28 | **24,689** | - | 24,689 | - | 24,689 |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Liabilities** | | | | | | |
| Loan of the parent company's controlling shareholder | 22 | **39,331** | - | 37,530 | - | 37,530 |
| AB "Ignitis grupė" group's cash-pool platform | 22 | **39,266** | - | 39,266 | - | 39,266 |

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

| EUR thousand | 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 | 28 | **62,213** | - | 62,213 | - | 62,213 |
| **Liabilities** | | | | | | |
| Derivatives | 28 | **50,362** | - | 50,362 | - | 50,362 |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Liabilities** | | | | | | |
| Loan of the parent company's controlling shareholder | 22 | **377,006** | - | 344,148 | - | **344,148** |
| Bank loans | 22 | **172,878** | | 172,878 | | **172,878** |
| AB "Ignitis grupė" group's cash-pool platform | 22 | **116,305** | - | 116,305 | - | **116,305** |

# 33 Events after the reporting period

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

# 6.2 Financial statements of the Company

**For the year ended 31 December 2023, 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 28 March 2024:

| **Artūras Bortkevičius** | **Darius Šimkus** | **Natalija Timofejeva** |
|---|---|---|
| General Manager | Director of Finance and Business Support Department | Accounting expert of UAB Ignitis grupės paslaugų centras, acting under Decision No 24_GSC_SP_0004 of 10 January 2024 |

# Statement of profit or loss

**For the year ended 31 December 2023**

| EUR thousand | Notes | 2023 | 2022 |
|---|---|---|---|
| Revenue from contracts with customers | 6 | 1,380,994 | 2,928,524 |
| Other income | 7 | 1,028 | 40,017 |
| **Total revenue and other income** | | **1,382,022** | **2,968,541** |
| Purchases of electricity, natural gas and other services | 8 | (1,465,872) | (2,846,501) |
| Salaries and related expenses | | (14,026) | (11,165) |
| Depreciation and amortisation | | (4,079) | (3,184) |
| (Impairment)/reversal of impairment of investments in subsidiaries | 14 | 7,800 | (4,100) |
| Other expenses | 9 | (21,963) | (21,161) |
| **Total expenses** | | **(1,498,140)** | **(2,886,111)** |
| **Operating profit (loss)** | | **(116,118)** | **82,430** |
| Finance income | 10 | 6,603 | 2,600 |
| Finance costs | 10 | (20,731) | (19,754) |
| **Finance activity, net** | | **(14,128)** | **(17,154)** |
| **Profit (loss) before tax** | | **(130,246)** | **65,276** |
| Income tax income (expenses) | 11 | 23,431 | (13,692) |
| **Net profit (loss) for the year** | | **(106,815)** | **51,584** |

# Statement of comprehensive income

**For the year ended 31 December 2023**

| EUR thousand | Notes | 2023 | 2022 |
|---|---|---|---|
| **Net profit (loss) for the year** | | **(106,815)** | **51,584** |
| **Other comprehensive income (expenses)** | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Change in actuarial assumptions | 22 | (16) | 14 |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | | **(16)** | **14** |
| **Items that may be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Cash flow hedges – effective portion of changes in fair value | 22 | (154,850) | 205,671 |
| Cash flow hedges – reclassified to profit or loss | 22 | 83,570 | (167,831) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | **(71,280)** | **37,840** |
| **Total other comprehensive income (expenses) for the year** | | **(71,296)** | **37,854** |
| **Total comprehensive income (expenses) for the year** | | **(178,111)** | **89,438** |

# Statement of financial position

**31 December 2023**

| EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 12 | 18,301 | 18,821 |
| Property, plant and equipment | 13 | 15,533 | 4,388 |
| Right-of-use assets | | 623 | 286 |
| Prepayments for non-current assets | | 4,587 | - |
| Investments in subsidiaries | 14 | 16,077 | 6,027 |
| Non-current receivables | 15 | 50,606 | 42,936 |
| Other financial assets | | 2,000 | 177 |
| Other non-current assets | 29.1 | 99 | 17,299 |
| Deferred tax assets | 11 | 51,470 | 19,980 |
| **Non-current assets** | | **159,296** | **109,914** |
| Inventories | 16 | 65,322 | 314,372 |
| Prepayments and deferred expenses | | 3,025 | 6,552 |
| Trade receivables | 17 | 164,411 | 448,507 |
| Other receivables | 18 | 41,311 | 119,827 |
| Other current assets | 29.1 | 8,891 | 43,826 |
| Income tax paid in advance | | 5,600 | - |
| Current loans | 15 | 380 | 17,200 |
| Cash and cash equivalents | 19 | 58,047 | 278,482 |
| **Current assets** | | **346,987** | **1,228,766** |
| **TOTAL ASSETS** | | **506,283** | **1,338,680** |
| **EQUITY AND LIABILITIES** | | | |
| Issued capital | 20.2 | 41,155 | 40,140 |
| Share premium | | 93,985 | - |
| Reserves | | | |
| Legal reserve | 21.1 | 5,151 | 2,572 |
| Hedging reserve | 21.2 | (11,050) | 60,230 |
| Retained earnings (deficit) | | (71,835) | 57,575 |
| **Equity** | | **57,406** | **160,517** |
| Non-current loans | 23 | 11,800 | 370,800 |
| Non-current lease liabilities | 24 | 408 | 47 |
| Provisions | 25 | 35,926 | 145 |
| Other non-current liabilities | 29.1 | 12,676 | 26,848 |
| **Non-current liabilities** | | **60,810** | **397,840** |
| Loans | 23 | 66,797 | 297,067 |
| Lease liabilities | 24 | 229 | 241 |
| Trade payables | 27 | 175,873 | 148,329 |
| Prepayments received | 26.2 | 15,260 | 12,026 |
| Income tax payable | | - | 33,459 |
| Provisions | 25 | 44,110 | 20,453 |
| Deferred revenue | 26.1 | - | 36,597 |
| Other current liabilities | 28 | 85,798 | 232,151 |
| **Current liabilities** | | **388,067** | **780,323** |
| **Total liabilities** | | **448,877** | **1,178,163** |
| **TOTAL EQUITY AND LIABILITIES** | | **506,283** | **1,338,680** |

# Statement of changes in equity

**For the year ended 31 December 2023**

| EUR thousand | Notes | Issued capital | Share pre-mium | Legal reserve | Hedging reserve | Retained earnings (deficit) | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | | **40,140** | **-** | **2,572** | **22,390** | **5,977** | **71,079** |
| Net profit (loss) for the year | | - | - | - | - | 51,584 | 51,584 |
| **Other comprehensive income (expenses)** | | | | | | | |
| Cash flow hedging | 22 | - | - | - | 37,840 | - | 37,840 |
| Result of change in actuarial assumptions | 22 | - | - | - | - | 14 | 14 |
| **Total other comprehensive income (expenses) for the year** | | **-** | **-** | **-** | **37,840** | **14** | **37,854** |
| **Total comprehensive income (expenses) for the year** | | **-** | **-** | **-** | **37,840** | **51,598** | **89,438** |
| **Balance as at 31 December 2022** | | **40,140** | **-** | **2,572** | **60,230** | **57,575** | **160,517** |
| **Balance as at 1 January 2023** | | **40,140** | | **2,572** | **60,230** | **57,575** | **160,517** |
| Net profit (loss) for the year | | - | - | - | - | (106,815) | (106,815) |
| **Other comprehensive income (expenses)** | | - | - | - | - | - | - |
| Cash flow hedging | 22 | - | - | - | (71,280) | - | (71,280) |
| Result of change in actuarial assumptions | 22 | - | - | - | - | (16) | (16) |
| **Total other comprehensive income (expenses) for the year** | | **-** | **-** | **-** | **(71,280)** | **(16)** | **(71,296)** |
| **Total comprehensive income (expenses) for the year** | | **-** | **-** | **-** | **(71,280)** | **(106,831)** | **(178,111)** |
| Transfer to legal reserve | | - | - | 2,579 | - | (2,579) | - |
| Dividends | 20.3 | - | - | - | - | (20,000) | (20,000) |
| Increase of issued capital | 20.2 | 1,015 | 93,985 | - | - | - | 95,000 |
| **Balance as at 31 December 2023** | | **41,155** | **93,985** | **5,151** | **(11,050)** | **(71,835)** | **57,406** |

# Statement of cash flows

**For the year ended 31 December 2023**

| EUR thousand | Notes | 2023 | 2022[1] |
|---|---|---|---|
| Net profit (loss) for the year | | (106,815) | 51,584 |
| **Adjustments:** | | | |
| Depreciation and amortisation | | 4,079 | 3,184 |
| Change in the fair value of derivatives | 29.2 | (1,398) | (12,831) |
| Impairment/(reversal of impairment) of investments in subsidiaries | 14 | (7,800) | 4,100 |
| Income tax expenses (benefit) | 11 | (23,431) | 13,692 |
| Increase (decrease) in provisions | 25 | 59,420 | 20,400 |
| Inventory write-down to net realisable value (reversal) | 16 | (88,882) | 102,912 |
| Impairment/(reversal of impairment) of financial assets | | (1,488) | 1,394 |
| Loss (gain) on disposal/write-off of property, plant and equipment | | (64) | (121) |
| Interest income | 10 | (6,266) | (2,053) |
| Interest expenses | 10 | 17,313 | 19,607 |
| Other finance costs (income) of financing activities | 10 | 3,081 | (400) |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade and other receivables | | 361,966 | (137,787) |
| (Increase) decrease in inventories, advances and deferred expenses, other non-current and current assets | | 341,459 | (214,325) |
| Increase/(decrease) in trade payables, deferred revenue, prepayments received, other non-current and current liabilities | | (194,080) | 256,554 |
| Income tax (paid) recovered | | (34,534) | (8,774) |
| **Net cash from/(used in) operating activities** | | **322,560** | **97,136** |
| Acquisition of property, plant and equipment and intangible assets | | (18,805) | (3,704) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 216 | 345 |
| Prepayments for share acquisitions, issued capital increase | 14 | (4,200) | - |
| Loans granted | 15.1 | (127,500) | (163,290) |
| Loans recovered | 15.1 | 139,000 | 143,437 |
| Interest received | 15.1 | 5,566 | 1,471 |
| Finance lease payments received | | 700 | 703 |
| Other increases / (decreases) in cash flow from investing activities | | 252 | 12 |
| **Net cash flows from investing activities** | | **(4,771)** | **(21,026)** |
| Loans received | 24 | - | 82,000 |
| Repayments of loans | 24 | (332,000) | (104,101) |
| Lease payments | 24 | (290) | (292) |
| Interest paid | 24 | (28,241) | (15,826) |
| Dividends | 20.3 | (20,000) | - |
| Net change in overdraft | 24 | (172,878) | 172,878 |
| AB “Ignitis grupė” group’s cash-pool platform, net change | 24 | (76,958) | (5,240) |
| Increase in share capital | | 95,000 | - |
| Other increases / (decreases) in cash flow from financing activities | | (2,857) | - |
| **Net cash flows from/(used in) financing activities** | | **(538,224)** | **129,419** |
| **Increase (decrease) in cash and cash equivalents** | | **(220,435)** | **205,529** |
| Cash and cash equivalents at the beginning of the year | 19 | 278,482 | 72,953 |
| **Cash and cash equivalents at the end of the year** | | **58,047** | **278,482** |

*[1] In 2023, the presentation of VAT on interest was changed from “Interest paid” to “Increase/(decrease) in trade payables, deferred revenue, prepayments received, other non-current and current amounts payable and liabilities”, with a corresponding reclassification of EUR 3,598 thousand as at 31 December 2022. Also, the amount of "Repayments of loans" is EUR 5,240 thousand reclassified to “ AB “Ignitis grupė” group’s cash-pool platform, net change".*

# Explanatory notes

## 1 General information

UAB Ignitis (hereinafter – the Company) is a private limited liability company registered in the Republic of Lithuania. The Company was registered on 02 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 2023.

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 carries out the independent supply of electricity to household customers. The Company also develops a range of smart services, offers charging solutions for electric vehicles, an electricity balancing service, solar power and other energy solutions based on technological innovations, and sells electricity origin certificates.

Shareholder of the Company:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Number of shares held | Ownership interest (%) | Number of shares held | Ownership interest (%) |
| AB "Ignitis grupė" | 141,913,794 | 100 | 138,413,794 | 100 |
| **Total** | **141,913,794** | **100** | **138,413,794** | **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 2023 and 2022. As at 31 December 2023, the shareholder structure of AB Ignitis grupė is as follows: the Ministry of Finance of the Republic of Lithuania (74.99%), and retail and institutional investors (25.01%). As at 31 December 2022: the Ministry of Finance of the Republic of Lithuania (74.99%), retail and institutional investors (25.01%).

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

As at 31 December 2023, the Company's subsidiaries were as follows:

| Subsidiary | Registered office | The Company's ownership interest, % | Main activities |
|---|---|---|---|
| Ignitis Eesti OÜ | Narva mnt 5, 10117 Tallinn, Estonia | 100 | Supply of electricity; Expansion of EV charging stations |
| Ignitis Latvija SIA | Cēsu g. 31, k-3 LV-1012 Riga, Latvia | 100 | Supply of electricity and natural gas; Expansion of EV charging stations |
| Ignitis Polska Sp.z.o.o. | Puławska g. 2A, Warsaw, 02-566, Poland | 100 | Supply and trading of electricity and natural gas |
| Ignitis Suomi OY | Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland | 100 | Supply of natural gas |

The financial statements of the Company have been prepared and signed by the Company's management on 28 March 2024. These financial statements are the separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU as required by local law ("the financial statements").

The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards as approved by International Accounting Standards Board (hereinafter referred to as 'IASB') and adopted by the European Union (hereinafter referred to as 'IFRS').

## 2 Basis of preparation of the financial statements

### 2.1 Basis of accounting

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

The Company's financial statements as at and for the year ended 31 December 2023 have been prepared on a going concern basis applying measurement based on historical 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.

### 2.2 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 the statement of profit or loss.

# 3 Summary of material accounting policies

### 3.1 Changes in accounting policy and disclosures

Accounting policy applied in preparing these financial statements is in compliance with the accounting policy applied in preparing the Company's annual financial statements for the year ended 31 December 2022, except for new standards that became effective in 2023.

#### 3.1.1 New standards, amendments to standards and interpretations

##### 3.1.1.1 Disclosure of material accounting policy information

The Company has adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make.

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

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2023.

| Standards or amendments that came into force during 2023 |
|---|
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) |
| International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) |
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts |
| Definition of Accounting Estimates (Amendments to IAS 8) |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) |

The adoption of these standards, revisions and interpretations had no material impact on the financial statements.

##### 3.1.1.3 Standards issued but not yet effective and not early adopted

In preparation of these financial statements, the Company did not apply new IFRS issued by IASB, International Accounting Standards (hereinafter referred to as 'IAS'), amendments and interpretations, the effective date of which is later than 31 December 2023 and early adoption whereof is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

##### Other standards

The following 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 |
|---|---|---|
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) | 1 January 2024 | Endorsed |
| Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback | 1 January 2024 | Endorsed |
| Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements | 1 January 2024 | Not yet endorsed |
| Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability | 1 January 2025 | Not yet endorsed |

### 3.2 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 agreements with customers are as follows:

- Sale of electricity (Note 3.2.1)
- Supply of electricity (Note 3.2.1)
- Sale of natural gas (Note 3.2.2)
- Liquefied Natural Gas Terminal Security Component Obligations (hereinafter "LNGT services") (Note 3.2.2)
- Project-based services (Note 3.2.3)

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.

### 3.2.1 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. For household customers, electricity is supplied at the public supply tariff (Note 3.2.1.2) or the independent supply tariff (Note 3.2.1.1). Electricity to non-household customers is supplied at independent supply tariff (Note 3.2.1.1).

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:

(f) price of electricity (Note 3.2.1.1, 3.2.1.2);
(g) fee for electricity supply services (Note 3.2.1.1, 3.2.1.2);
(h) price of electricity distribution services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 3.2.1.1);
(i) price of electricity system services (includes capacity reserve services) (Note 3.2.1.1);
(j) fee for PSO services (hereinafter "PSO fees") (Note 3.2.1.1).

Information on price regulation and the Company's profitability is provided in Note 3.2.4.1.

#### 3.2.1.1 Revenue from the sale of electricity

Revenue from the sale of electricity (Note 6, line "Revenue from the sale of electricity") mainly consists of sales of electricity to non-household customers and to household customers through the provision of an independent supply service under a bilateral contract.

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 3.2.1) 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 5.2.2) the Company acts as an agent. Revenue and costs from these services are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

- *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 5.2.2), 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, natural gas and other services" in the statement of profit or loss.

- *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 5.2.1). Revenue and costs from these fees are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

#### 3.2.1.2 Revenue from public supply of electricity

Revenue from public supply of electricity (Note 6, line item "Revenue from public supply of electricity") consists of the following components of the public supply tariff:

(iii) price of public electricity, and
(iv) 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 5.4), the Company estimates the amount of deferred income (Note 25) 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 agreements with the customer) the revenue from sale of electricity is recognised based on the average usage estimation method. By applying the average usage estimation method consumption of the electricity is calculated according to the historical 12 months data of electricity consumption, i.e. the average consumption for the certain period is calculated, and at the end of year is adjusted according to the actual readings.

Public electricity supply is regulated (Note 3.2.4.1).

When performing public electricity supply, through tariff paid by customers, the Company collects fees (Note 3.2.1) for other tariff components and transfers them to other entities (Note 3.2.1.1).

### 3.2.2 Natural gas related revenue

The Company's natural gas related revenue includes:

- revenue from sale of natural gas (Note 3.2.2.1),
- income of LNGT security component (Note 3.2.2.2).

Natural gas related revenue is received from business customers and household customers by providing natural 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 3.2.2.1);
(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 3.2.2.2).

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 the operator of natural gas distribution network. The Company is an agent in collection of transmission service component (Note 5.2.3), LNGT security component (Note 5.2.1) and distribution service component fees (Note 5.2.3). Revenue and costs from are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

Regulation of tariffs and the Company's profitability is presented in Note 3.2.4.2.

Accounting policy for revenue from business customers is presented in Note 3.2.2.1.

#### 3.2.2.1 Revenue from sale of natural gas

Revenue from sale of natural gas (Note 6 line item "Revenue from sale of natural gas") consists of natural gas price and supply margin. Natural as 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 natural 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 5.4), the Company estimates the amount of deferred income (Note 25) and accounts for as a contract liability. Revenue and costs from are recorded under "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

#### 3.2.2.2 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.

##### 3.2.2.2.1 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 5.2). Income and disbursements of LNGT security component (regardless whether the net of it is positive or negative) are recognised under the item "Purchases of electricity, natural gas and other services" in the statement of profit or loss. Income and disbursements of LNGT security component (regardless whether the net of it is positive or negative) are recognised under the item "Purchases of electricity, natural gas and other services" in the statement of profit or loss.

##### 3.2.2.2.2 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. The designated supply of natural gas is regulated by NERC (Note 3.2.4.2).

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 the statement of profit or loss. LNGT security component income is presented in Note 3 line item "LNGT security component income".

Revenue from LNGT security component is regulated by NERC (Note 3.2.4.2).

### 3.2.3 Other significant revenue from contracts with customers

#### 3.2.3.1 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.

### 3.2.4 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 5.2.

#### 3.2.4.1 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.

#### 3.2.4.2 Regulation of gas related activities

The NERC regulates the prices of gas transmission and distribution services and LNGT security component, in respect of which the Company acts as an agent, which are included in gas tariff for household customers

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.

### 3.3 Intangible assets

#### 3.3.1 Patents, licences

Patents and licences are initially measured at acquisition cost and amortised using the straight-line method over their estimated useful lives of 3 to 5 years, or over the specific period of validity of the licence/patent, if any. Useful life is reviewed on year-by-year basis.

### 3.3.2 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 to 4 years. Useful life is reviewed on year-by-year basis.

### 3.3.3 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.

## 3.4 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 the statement of profit or loss during the financial period in which they are incurred.

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

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

Depreciation periods (number of years):

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

## 3.5 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.

### 3.5.1 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.

### 3.5.2 Subsequent measurement of right-of-use assets

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

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

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.

### 3.6 Financial instruments

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

#### 3.6.1 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 the statement of profit or loss. Impairment loss is accounted for as the cost of receivables and impairment of loans in the statement of profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets 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:

##### 3.6.1.1 Financial assets subsequently measured at FVOCI

The Company only has derivatives subsequently measured at FVOCI. Additional information is presented in Note 3.6.3.

##### 3.6.1.2 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.

##### 3.6.1.3 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 includes Derivatives in this category (see Note 3.6.3).

##### 3.6.1.4 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 the statement of profit or loss 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, advance payment, 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).

##### 3.6.1.5 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 indicators.

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls) discounted at the original 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.

Valuation of ECLs for receivables (other than trade receivables):

- For receivables from Group companies, ECLs are assessed on an individual basis;
- For other receivables, prepayments and accrued income, ECLs are assessed on an individual basis.

The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular 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.

#### 3.6.1.6 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.

#### 3.6.1.7 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.

### 3.6.2 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, except for issued capital.

#### 3.6.2.1 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.

#### 3.6.2.2 Subsequent measurement

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

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

#### 3.6.2.3 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.

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

#### 3.6.2.4 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.

#### 3.6.2.5 Presentation

Financial liabilities are classified as current unless the Company 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 date of the balance sheet, that financial liability is classified as non-current.

#### 3.6.2.6 Effective interest rate method

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

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability.

#### 3.6.2.7 Derecognition of financial liabilities

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

### 3.6.3 Derivatives and hedge accounting

The Company enters into derivative 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.

#### 3.6.3.1 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 liabilities” and “Other current liabilities” (Note 29).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in the statement of profit or loss either as “Other income” (Note 7), if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 9).

Changes in fair value and 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:

#### 3.6.3.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in the statement of financial position, in the hedging reserve, Ineffective portion is recognised immediately in the statement of profit or loss in “Other income” or “Other expenses”. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. For a derivative to be considered effective for hedge accounting purposes, the coverage of the value of the hedged item shall be at least 67% and not more than 150%.

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

### 3.7 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.

### 3.8 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.

### 3.9 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.

### 3.9.1 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.

### 3.9.2 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 the statement of profit or loss. 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 the statement of profit or loss.

## 3.10 Employee benefits

### 3.10.1 State plans

The Company participates only in State plans. State plans are established by legislation and cover all entities and are operated by national or local government or by another body (for example, in the case of the Company, the State Social Security Fund). State plan is a defined contribution plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay employees benefits relating to employee service in the current and prior period. These contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

### 3.10.2 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.

### 3.10.3 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.

## 3.11 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.

# 4 Risk management

## 4.1 Overview

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

## 4.2 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.

### 4.2.1 Market risk

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

#### 4.2.1.1 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.

As at 31 December 2023, the Company has variable interest rate loans granted and received and is therefore exposed to interest rate risk, its revenues and cash flows are affected by fluctuations in the market interest rates.

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, the interest rate derivatives would be used for the purpose of interest management (the Company did not use interest rate derivatives in 2023 and 2022). 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 2023, loans received with variable interest rate amounted to EUR 27,000 thousand (EUR 199,878 thousand as at 31 December 2022). As at 31 December 2023, loans granted with variable interest rate amounted to EUR 44,900 thousand (EUR 56,450 thousand as at 31 December 2022).

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 |
|---|---|---|
| 2023 | 1/(1) | 179/(179) |
| 2022 | 1/(1) | (1,434)/1,434 |

As at 31 December 2023, the Company had no significant valid interest rate swaps.

#### 4.2.1.2 Energy and 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 the statement of profit or loss.

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). During the reporting period of 2023, on average 100% of all electricity hedge contracts in terms of value has been effective.

Overview of the Company's derivatives positions:

| EUR thousand | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Contractual nominal value | Market value | Contractual nominal value | Market value |
| Market derivatives – Electricity (Nasdaq commodities) | 29,246 | 2,591 | 28,822 | 101,085 |
| Over the counter (OTC) derivatives – Electricity | 50,319 | (14,363) | 154,003 | (39,261) |
| Over the counter (OTC) derivatives – Natural gas | 10,151 | (1,747) | 131,892 | 24,883 |
| **Total** | **89,716** | **(13,519)** | **314,717** | **86,707** |

Nominal amounts (quantities in MWh) hedged:

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 |
| Electricity hedges | 2,004,706 | 315,070 | - | - |
| Natural gas hedges | (321,968) | 526,327 | 6,000 | - |
| **Total** | **1,682,738** | **841,397** | **6,000** | **-** |

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

Nominal amounts hedged:

| | 31 December 2023 | | | |
|---|---|---|---|---|
| EUR thousand | 2024 | 2025 | 2026 | 2027 |
| Electricity hedges | 66,194 | 13,370 | - | - |
| Natural gas hedges | (15,367) | 25,282 | 237 | - |
| **Total** | **50,827** | **38,652** | **237** | **-** |

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

| EUR thousand | 31 December 2023 | | |
|---|---|---|---|
| | Increase by 10% | Current prices | Decrease by 10% |
| | Market value | Market value | Market value |
| Market derivatives – Electricity (Nasdaq commodities) | 5,600 | 2,591 | (736) |
| Over the counter (OTC) derivatives – Electricity | (10,082) | (14,363) | (17,398) |
| Over the counter (OTC) derivatives – Natural gas | (1,106) | (1,747) | (2,388) |
| **Total** | **(5,588)** | **(13,519)** | **(20,522)** |

### 4.2.1.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk arises from operating activities (trade and other amounts receivable) and from financing activities (granted loans, finance lease agreements, derivatives). The Company's risk related to cash is limited, as the Company keeps cash balances only in reliable financial institutions.

The Company is not exposed to significant credit risk concentration related to trade and other amounts receivable.

To make optimal decisions on the possibility of concluding agreements with the Company's customers, the Company follows a process and criteria for assessing the solvency of its customer, organises a financial/expert due diligence and, on the basis of the information obtained, makes a decision on the customer's risk. The agreements are concluded with the Company's 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 Customer Solvency Risk Management Standard.

The Company measures receivables using expected credit loss provision matrix (Note 5.3.1) or on an individual basis (Note 5.3.2), 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 is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

| EUR thousand | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Financial assets measured at amortised cost** | | | |
| Non-current receivables | 15 | 50,606 | 42,936 |
| Trade receivables | 17 | 164,411 | 448,507 |
| Other receivables | 18 | 30,229 | 83,196 |
| Current loans | | 380 | 17,200 |
| Cash and cash equivalents | 19 | 58,047 | 278,482 |
| **Financial assets measured at FVPL or FVOCI** | | | |
| Derivatives | 29 | 8,990 | 61,125 |
| **Total** | | **312,663** | **931,446** |
| **Off-balance sheet commitments:** | | | |
| Guarantees issued | 30.3 | - | 1,594 |
| **Total** | | **312,663** | **933,040** |

### 4.2.2 Liquidity risk

The liquidity risk is managed by planning future cash flows of the entities 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 2023, the Company's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 0.89 (see Note 4.3 "Going concern") and 0.73 respectively (31 December 2022: 1.57 and 1.17 respectively). As at 31 December 2023, the Company's balance of credit and overdraft facilities not withdrawn amount to EUR 441,042 thousand (31 December 2022 – EUR 291,206 thousand).

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

| EUR thousand | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Amounts payable measured at amortised cost** | | | |
| Loans | 23 | 78,597 | 667,867 |
| Lease liabilities | | 637 | 288 |
| Trade payables | 27 | 175,873 | 148,329 |
| Other current liabilities | | 12,343 | 58,492 |
| **Financial liabilities measured at FVPL or FVOCI** | | | |
| Derivatives | 29 | 25,100 | 75,502 |
| **Total** | | **292,550** | **950,478** |

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):

| EUR thousand | 2023 | | | | Total |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | From 1 to 5 years | After 5 years | |
| Loans | 66,941 | 185 | 13,298 | - | **80,424** |
| Lease liabilities | 66 | 198 | 452 | - | **716** |
| Trade payables | 99,028 | 76,845 | - | - | **175,873** |
| Other current liabilities | 12,343 | - | - | - | **12,343** |
| Derivative financial instruments | 2,619 | 9,805 | 12,676 | - | **25,100** |
| **31 December 2023** | **180,997** | **87,033** | **26,426** | **-** | **294,456** |

| EUR thousand | 2022 | | | | Total |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | From 1 to 5 years | After 5 years | |
| Loans | 177,459 | 129,079 | 351,305 | 46,237 | **704,080** |
| Lease liabilities | 76 | 170 | 47 | - | **293** |
| Trade payables | 148,329 | - | - | - | **148,329** |
| Other current liabilities | 58,492 | - | - | - | **58,492** |
| Derivatives | 23,561 | 25,093 | 26,848 | - | **75,502** |
| **31 December 2022** | **407,917** | **154,342** | **378,200** | **46,237** | **986,696** |

## 4.3 Going concern

The financial statements were prepared based on the going concern assumption. During 2023 financial year, the Company experienced a loss. Also, although the Company's current liabilities exceeded current assets by EUR 41,080 thousand as at 31 December 2023 (did not exceed as at 31 December 2022), the Company's management believes that this will not affect the Company's ability to continue as a going concern. The Company plans to cover the difference between current assets and current liabilities from positive cash flows from operating activities during 2024 and from available but not yet utilised loan limits.

On 7 March 2024, the Company's parent company AB Ignitis grupė submitted a confirmation letter which states that it will continue providing financial support to the Company for at least 12 months following the date of this letter to enable the Company to continue trading activities and meet its liabilities.

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

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

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.

## 5.1 Impact of climate change

The Company pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the activities of the parent company. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Read more on the impact of climate change and the parent company's approach on managing it in section "5.1 Sustainability overview" of the annual report.

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

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

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

### Impact of climate change on provision for risk and on ECL

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

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

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

### 5.2.1 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 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.

### 5.2.2 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. 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 agreements with customers;
- The Company also does not bear inventory risk since price of transmission and distribution 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.

### 5.2.3 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 the Company acts as an agent. The management relied on the following arguments:

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

## 5.3 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.

### 5.3.1 Collective assessment of ECL applying provision matrix

The Company uses provision matrices to calculate ECL for trade receivables. The provision rates are based on days past due or allocation 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 17.

### 5.3.2 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.

## 5.4 Estimation of over declaration of natural gas usage 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 natural gas in the last months of the year.

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.

## 5.5 Regulated activities: accrued income and provisions

Profitability of the Company's public electricity supply 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.

### 5.5.1 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 (AB "Ignitis grupė" 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 that if the Company discontinues public supply services, the Company must refund raised discrepancies between the forecasted and actual 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. The difference shall be reimbursed by 31 December 2025.

With regard what is said above, the Company recognises contract assets and/or contract 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 2023, the current part of a payable of EUR 13,171 thousand (31 December 2022: payable of EUR 20,335 thousand) to be set-off with the future regulatory differences of public supply activity within one year. The payable amount was accounted in the current liabilities under the caption "Provisions" (Note 25).

## 5.6 Assessment of impairment of investments in subsidiaries

As at 31 December 2023, the Company's management carried out an impairment test to determine existence of indications of impairment for investments into subsidiaries with reference to the external factors (changes in economic and regulatory environment, market composition, interest rate, etc.) and internal factors (return on investments, results of operations, etc.) that might have impact on impairment of investments into subsidiaries and receivables (Note 14).

## 5.7 Assessment of onerous contracts

As at 31 December 2023, the Company's management carried out a review of whether the Company has loss-making power purchase agreements. It was found that the Company has such contracts relating to the purchase of electricity which were entered into in the high commodity price environment prevailing in the second half of 2022. In the case of such contracts, the lesser of the cost incurred in the event of continuation of the contract or the termination of the contracts and the contractual penalty is recorded (Note 25).

# 6 Revenue from contracts with customers

## 6.1 Revenue from contracts with customers by type

| EUR thousand 2023 | Non-household customers | Household customers | Total |
|---|---|---|---|
| Revenue from sale of natural gas | 432,345 | 271,775 | **704,120** |
| Revenue from the sale of electricity | 340,829 | 256,359 | **597,188** |
| Revenue from public supply of electricity | - - | 48,423 | **48,423** |
| Revenue from project activities | 13,570 | 6,455 | **20,025** |
| Revenue from the LNGT security component | 11,235 | - | **11,235** |
| Other | 3 | - | **3** |
| **Total** | **797,982** | **583,012** | **1,380,994** |

| EUR thousand 2022 | Non-household customers | Household customers | Total |
|---|---|---|---|
| Revenue from sale of natural gas | 1,366,378 | 348,403 | **1,714,781** |
| Revenue from the sale of electricity | 772,212 | 163,820 | **936,032** |
| Revenue from public supply of electricity | - | 239,414 | **239,414** |
| Revenue from project activities | 10,783 | 8,477 | **19,260** |
| Revenue from the LNGT security component | 18,995 | - | **18,995** |
| Other | 42 | - | **42** |
| **Total** | **2,168,410** | **760,114** | **2,928,524** |

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

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Performance obligation settled over time | 1,303,494 | 2,459,670 |
| Performance obligation settled at a point of time | 77,500 | 468,854 |
| **Total** | **1,380,994** | **2,928,524** |

## 6.2 Contract balances

| EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Trade receivables** | 17 | **164,411** | **448,507** |
| **Contract assets** | | **11,082** | **36,631** |
| Other accrued revenue | | 5,945 | 6,507 |
| Accrued revenue from gas sales | 18 | 5,035 | 28,704 |
| Accrued revenue from electricity related sales | 18 | 102 | 1,420 |
| **Contract liabilities** | | **15,247** | **47,801** |
| Prepayments received | 26.2 | 15,247 | 11,204 |
| Deferred revenue | 26.1 | - | 36,597 |

### 6.2.1 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 17 and 18.

### 6.2.2 Contract liabilities

| EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Current | 26 | 15,247 | 47,801 |

## 6.3 Rights to returned goods assets and refund liabilities

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

# 7 Other income

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Interest on late payments | 864 | 581 |
| Other income | 100 | 302 |
| Gain on disposal of non-current assets | 64 | 121 |
| Ineffective hedging result (Note 29) | - | 39,013 |
| **Total** | **1,028** | **40,017** |

# 8 Purchases of electricity, natural gas and other services

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Purchases of electricity and related services for trade | 751,846 | 1,249,475 |
| Purchases of natural gas and related services for trade in gas | 698,956 | 1,580,708 |
| Purchases of sub-contractual services | 15,070 | 16,318 |
| **Total** | **1,465,872** | **3,846,501** |

# 9 Other expenses

| EUR thousand | 2023 | 2022[1] |
|---|---|---|
| Customer service | 7,995 | 9,108 |
| Telecommunications and IT services | 3,381 | 3,393 |
| Consultation services | 2,979 | 2,135 |
| Ineffective hedging result (Note 29) | 2,625 | - |
| Public relationship and marketing services | 1,539 | 1,292 |
| Tax (other than income tax) expenses | 1,158 | 455 |
| Personnel development | 806 | 460 |
| Other | 1,480 | 4,318 |
| **Total** | **21,963** | **21,161** |

*[1]in 2023 "Writing-off of long-term and short-term receivables (bad debts)" was classified by the company in other lines, so the comparative figures for 2022 were accordingly changed by reclassification of 1,394 thousand. Eur from "Long-term and short-term receivables write-offs (bad debts)" to "Other".*

# 10 Financing activities

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Interest income at the effective interest rate | 6,266 | 2,053 |
| Other income from financing activities | 337 | 547 |
| **Total finance income** | **6,603** | **2,600** |
| Interest expenses | 17,313 | 19,607 |
| Negative effect of changes in exchange rates | 1 | 1 |
| Other finance costs | 3,417 | 146 |
| **Finance costs, total** | **20,731** | **19,754** |
| **Financing activities, total** | **(14,128)** | **(17,154)** |

# 11 Income taxes

## 11.1 Recognised in profit or loss

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Income tax expenses (benefit) | - | 31,627 |
| Adjustments in respect of current income tax expenses (benefit) of previous year | (4,523) | 300 |
| Deferred income tax expenses (benefit) | (18,908) | (18,235) |
| **Total** | **(23,431)** | **13,692** |

## 11.2 Reconciliation of effective tax rate

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:

| EUR thousand | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| Profit (loss) before tax | | (130,246) | | 65,276 |
| Income tax expenses (benefit) at tax rate of 15% | 15.00% | (19,537) | 15.00% | 9,791 |
| Non-taxable income and non-deductible expenses | (0.75%) | 629 | 5.52% | 3,601 |
| Adjustments in respect of prior years | 5.39% | (4,523) | 0.46% | 300 |
| **Income tax expenses (benefit)** | **19.64%** | **(23,431)** | **20.98%** | **13,692** |

## 11.3 Deferred tax

| EUR thousand | 31 December 2021 | Recognised in profit or loss | Recognised in other comprehensive income | 31 December 2022 | Recognised in profit or loss | Recognised in other comprehensive income | 31 December 2023 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Accrued expenses | 2,184 | 1,378 | - | 3,562 | (492) | - | 3,070 |
| Impairment of trade and other receivables | 987 | 166 | - | 1,153 | (223) | - | 930 |
| Lease liabilities (IFRS 16) | 61 | (17) | - | 44 | 52 | - | 96 |
| Differences of financial and tax value (PPE) | 2,217 | (258) | - | 1,959 | (257) | - | 1,702 |
| Non-current employee benefits | 123 | (108) | (2) | 13 | 4 | 3 | 19 |
| Inventories write down to NRV | 99 | 15,438 | - | 15,537 | (13,333) | - | 2,204 |
| Tax losses carry forward | - | - | - | - | 20,741 | 12,579 | 33,320 |
| Provision for onerous contracts | - | - | - | - | 9,980 | - | 9,980 |
| Other | 139 | (6) | - | 133 | 122 | - | 255 |
| **Deferred tax assets** | **5,810** | **16,593** | **(2)** | **22,401** | **16,594** | **12,582** | **51,577** |
| **Deferred income tax liability** | | | | | | | |
| Accrued revenue | 1,955 | (1,955) | - | - | - | - | - |
| Right-of-use assets (IFRS 16) | 61 | (17) | - | 44 | 52 | - | 96 |
| Derivative financial instruments | 2,047 | 330 | - | 2,377 | (2,366) | - | 11 |
| **Deferred tax liability** | **4,063** | **(1,642)** | **-** | **2,421** | **(2,314)** | **-** | **107** |
| **Net deferred tax** | **1,747** | **18,235** | **(2)** | **19,980** | **18,908** | **12,582** | **51,470** |

The Company has assessed the realisability of deferred tax assets recognised on tax losses carry forward. The Company estimates that the deferred assets will be realised when the Company earns a profit.

# 12 Intangible assets

| EUR thousand | Patents and licences | Computer software | Intangible assets identified in a business combination | Software projects in progress | Total |
|---|---|---|---|---|---|
| **Acquisition cost at 1 January 2022** | 10 | 3,564 | 43,958 | 19 | **47,551** |
| Additions | - | 785 | - | 1,914 | **2,699** |
| Reclassifications between categories | - | 711 | - | (711) | **-** |
| **Acquisition cost at 31 December 2022** | **10** | **5,060** | **43,958** | **1,222** | **50,250** |
| | | | | | |
| **Accumulated amortisation at 1 January 2022** | **(8)** | **(1,480)** | **(27,640)** | **-** | **(29,128)** |
| Amortisation | (2) | (1,101) | (1,198) | - | **(2,301)** |
| **Accumulated amortisation at 31 December 2022** | **(10)** | **(2,581)** | **(28,838)** | **-** | **(31,429)** |
| **Carrying amount as at 31 December 2022** | **-** | **2,479** | **15,120** | **1,222** | **18,821** |
| | | | | | |
| **Acquisition cost at 1 January 2023** | 10 | 5,060 | 43,958 | 1,222 | **50,250** |
| Additions | - | 190 | - | 2,415 | **2,605** |
| Reclassifications between categories | - | 1,146 | - | (1,146) | **-** |
| **Acquisition cost at 31 December 2023** | **10** | **6,396** | **43,958** | **2,491** | **52,855** |
| | | | | | |
| **Accumulated amortisation at 1 January 2023** | (10) | (2,581) | (28,838) | - | (31,429) |
| Amortisation | - | (1,927) | (1,198) | - | (3,125) |
| **Accumulated amortisation at 31 December 2023** | **(10)** | **(4,508)** | **(30,036)** | **-** | **(34,554)** |
| **Carrying amount as at 31 December 2023** | **-** | **1,888** | **13,922** | **2,491** | **18,301** |

As at 31 December 2023, the Company carried out an analysis to determine existence of indications of impairment for intangible assets. The Company considered information from external and internal sources of information.

For the purpose to determine impairment indications it is assessed whether at least one of the following criteria exists:

1. actual EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) is less than budgeted EBITDA;
2. actual Adjusted net profit is less than the actual dividends paid;
3. carrying amount of intangible assets is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications. Additionally, the management assessed whether during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate. Management has identified indicators of possible impairment in respect of the intangible assets. Having identified the indications of impairment of hedging activity and balancing services, the Company performed impairment tests as at 31 December 2023, as the Company incurred a loss during the financial year. The impairment test showed that no impairment needs to be recognised as at 31 December 2023 in respect of intangible assets.

*Assets identified during business combination: hedging activity*
The carrying amount of derivative trading activities that were acquired in previous periods as at 31 December 2023 was EUR 4,980 thousand (31 December 2022: EUR 5,395 thousand). Amortisation is calculated over a period of 20 years.

*Assets identified during business combination: balancing services*
The carrying amount of balancing services that were acquired in previous periods was EUR 6,884 thousand as at 31 December 2023 (31 December 2022: EUR 7,458 thousand). Amortisation is calculated over a period of 20 years.

As at 31 December 2023, the Company performed a collective impairment test for the above intangible assets. The impairment test did not indicate that an impairment of the intangible assets should be recognised.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2032;
2. the average working capital at EUR 117.8 million;
3. discount rate of 7.1% (post-tax) was used to calculate discounted cash flows.

The Company exercised the fair value assessment analysis of unobservable inputs variation relying on the sensitivity of the rate of return on investment (WACC). The possible recoverable amount changes due to variation of this input are disclosed in table below (EUR million):

| EUR million | WACC (post-tax) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 5,60% | 6,10% | 6,60% | 7,1% | 7,60% | 8,10% | 8,60% |
| Δ | -1,50% | -1,00% | -0,50% | 0,0% | 0,50% | 1,00% | 1,50% |
| Change in recoverable amount (EUR million) | 32,74 | 19,43 | 8,78 | - | -7,39 | -13,72 | -19,23 |

*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 2023 was EUR 2,058 thousand (31 December 2022: EUR 2,267 thousand). Amortisation is calculated over a period of 15 years. The Company carried out an impairment test. The impairment test showed that no impairment needs to be recognised as at 31 December 2023 in respect of this intangible asset.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2032;
2. the average working capital at EUR 22.4 million;
3. discount rate of 7.1% (post-tax) was used to calculate discounted cash flows.

The Company exercised the fair value assessment analysis of unobservable inputs variation relying on the sensitivity of the rate of return on investment (WACC). The possible recoverable amount changes due to variation of this input are disclosed in table below (EUR million):

| EUR million | WACC (post-tax) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 5,60% | 6,10% | 6,60% | 7,1% | 7,60% | 8,10% | 8,60% |
| Δ | -1,50% | -1,00% | -0,50% | 0,0% | 0,50% | 1,00% | 1,50% |
| Change in recoverable amount (EUR million) | 5,40 | 3,93 | 2,53 | - | -0,09 | -1,33 | -2,51 |

### 12.1 Fully amortised intangible assets

The cost of acquisition of fully amortised intangible assets used by the Company was as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Patents and licences | 1 | 1 |
| Computer software | 2,913 | 153 |
| **Cost of fully amortised assets, total** | **2,914** | **154** |

### 12.2 Acquisition commitments

The Company has no significant acquisition commitments of intangible assets which will have to be fulfilled during the later years.

### 12.3 Pledged assets

As at 31 December 2023 and 2022, the Company did not have pledged non-current intangible assets.

# 13 Property, plant and equipment

| EUR thousand | Solar plants | Other property, plant and equipment | Construction in progress | Total |
|---|---|---|---|---|
| **Acquisition cost at 1 January 2022** | 2,414 | 1,780 | 70 | **4,264** |
| Additions | - | 7 | 1,764 | **1,771** |
| Sales | (303) | - | - | **(303)** |
| Reclassifications between categories | - | 63 | (63) | **-** |
| **Acquisition cost at 31 December 2022** | **2,111** | **1,850** | **1,771** | **5,732** |
| **Accumulated depreciation at 1 January 2022** | (277) | (554) | - | **(831)** |
| Depreciation | (238) | (353) | - | **(591)** |
| Sales | 78 | - | - | **78** |
| **Accumulated depreciation at 31 December 2022** | **(437)** | **(907)** | **-** | **(1,344)** |
| **Carrying amount as at 31 December 2022** | **1,674** | **943** | **1,771** | **4,388** |
| **Acquisition cost at 1 January 2023** | 2,111 | 1,850 | 1,771 | **5,732** |
| Additions | - | - | 11,950 | **11,950** |
| Sales | (237) | - | - | **(237)** |
| Reclassifications (to)/from inventories | - | (15) | - | **(15)** |
| Reclassifications between categories | 2,207 | 1,172 | (3,379) | **-** |
| **Acquisition cost at 31 December 2023** | **4,081** | **3,007** | **10,342** | **17,430** |
| **Accumulated depreciation at 1 January 2023** | (437) | (907) | - | **(1,344)** |
| Depreciation | (226) | (423) | - | **(649)** |
| Sales | 85 | - | - | **85** |
| Reclassifications (to)/from inventories | - | 11 | - | **11** |
| **Accumulated depreciation at 31 December 2023** | **(578)** | **(1,319)** | **-** | **(1,897)** |
| **Carrying amount as at 31 December 2023** | **3,503** | **1,688** | **10,342** | **15,533** |

### 13.1 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:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Other property, plant and equipment | 30 | 17 |
| **Total** | **30** | **17** |

### 13.2 Acquisition commitments

As at 31 December 2023 and 2022, the Company had no significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years.

### 13.3 Pledged property, plant and equipment

As at 31 December 2023 and 2022, the Company did not have pledged property, plant and equipment.

# 14 Investments in subsidiaries

The Company's investments in subsidiaries as at 31 December 2023:

| Company name, EUR thousand | Ownership interest (%) | Acquisition cost | Impairment | Carrying amount |
|---|---|---|---|---|
| Ignitis Eesti OÜ | 100 | 85 | - | 85 |
| Ignitis Latvija SIA | 100 | 11,500 | - | 11,500 |
| Ignitis Polska Sp.z.o.o. | 100 | 6,192 | (4,100) | 2,092 |
| Ignitis Suomi OY | 100 | 2,400 | - | 2,400 |
| **Total** | | **20,177** | **(4,100)** | **16,077** |

The Company's investments in subsidiaries as at 31 December 2022:

| Company name, EUR thousand | 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 | 6,192 | (4,100) | 2,092 |
| Ignitis Suomi OY | 100 | 200 | - | 200 |
| **Total** | | **17,927** | **11,900)** | **6,027** |

### 14.1 Impairment of investments (reversal of impairment) as at 31 December 2023

As at 31 December 2023, the Company carried out an analysis to determine existence of indications of impairment for investments in subsidiaries. The Company considered information from external and internal sources of information.

For the purpose to determine impairment indications it is assessed whether at least one of the following criteria exists (except for Ignitis Eesti, as the subsidiary only started active expansion in 2023):

1. actual EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) is less than budgeted EBITDA;
2. actual Adjusted net profit is less than the actual dividends paid;
3. carrying amount of investment is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications. Additionally, the management assessed whether during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate. Management has identified indicators of possible impairment in respect of the investments in subsidiaries Ignitis Polska and Ignitis Suomi. Having identified the indications of impairment of investments in subsidiaries, the Company performed impairment tests as at 31 December 2023, which showed that no impairment needs to be recognised as at 31 December 2023 in respect of investments in subsidiaries.

Accordingly, for the purpose of determining whether there is any indication of impairment of the investment in the subsidiary Ignitis Latvija, it was determined that the carrying amount of the net assets of the subsidiary exceeded the carrying amount of the investment as at 31 December 2023. Having tested the value of the investment in the subsidiary, an impairment reversal of EUR 7,800 thousand was made, which is accounted for in the Profit (retained earnings) statement in the line "(Impairment)/reversal of impairment of investments in subsidiaries".

#### Ignitis Polska Sp.z.o.o.

As at 31 December 2023, the Company tested investment in the subsidiary Ignitis Polska for impairment. The impairment test did not indicate that an impairment of the investment in the subsidiary Ignitis Polska should be recognised.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2033;
2. the average EBITDA margin is estimated at 0.8% and the average working capital at EUR 11.9 million;
3. discount rate of 7.3% (post-tax) (8.96% pre-tax) was used to calculate discounted cash flows.

The Company exercised the fair value assessment analysis of unobservable inputs variation relying on the sensitivity of the rate of return on investment (WACC). The possible recoverable amount changes due to variation of this input are disclosed in table below (EUR million):

| EUR million | WACC (post-tax) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 5.8% | 6.3% | 6.8% | 7.3% | 7.8% | 8.3% | 8.8% |
| Δ | (1.5%) | (1.0%) | (0.5%) | 0.0% | 0.5% | 1.0% | 1.5% |
| Change in recoverable amount (EUR million) | 7.3 | 4.3 | 2.0 | - | (1.6) | (3.0) | (4.2) |

#### Ignitis Suomi OY

As at 31 December 2023, the Company tested investment in the subsidiary Ignitis Suomi for impairment. The impairment test did not indicate that an impairment of the investment in the subsidiary Ignitis Suomi should be recognised.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2029;
2. the average EBITDA margin is estimated at 1.2% and the average working capital at EUR 4.2 million;
3. discount rate of 6.3% (post-tax) (7.86% pre-tax) was used to calculate discounted cash flows.

The Company exercised the fair value assessment analysis of unobservable inputs variation relying on the sensitivity of the rate of return on investment (WACC). The possible recoverable amount changes due to variation of this input are disclosed in table below (EUR million):

| EUR million | WACC (post-tax) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 4.8% | 5.3% | 5.8% | 6.3% | 6.8% | 7.3% | 7.8% |
| Δ | (1.5%) | (1.0%) | (0.5%) | 0.0% | 0.5% | 1.0% | 1.5% |
| Change in recoverable amount (EUR million) | 0.6 | 0.4 | 0.2 | - | (0.2) | (0.4) | (0.6) |

#### Ignitis Latvija SIA

As at 31 December 2023, the Company performed an impairment test for the value of its investment in the subsidiary Ignitis Latvija. Having tested the value of the investment in the subsidiary, an impairment reversal of EUR 7,800 thousand was made.

The impairment test in 2023 was performed using the discounted cash flow method and using the following key assumptions:

1. cash flows were planned until 2033;
2. the average EBITDA margin is estimated at 1.5% and the average working capital at EUR 7.8 million;
3. discount rate of 6.8% (post-tax) (8.49% pre-tax) was used to calculate discounted cash flows.

The Company carried out a sensitivity analysis of the fair value measurement to changes in unobservable inputs, which did not identify any significant assumptions that could affect the valuation result.

### 14.2 Movement of the Company's investments

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

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Carrying amount as at 1 January** | **6,027** | **6,274** |
| Increase in issued capital of subsidiaries | 2,250 | 3,853 |
| (Impairment)/reversal of impairment of investments in subsidiaries | 7,800 | (4,100) |
| **Carrying amount as at 31 December** | **16,077** | **6,027** |

In January 2023, the issued capital of Ignitis Eesti OÜ was increased by capitalising a loan – EUR 50 thousand.
In December 2023, the equity capital of Ignitis Suomi OY was increased – EUR 2,200 thousand.

In December 2023, a prepayment of EUR 2,000 thousand was made for the equity capital increase of Ignitis Eesti OÜ.

## 15 Non-current receivables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Loans granted | 44,900 | 39,400 |
| Finance lease | 5,706 | 3,536 |
| **Total** | **50,606** | **42,936** |
| Less: loss allowance | - | - |
| **Carrying amount** | **50,606** | **42,936** |

### 15.1 Loans granted

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Within 1 year | 380 | 17,200 |
| From 1 to 2 years | 44,900 | 39,400 |
| **Carrying amount** | **45,280** | **56,600** |

Movement of loans granted during 2023 and 2022 and reconciliation with cash flow statement:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Balance as at 1 January** | **56,600** | **40,512** |
| Loans granted | 127,500 | 163,290 |
| Interest calculated | 6,122 | 1,559 |
| Capitalised loans (Note 14) | (50) | (3,853) |
| Loans recovered | (139,000) | (143,437) |
| Interest paid | (5,566) | (1,471) |
| Reclassified from/(to) other receivables | (326) | - |
| **Carrying amount as at 31 December** | **45,280** | **56,600** |

### 15.2 Finance lease

| **EUR thousand** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Non-current receivables | 5,706 | 3,536 |
| Other receivables (Note 18) | 943 | 642 |
| **Carrying amount** | **6,649** | **4,178** |

The Company's amounts receivable under the energy saving services agreements are included in the line items "Amounts receivable after one year" and "Other receivables".

| **EUR thousand** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| **Minimum payments** | | |
| Within the first year | 1,050 | 772 |
| From two to five years | 4,091 | 2,994 |
| More than five years | 1,832 | 865 |
| **Total** | **6,973** | **4,631** |
| **Unearned finance income** | | |
| Within the first year | (107) | (130) |
| From two to five years | (212) | (293) |
| More than five years | (5) | (30) |
| **Total** | **(324)** | **(453)** |
| **Carrying amount** | **6,649** | **4,178** |

As at 31 December 2023 and 2022, the Company assessed whether credit risk of finance lease clients has increased significantly and did not establish a significant increase in credit risk.

## 16 Inventories

| **EUR thousand** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Natural gas | 60,760 | 302,444 |
| Consumables, raw materials and spare parts | 4,562 | 11,928 |
| **Carrying amount** | **65,322** | **314,372** |

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 2023, the latter quantity comprised 480 GWh or EUR 16,851 thousand (31 December 2022: 496 GWh or EUR 53,209 thousand).

The Company's inventories expensed were as follows:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Natural gas | 737,280 | 1,455,521 |
| Consumables, raw materials and spare parts | 14,803 | 16,002 |
| **Total** | **752,083** | **1,471,523** |

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

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Carrying amount as at 1 January** | **103,576** | **664** |
| Additional write-down to net realisable value | 1,430 | 102,912 |
| Reversal of write-down to net realisable value | (90,312) | - |
| **Carrying amount as at 31 December** | **14,694** | **103,576** |

The reversal of write-down to net realisable value was made during 2023 as the natural gas purchased in 2023 was purchased at a lower price and at the year-end the difference between the value of the inventory and the market price was comparatively small. In 2023, natural gas stocks were also decreasing.

# 17 Trade receivables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Amounts receivable from contracts with customers** | | |
| Receivables for electricity/natural gas – non-household customers | 96,964 | 371,774 |
| Receivables for electricity/natural gas – household customers | 66,031 | 73,367 |
| Other trade receivables | 7,615 | 11,033 |
| **Total** | **170,610** | **456,174** |
| Less: loss allowance | (6,199) | (7,667) |
| **Carrying amount** | **164,411** | **448,507** |

As at 31 December 2023 and 2022, the Company has not pledged the right of claim to trade receivables.

No interest is charged on trade receivables and the regular settlement period is 15 to 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The management didn't identify any significant financing component. For terms and conditions on settlement between related parties see Note 31.

### Loss allowance 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 2023 that are assessed on a collective basis using the loss ratio matrix:

| EUR thousand | Loss ratio | Trade receivables | Loss allowance |
|---|---|---|---|
| Not past due | 0.21 | 61,516 | 131 |
| Up to 30 days | 1.89 | 3,968 | 75 |
| 30-60 days | 5.50 | 1,090 | 60 |
| 60-90 days | 13.32 | 548 | 73 |
| 90-120 days | 21.68 | 309 | 67 |
| More than 120 days | 72.57 | 5,487 | 3,982 |
| **31 December 2023** | **6.02** | **72,918** | **4,388** |

The Company's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

| EUR thousand | Loss ratio | Trade receivables | Loss allowance |
|---|---|---|---|
| Not past due | 0.27 | 60,153 | 163 |
| Up to 30 days | 1.47 | 3,959 | 58 |
| 30-60 days | 3.45 | 1,333 | 46 |
| 60-90 days | 8.17 | 514 | 42 |
| 90-120 days | 14.14 | 290 | 41 |
| More than 120 days | 73.87 | 4,611 | 3,406 |
| **31 December 2022** | **5.30** | **70,860** | **3,756** |

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.

### Loss allowance 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 2023 that are assessed on a collective basis using the internal rating system:

| Internal ratings | Trade receivables | Loss allowance |
|---|---|---|
| A | 72,378 | 184 |
| B | 12,108 | 129 |
| C | 6,067 | 113 |
| D | 460 | 62 |
| E | 1,534 | 1,323 |
| **31 December 2023** | **92,547** | **1,811** |

The table below presents information on the Company's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the internal rating system:

| Internal ratings | Trade receivables | Loss allowance |
|---|---|---|
| A | 165,758 | 995 |
| B | 37,002 | 466 |
| C | 11,818 | 304 |
| D | 2,809 | 383 |
| E | 1,879 | 1,763 |
| **31 December 2022** | **219,266** | **3,911** |

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.

### Loss allowance 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 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| EUR thousand | Trade receivables | Loss allowance | Trade receivables | Loss allowance |
| Not past due | 5,101 | - | 166,048 | - |
| Up to 30 days | 33 | - | - | - |
| 30-60 days | - | - | - | - |
| 60-90 days | - | - | - | - |
| 90-120 days | 11 | - | - | - |
| More than 120 days | - | - | - | - |
| **Carrying amount** | **5,145** | **-** | **166,048** | **-** |

Loss allowance of amounts receivable is stated in profit or loss of the statement of profit or loss.

Movements in the loss allowance of trade receivables during the year 2023 and 2022 were as follows:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Carrying amount as at 1 January** | **7,667** | **6,273** |
| Loss allowance during the year | 2,491 | 1,893 |
| Reversal of loss allowance | (3,959) | (499) |
| **Carrying amount as at 31 December** | **6,199** | **7,667** |

# 18 Other receivables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Deposits for electricity related derivatives in electricity market | 17,895 | 56,452 |
| Deposits for natural gas related derivatives to commodity traders | 10,680 | 24,950 |
| Other accrued revenue | 5,945 | 6,507 |
| Accrued revenue from natural gas sales | 5,035 | 28,704 |
| Current portion of finance lease (Note 15.2) | 943 | 642 |
| Accrued revenue from electricity sales | 102 | 1,420 |
| Other receivables | 711 | 1,152 |
| **Total** | **41,311** | **119,827** |
| Less: loss allowance | - | - |
| **Carrying amount** | **41,311** | **119,827** |

As at 31 December 2023, financial assets amount to EUR 30,229 thousand (31 December 2022: EUR 83,196 thousand). Financial assets exclude contract assets and value added tax.

## 18.1 Deposits for electricity and natural gas related 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 natural 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. In the Company's assessment, the expected credit losses on derivative-related deposits are insignificant and therefore not accounted for.

# 19 Cash and cash equivalents

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash balances in bank accounts | 51,125 | 271,495 |
| Cash in transit | 6,922 | 6,978 |
| Restricted cash | - | 9 |
| **Carrying amount** | **58,047** | **278,482** |

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 2023, the amount of payments collected on behalf of such developers amounted to EUR 1,247 thousand (31 December 2022: EUR 1,556 thousand).

# 20 Equity

## 20.1 Capital 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. As at 31 December 2023, 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 form their 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.

## 20.2 Issued capital

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Issued capital** | | |
| Ordinary shares | 41,155 | 40,140 |
| **Ordinary shares issued and fully paid** | **41,155** | **40,140** |

As at 31 December 2023, the Company's issued capital comprised EUR 41,155 thousand and was divided in to 141,913,794 registered ordinary shares with par value is EUR 0.29 of each. (As at 31 December 2022 – EUR 40,140 thousand and was divided in to 138,413,794 registered ordinary shares with par value is EUR 0.29 of each.)

On 5 September 2023, the sole shareholder decided to increase the Company's issued capital by issuing additional 3,500,000 ordinary registered shares with a par value of EUR 0,29 per share. The issue price of all newly issued shares is EUR 95,000 thousand, of which EUR 1,015 thousand is the value of all newly issued shares and EUR 93,985 thousand is the premium of all newly issued shares.

In 2023 October 9 The Company's new statutes were registered at the VĮ Registrų Centras.

## 20.3 Dividends

| EUR thousand | 2023 | 2022 |
|---|---|---|
| AB Ignitis grupė | 20,000 | - |

EUR 20,000 thousand of dividends were approved by the general shareholders meeting, held on 19 April 2023.

# 21 Reserves

## 21.1 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. As at 31 December 2023, the Company's legal reserve was fully formed (as at 31 December 2022 was not fully formed).

## 21.2 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.

# 22 Other comprehensive income

| | Equity, attributed to equity holders of the Company | | |
|---|---|---|---|
| EUR thousand | Hedging reserve | Retained earnings | Total |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | |
| Result of change in actuarial assumptions | - | 16 | **16** |
| Taxes | - | (2) | **(2)** |
| **Items that may be reclassified to profit in subsequent periods** | | | |
| Cash flow hedges – effective portion of change in fair value | 241,966 | **-** | **241,966** |
| Cash flow hedges – reclassified to profit or loss | (197,448) | **-** | **(197,448)** |
| Taxes | (6,678) | | **(6,678)** |
| **Total as at 31 December 2022** | **37,840** | **14** | **37,854** |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | |
| Result of change in actuarial assumptions | **-** | (19) | **(19)** |
| Taxes | **-** | 3 | **3** |
| **Items that may be reclassified to profit in subsequent periods** | | | |
| Cash flow hedges – effective portion of change in fair value | (182,177) | - | **(182,177)** |
| Cash flow hedges – reclassified to profit or loss | 98,318 | - | **98,318** |
| Taxes | 12,579 | | **12,579** |
| **Total as at 31 December 2023** | **(71,280)** | **(16)** | **71,296** |

# 23 Loans

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Non-current** | | |
| Non-current loans | 11,800 | 370,800 |
| **Current** | | |
| Overdraft | - | 172,878 |
| AB “Ignitis grupė” group’s cash-pool platform | 39,266 | 116,305 |
| Current loans | 27,531 | 7,884 |
| **Total** | **78,597** | **667,867** |

Loans by maturity:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Up to 1 year | 66,797 | 297,067 |
| From 2 to 5 years | 11,800 | 327,000 |
| After 5 years | - | 43,800 |
| **Total** | **78,597** | **667,867** |

All loans of the Company are denominated in euros.

### 23.1 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 2023 and 2022, the Company complied with all contractual commitments.

As at 31 December 2023, the balance of the Company’s unwithdrawn balance 441,042 thousand (31 December 2022: EUR 291,206 thousand).

# 24 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.

Debts to financial institutions, loans under cash-pool agreement to AB “Ignitis grupė” group companies and related interest payables and lease liabilities are included in the net debt calculation.

Net debt balances:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash and cash equivalents | (58,047) | (278,482) |
| Non-current loans | 11,800 | 370,800 |
| Current loans | 66,797 | 297,067 |
| Lease liabilities | 637 | 288 |
| **Net debt** | **21,187** | **389,673** |

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

| | Assets | Lease liabilities | | Loans | | |
|---|---|---|---|---|---|---|
| **EUR thousand** | **Cash** | **Non-current** | **Current** | **Non-current** | **Current[1]** | **Total** |
| **Net debt as at 1 January 2022** | **(72,953)** | **180** | **229** | **288,800** | **226,151** | **442,407** |
| **Cash changes** | | | | | | |
| (Increase) decrease in cash and cash equivalents | (205,529) | - | - | - | - | **(205,529)** |
| Loans received | - | - | - | 82,000 | - | **82,000** |
| Repayment of loans | - | - | - | - | (104,101) | **(104,101)** |
| Lease payments | - | - | (292) | - | - | **(292)** |
| Interest paid | - | - | (9) | - | (15,817) | **(15,826)** |
| Net change in overdraft | - | - | - | - | 172,878 | **172,878** |
| AB “Ignitis grupė” group’s cash-pool platform, net change | | | | | (5,240) | **(5,240)** |
| **Non-cash changes** | | | | | | |
| Accrual of interest payable | - | - | 9 | - | 19,598 | **19,607** |
| Lease contracts concluded | - | - | 171 | - | - | **171** |
| VAT on interest payable | - | - | - | - | 3,598 | **3,598** |
| Reclassifications between items | - | (133) | 133 | - | - | **-** |
| **Net debt as at 31 December 2022** | **(278,482)** | **47** | **241** | **370,800** | **297,067** | **389,673** |
| **Net debt as at 1 January 2023** | **(278,482)** | **47** | **241** | **370,800** | **297,067** | **389,673** |
| **Cash changes** | | | | | | |
| (Increase) decrease in cash and cash equivalents | 220,435 | - - | - | - | - | **220,435** |
| Loans received | - | - | - | - | - | **-** |
| Repayment of loans | - | - | - | (332,000) | - | **(332,000)** |
| Lease payments | - | - | (290) | - | - | **(290)** |
| Interest paid | - | - | (17) | - | (28,224) | **(28,241)** |
| Net change in overdraft | - | - | - | - | (172,878) | **(172,878)** |
| AB “Ignitis grupė” group’s cash-pool platform, net change | - | - | - | - | (76,958) | **(76,958)** |
| **Non-cash changes** | | | | | | |
| Accrual of interest payable | - | - | 17 | - | 17,296 | **17,313** |
| Lease contracts concluded | - | 591 | 51 | - | - | **642** |
| Lease contracts write-off | - | - | (3) | - | - | **(3)** |
| VAT on interest payable | - | - | - | - | 3,494 | **3,494** |
| Reclassifications between items | - | (230) | 230 | (27,000) | 27,000 | **-** |
| **Net debt as at 31 December 2023** | **(58,047)** | **408** | **229** | **11,800** | **66,797** | **21,187** |

*[1]Some of the amounts are not consistent with the annual financial statements as at 31 December 2022 due to the restatement of line items – an amount of EUR 3,598 thousand has been reclassified from “Interest paid” to “VAT on interest payable”. Also, the amount of "Repayment of loans" is EUR 5,240 thousand reclassified to "AB “Ignitis grupė” group’s cash-pool platform, net change".*

# 25 Provisions

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Non-current | 35,926 | 145 |
| Current | 44,110 | 20,453 |
| **Total** | **80,036** | **20,598** |

Movement of the Company's provisions was as follows:

| EUR thousand | Provisions for employee benefits | Regulatory differences of public electricity supply services | Provisions for onerous contracts | Other provisions | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | **94** | **-** | **-** | **121** | **215** |
| Increase during the year | - | 20,335 | - | 76 | **20,411** |
| Utilised during the year | (6) | - | - | (5) | **(11)** |
| Result of change in assumptions | (17) | - | - | - | **(17)** |
| **Balance as at 31 December 2022** | **71** | **20,335** | **-** | **192** | **20,598** |
| **Balance as at 1 January 2023** | **71** | **20,335** | **-** | **192** | **20,598** |
| Increase during the year | 22 | 10,896 | 66,535 | 48 | **77,501** |
| Utilised during the year | - | (18,060) | - | (21) | **(18,081)** |
| Result of change in assumptions | 18 | - | - | - | **18** |
| **Balance as at 31 December 2023** | **111** | **13,171** | **66,535** | **219** | **80,036** |
| Non-current portion | 89 | - | 35,763 | 74 | 35,926 |
| Current portion | 22 | 13,171 | 30,772 | 145 | 44,110 |

The total change in provisions in 2023 is EUR 59,438 thousand. Change recognised in the statement of profit or loss – EUR 59,420 thousand, recognised in the statement of comprehensive income – EUR 18 thousand (total change in provisions in 2022 – EUR 20,383 thousand, change recognised in the statement of profit or loss – EUR 20,400 thousand, recognised in the statement of comprehensive income – EUR -17 thousand).

### Regulatory differences of public electricity supply services

The provision for regulatory differences of public electricity supply activity consists of EUR 13,171 thousand provision (31 December 2022: EUR 20,335 thousand) related to regulatory differences of public electricity supply activity, set-off with the future regulatory differences of public electricity supply activity will be made within one year.

### Provisions for onerous contracts

As at 31 December 2023, the Company recognised a provision of EUR 66,535 thousand (of which EUR 35,763 thousand is the non-current portion) related to electricity purchase agreements concluded in the second half of 2022 in an environment of high prices for energy commodities. The company actively manages the risks of energy commodity price volatility and diversifies its portfolio of acquisitions. As a result of the significant drop in market prices, as well as the optimisation of the supply cost of B2C independent electricity supply segment and the migration to lower fixed price supply plans, some of the Company's electricity purchase agreements might generate losses in future periods. The expected loss will be realised in roughly equal instalments over the next two years.

# 26 Deferred revenue and advances received

## 26.1 Deferred revenue

| EUR thousand | 2023 | 2022 |
|---|---|---|
| | Current portion | Current portion |
| **Balance as at 1 January** | **36,597** | **8,699** |
| Increase during the year | - | 36,597 |
| Recognised as revenue | (36,597) | (8,699) |
| **Balance as at 31 December** | **-** | **36,597** |

## 26.2 Advances received

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current advances from contracts with customers (contract liabilities) | 15,247 | 11,204 |
| Current advances from other contracts | 13 | 822 |
| **Total** | **15,260** | **12,026** |

# 27 Trade payables

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Amounts payable for gas | 136,782 | 104,593 |
| Amounts payable for electricity | 31,451 | 34,152 |
| Other payables | 7,640 | 9,584 |
| **Carrying amount** | **175,873** | **148,329** |

# 28 Other current liabilities

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Accrued expenses | 41,831 | 34,413 |
| Taxes (other than income tax) | 16,306 | 88,759 |
| Derivative financial instruments (Note 29) | 12,424 | 48,654 |
| Payroll related liabilities | 2,894 | 1,833 |
| Amounts payable for property, plant and equipment | 1,355 | 947 |
| Deposits received for derivatives | - | 55,990 |
| Other current liabilities | 10,988 | 1,555 |
| **Carrying amount** | **85,798** | **232,151** |

As at 31 December 2023, financial liabilities comprise EUR 24,767 thousand (31 December 2022: EUR 107,146 thousand); financial liabilities include the following: “Deposits received for derivatives”, “Derivatives”, “Amounts payable for property, plant and equipment”, “Other current liabilities”.

# 29 Derivative financial instruments

Derivatives relate to electricity and natural gas commodities and include:

– contracts made directly with other parties – over-the-counter (OTC);
– contracts made through Nasdaq Commodities market – Nasdaq;
– other contracts.

Fair value of Nasdaq contracts are being set-off with cash on day-to-day basis. Accordingly, no financial assets or liabilities are recognised in statement of financial position, they are shown in the Net Profit (Loss) line (instead of the Adjustments line) in the Statement of Cash Flow. Gain or loss of such transactions is recognised same as all derivatives.

### 29.1 Derivative financial instruments included in the statement of financial position

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Other non-current assets | 99 | 17,299 |
| Other current assets | 8,891 | 43,826 |
| Other non-current liabilities | (12,676) | (26,848) |
| Other current liabilities (Note 28) | (12,424) | (48,654) |
| **Carrying amount** | **(16,110)** | **(14,377)** |

Movement of derivative financial instruments:

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Carrying amount as at 1 January** | **(14,377)** | **(54,332)** |
| Unrealised gains (loss) on OTC | 1,398 | 12,831 |
| Unrealised gains (loss) on ineffective Nasdaq instruments | (17,946) | (10,632) |
| **Total realised gains (loss)** | **(16,548)** | **2,199** |
| Fair value change of effective OTC | (3,131) | 27,124 |
| Fair value change of Nasdaq effectiveness | (80,727) | 17,394 |
| **Unrealised gains (loss) in ‘Other comprehensive income’** | **(83,858)** | **44,518** |
| **Fair value change of Nasdaq set off with cash** | **98,673** | **(6,762)** |
| **Carrying amount as at 31 December** | **(16,110)** | **(14,377)** |

### 29.2 Derivative financial instruments in the statement of profit or loss

| EUR thousand | Note | 2023 | 2022 |
|---|---|---|---|
| Recognised gains (loss) on OTC and Nasdaq | | 13,923 | 36,814 |
| Unrealised gains (loss) | | (16,548) | 2,199 |
| **Total ineffective hedging result in the statement of profit or loss** | 7, 9 | **(2,625)** | **39,013** |
| Effective hedging instruments reclassified from hedging reserve to the statement of profit or loss | | (98,318 | 197,448 |
| **Total effective hedging result in the statement of profit or loss** | 21.2 | **(98,318)** | **197,448** |
| **Total recognised in the statement of profit or loss** | | **(100,943)** | **236,461** |

# 30 Contingent liabilities and commitments

### 30.1 Litigations

#### 30.1.1 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.

Following the General Court’s judgement, the Commission has re-examined the compatibility of the 2016 amendments and has decided to open an in-depth investigation under EU State aid rules. The Commission will now investigate further to determine whether the amount of compensation received by Litgas for the period 2016–2018, in particular regarding the boil-off and balancing costs, is in line with the SGEI Framework.

The Supreme Administrative Court of Lithuania in 2023 issued three final rulings in favour of the Company, rejecting complaint of AB Achema regarding the setting of the LNG transmission price for 2019 – 2021.

After the formal investigation procedure (which started in December 2022) there will be more certainty in assessing the actual financial impact for the Company. The Company considers that there is too much uncertainty in assessing the actual financial impact for the Company at this stage.

### 30.2 Regulatory assets and liabilities

#### 30.2.1 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 sale price and the actual natural gas purchase price were not recognised in the financial statements until 31 December 2023 as Company had no guarantee for this difference to be repaid in the future according to the legislation base.

The undercollected unrecognised amount at 31 December 2023 is EUR 437 thousand (31 December 2022: EUR (16,072) thousand overcollected amount). The management expects that undercollected unrecognised amount of EUR 437 thousand to household customers will be included in future tariffs for upcoming next 12-month period.

### 30.2.2 Designated supply of natural gas

Designated supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Company does not recognise regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future. The undercollected amount of EUR 18,046 thousand as at 31 December 2023 will be included in the LNGT security component in the future (overcollected amount of EUR (52,989) thousand as at 31 December 2022).

### 30.3 Guarantees

As at 31 December 2023, the Company has not issued any guarantees (as at 31 December 2022, issued guarantees amounted to EUR 1,380 thousand).

# 31 Related-party transactions

| Related parties, EUR thousand | Amounts receivable | Loans granted | Amounts payable | Loans received | Sales | Purchases | Finance income (costs) |
|---|---|---|---|---|---|---|---|
| | 31 December 2023 | 31 December 2023 | 31 December 2023 | 31 December 2023 | 2023 | 2023 | 2023 |
| Parent company AB Ignitis grupė | - | - | 125,161 | 73,092 | - | 837 | (19,958) |
| Subsidiaries of the Company | 12,617 | 44,900 | 972 | - | 148,843 | (21,856) | 3,202 |
| Other AB "Ignitis grupė" group companies | 6,051 | - | 58,960 | 4,666 | 35,543 | 359,847 | (80) |
| State-controlled UAB EPSO-G group companies | 7,751 | - | 3,202 | - | 111,878 | 55,169 | - |
| **Total** | **26,419** | **44,900** | **188,295** | **77,758** | **296,264** | **393,997** | **(16,836)** |

| Related parties, in EUR thousand | Amounts receivable | Loans granted | Amounts payable | Loans received | Sales | Purchases | Finance income (costs) |
|---|---|---|---|---|---|---|---|
| | 31 December 2022 | 31 December 2022 | 31 December 2022 | 31 December 2022 | 2022 | 2022 | 2022 |
| Parent company AB Ignitis grupė | - | - | 8,398 | 483,325 | - | 781 | (17,081) |
| Subsidiaries of the Company | 34,903 | 56,450 | 28,000 | - | 156,721 | (385) | 1,438 |
| Other AB "Ignitis grupė" group companies | 9,100 | - | 60,930 | 3,391 | 305,515 | 259,540 | 37 |
| State-controlled UAB EPSO-G group companies | 6,043 | - | 5,402 | - | 152,282 | 96,257 | - |
| **Total** | **50,046** | **56,450** | **102,730** | **486,716** | **614,518** | **356,193** | **(15,606)** |

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

During 2023 and 2022, the Company used the AB "Ignitis grupė" group's cash-pool platform. In 2023, the funds granted were recovered and additional funds were withdrawn (Note 23). Loans granted to related parties in 2023 and 2022 are disclosed in Note 15.1. Movements of loans from related parties are disclosed in Note 23. Derivatives with related parties are disclosed in Note 29.

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

### 31.1 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.

### 31.2 Compensation to key management

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Wages and salaries and other current benefits to key management | 443 | 623 |
| Whereof: | | |
| *Current benefits* | 420 | 623 |
| *Non-current benefits* | 23 | - |
| Number of key management personnel | 6 | 8 |

In 2023 and 2022, the members of the Management Board and the Chief Executive Officer of the Company are designated as the Company's key management personnel (the Supervisory Board was also designated as key management personnel in 2022 – see below). For more information on the key management personnel, see the "Governance report" of Annual report.

In May 2023, the Supervisory Board and the Management Board of the parent company adopted a decision to replace the Company's two-tier governance model with a one-tier governance model, i.e. to remove the Executive Board made up of employees and instead to form the Board with a supervisory function; a new composition of the Management Board was approved.

# 32 Fair values of financial instruments

## 32.1 Financial instruments measured at fair value

As at 31 December 2023 and 2022, 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 3.11.3. 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 derivatives 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).

## 32.2 Financial instruments for which fair value is disclosed

The fair value of the Company's financial liabilities related to loans 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 6.42% as at 31 December 2023 (31 December 2022: 4.80%). 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 6.42% as at 31 December 2023 for loans above EUR 1 million and 5.58% for loans less than EUR 1 million (31 December 2022: 4.80% for loans above EUR 1 million and 4.84% for loans less than EUR 1 million). 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 2023:

| EUR thousand | Note | Carrying amount | Level 1<br>Quoted prices in active markets | Level 2<br>Other directly or indirectly observable inputs | Level 3<br>Unobservable inputs | Total |
|---|---|---|---|---|---|---|
| **Financial instruments at FVPL or FVOCI** | | | | | | |
| **Assets** | | | | | | |
| Derivatives | 29 | **8,990** | - | 8,990 | - | **8,990** |
| **Liabilities** | | | | | | |
| Derivatives | 29 | **25,100** | - | 25,100 | - | **25,100** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Loans granted | 15.1 | **45,280** | - | 46,616 | - | **46,616** |
| **Liabilities** | | | | | | |
| Loan of the parent company | | **39,331** | - | 37,530 | - | **37,530** |
| AB "Ignitis grupė" group's cash-pool platform | 23 | **39,266** | - | 39,266 | - | **39,266** |

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

| EUR thousand | Note | Carrying amount | Level 1<br>Quoted prices in active markets | Level 2<br>Other directly or indirectly observable inputs | Level 3<br>Unobservable inputs | Total |
|---|---|---|---|---|---|---|
| **Financial instruments at FVPL or FVOCI** | | | | | | |
| **Assets** | | | | | | |
| Derivatives | 29 | **61,125** | - | 61,125 | - | **61,125** |
| **Liabilities** | | | | | | |
| Derivatives | 29 | **75,502** | - | 75,502 | - | **75,502** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Loans granted | 15.1 | **56,600** | - | 55,863 | - | **55,863** |
| **Liabilities** | | | | | | |
| Loan of the parent company | | **377,006** | - | 344,148 | - | **344,148** |
| Overdraft | 23 | **172,878** | | 172,878 | | **172,878** |
| AB "Ignitis grupė" group's cash-pool platform | 23 | **116,305** | - | 116,305 | - | **116,305** |

# 33 Events after the reporting period

## 33.1 Other events:

### Increase of equity of the subsidiary in Estonia

In January 2024, an equity increase was registered for a company in Estonia.

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

*****

**KPMG Baltics, UAB**
Lvivo St. 101
LT-08104, Vilnius
Lithuania

+370 5 2102600
vilnius@kpmg.lt
home.kpmg/lt

# Independent Auditor's Report

**To the Shareholder of UAB Ignitis**

## Opinion

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

- the separate statement of profit or loss for the year ended as at 31 December 2023,
- the separate statement of other comprehensive income for the year then ended,
- the separate statement of financial position for the year then ended,
- the separate statement of changes in equity for the year then ended,
- the separate statement of cash flows for the year then ended, and
- the notes to the separate financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the non-consolidated financial position of the Company as at 31 December 2023, and of its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

## Basis for Opinion

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

## Other Information

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information, related to separate financial statements, and, in doing so, consider whether the other information is materially inconsistent with the separate 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.





Company code: 111494971
VAT code: LT114949716

In addition, our responsibility is to consider whether information included in the Company's annual management report for the financial year for which the separate financial statements are prepared is consistent with the separate 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 separate 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 separate financial statements are prepared is consistent with the separate 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 Separate Financial Statements

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

In preparing the separate 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 Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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
28 March 2024

*The electronic auditor‘s signature applies only to the Independent Auditor‘s Report on pages 142 to 144 of this document.*

# 6.4 Information about the auditor

## Overview

On 19 April 2023, the Company's Meeting of Shareholders re-appointed KPMG Baltics, UAB (KPMG) to audit the Company's financial statements for the period 2023 – 2027. Under the previous agreement, KPMG also audited the Company's financial statements for 2021 and 2022.

Worth noting that all independent auditor related tenders are carried out in accordance with best practice. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The key criterion of implementing public tenders is to ensure competitiveness and accordingly the only specific audit selection criterion eligible to be included is an experience in auditing energy sector companies. Finally, the whole audit selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of Shareholders of the parent company and subsequently by the General Meeting of Shareholders of each Group company.

### Independent auditors and financial period during which audit services have been provided

| 2021–2023 |
|---|
| KPMG Baltics, UAB<br>Lvivo g. 101<br>LT-08104<br>Vilnius, Lithuania |

## Services and fees

During the period 2022–2023, the following services have been provided to the Company by the independent auditor in conjunction with the firm's international partners

### Independent auditor's services and fees

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Audit of the annual financial statements under the agreements | 70 | 55 |
| **Total** | **70** | **55** |

Based on the Group's policy the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit Committee of the parent company.

# 7. Additional information

# 7.1 Other statutory information

The Annual Report provides information to the shareholders, creditors and other stakeholders of UAB Ignitis (Ignitis) about the operations, if any, of Ignitis and its controlled companies for the period of January–December 2023.

The Annual Report has been prepared by Ignitis administration in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings, 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 Ignitis are not included and they are not traded on the regulated stock exchange. Articles of Association of Ignitis do not set any other requirements for the content of Ignitis Annual Report than the ones provided for in the legislation specified above.

Ignitis 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 pr. 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: Private Limited Liability Company
3. Share capital: EUR 41,155,000.26
4. Registration date and place: 2 September 2014, the Register of Legal Entities
5. Company code: 303383884
6. Company address: Laisvės pr. 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 derivatives 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 as and when required.
6. The Company's operations are in compliance with the requirements of environmental protection legislation.

**Alternative performance measures**

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

Information about 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 parental company (official proposal).

**Internal control and risk management systems relevant to the preparation of financial statements**

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

The staff of the company's accounting firm ensures that the financial statements are properly prepared and that the data is collected in a timely and accurate manner. The preparation of the company's financial statements, the systems of internal control and financial risk management are controlled and managed according to legal acts, that regalement financial statements.

**Information about 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 parental company (official proposal).**

Company and its governing body members or employees have not entered into agreements that provide 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 parental company

**Information about the restrictions on the transfer of the company's equity securities established in legal acts, articles of association or shareholder agreements**

There are no restrictions on the transfer of the company's equity securities set out in legal acts, articles of association or shareholder agreements.

**Information about the company's branches and representative offices and research and development activities**

The company has no branches and representative offices and does not carry out research and development activities

**Notice on the language**

In the event of discrepancies between the Lithuanian and English versions of the documents, the Lithuanian version shall prevail.

# 7.2 Information on compliance with the Guidelines on Transparency in State-Owned Companies

## Information on compliance with the Guidelines on Transparency in State-Owned Companies

| Point in the description of the Guidelines on Transparency in State-Owned Companies (version as at 30 April 2021) | Disclosure | Explanation |
|---|---|---|
| **Chapter II. Disclosure of information by a State-owned enterprise** | | |
| 5. The following data and information must be published on the website of a state-owned entity: | | Information available on www.ignitis.lt |
| 5.1. name; | Yes | |
| 5.2. the code and register in which the company's data is collected and stored; | Yes | |
| 5.3. registered office (address); | Yes | |
| 5.4. the legal status if the state-owned entity is being restructured, reorganised (indicating the type of reorganisation), liquidated, bankrupt or insolvent; | Yes | |
| 5.5. the name of the authority representing the State and a link to its website; | Yes | |
| 5.6. operational objectives, vision and mission; | Yes | |
| 5.7. structure; | Yes | |
| 5.8. data about the head of the company; | Yes | |
| 5.9. data about the chairman and members of the management board, if the management board established under the articles of association; | Yes | |
| 5.10. data about the chairman and members of the supervisory council, if the supervisory council is established under the articles of association; | Not applicable | The supervisory council is not established in the company |
| 5.11. names of committees, data about their chairmen and members, if committees are established under the articles of association; | Not applicable | Management or supervisory body committees have not been established in the company |
| 5.12. the sum of the nominal values of the shares owned by the State (to the nearest euro cent) and the share (as a percentage) in the authorised capital of the State-owned company; | Yes | Information available on www.ignitis.lt |
| 5.13. special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations shall be specified, the state budget allocations for their execution in the current calendar year and the legal acts by which the state-owned companies is entrusted with the execution of the special obligation shall be indicated, the terms and conditions of the execution of the special obligation shall be set and/or the pricing shall be regulated; | Not applicable | The company has no special obligations |
| 5.14. information on social responsibility initiatives and measures, major investment projects underway or planned. | Yes | Information available on www.ignitis.lt |
| 6. In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies and committees of State-owned companies, the following data shall be published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 is elected or appointed as an independent member, this shall be indicated in addition to his/her data. | Yes | Information available on www.ignitis.lt |
| 7. The following documents shall be published on the website of a State-owned enterprise: | | Information available on www.ignitis.lt |
| 7.1. Articles of Association; | Yes | |
| 7.2. statement from the representative body of the State on the definition of the State's objectives and expectations in a State-owned enterprise; | Not applicable | A Letter of Expectations is submitted to the Parent com- |

| | | |
|---|---|---|
| | | pany and is available on www.ignitis-grupe.lt |
| 7.3. the business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret; | Yes | Information available on www.ignitis.lt |
| 7.4. a document setting out the remuneration policy covering the remuneration of the chief executive of a State-owned enterprise and the remuneration of the members of the collegiate bodies and committees of a State-owned enterprise, as detailed in the Corporate Governance Code; | Yes | |
| 7.5. annual and interim reports of a State-owned enterprise , and annual and interim activity reports of a State-owned enterprise for a period of at least 5 years; | Yes | Annual reports are available on www.ignitis.lt The Company does not prepare interim reports |
| 7.6. sets of annual and interim financial statements for a period of at least 5 years and auditor's reports on the annual financial statements. | Yes | Annual financial statements and auditor's reports are available on www.ignitis.lt The Company does not prepare interim financial statements |
| 8. If the State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description concerning the subsidiaries and entities of subsequent rows, the website addresses, the percentage of the parent company's shareholding in their share capital as well as the annual consolidated financial statements and the consolidated annual reports. | Yes | Information available on www.ignitis.lt |
| 9. If a State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website. | Yes | Information available on www.ignitis.lt |
| 9[1]. If the entity is a subsidiary or an entity of a subsequent row of the State-owned company, the website shall contain the parent company's data referred to in points 5.1 to 5.3 of the Description and a link to the website of the parent company. | Yes | |
| 10. Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 91 of the Schedule shall be promptly amended and published on the website. | Yes | Information and documents that have changed are updated immediately |
| 11. The set of annual financial statements of the State-owned company, the annual report of the State-owned company, the annual activity report of the State-owned company, as well as the auditor's report on the annual financial statements of the State-owned company, must be published on the website of the State-owned company within 10 working days from the date of the approval of the annual financial statements of the State-owned company. | Yes | Documents are published on the website within a set time limit |
| 12. The sets of interim financial statements of the State-owned company, the interim reports of the State-owned company and the interim activity reports of the State-owned company must be published on the website of the State-owned company at the latest 2 months after the end of the reporting period. | Yes | Documents are published on the website within a set time limit |
| 13. The documents referred to in point 7 of the Description shall be published in PDF format and shall be technically printable. | Yes | Documents are published in PDF format |
| **Chapter III. Preparation of financial statements, reports and activity reports** | | |
| 14. State-owned companies shall maintain their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards. | Yes | The Company's accounting is in accordance with IFRS |
| 15. In addition to the annual financial statements, a State-owned company prepares a set of 6-month interim financial statements, and a state enterprise prepares sets of 3-month, 6-monthly and 9-month interim financial statements. | Not applicable | The Company does not prepare interim financial statements |
| 16. A State-owned company classified as a public interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares a 6-month interim report in addition to the annual report. A State-owned enterprise classified as a public-interest entity under the Law on Audit of Financial Statements of the | Not applicable | The Company does not meet the criteria of a public- |

| | | |
|---|---|---|
| Republic of Lithuania shall, in addition to the annual activity report, prepare a 6-month interim activity report. | | interest entity established by law |
| 17. The annual report of a State-owned company or the annual activity report of a State-owned company shall, in addition to the content requirements set out in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or the Law on State and Municipal Enterprises of the Republic of Lithuania, contain: | | |
| 17.1. a brief description of the business model of the State-owned company; | Yes | The Company presents information in the annual report |
| 17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) that had a material impact on the activities of the State-owned enterprise; | Yes | |
| 17.3. the results of the achievement of the objectives set out in the State-owned company's operational strategy; | Yes | |
| 17.4. profitability, liquidity, asset turnover, debt ratios; | Yes | |
| 17.5. fulfilment of specific obligations; | Not applicable | The Company has no special obligations |
| 17.6. Implementation of the investment policy, ongoing and planned investment projects and Investments during the year under review; | Yes | The Company presents information in the annual report |
| 17.7. implementation of the risk management policy in a State-owned company; | Yes | |
| 17.8. implementation of dividend policy in State-owned companies; | Yes | |
| 17.9. implementation of remuneration policy; | Yes | |
| 17.10. the total annual payroll fund, the average monthly salary by position and/or department; | Yes | |
| 17.11. information on compliance with the provisions of Chapters II and III of the Description: how they are being implemented, which provisions are not being complied with and an explanation of why. | Yes | |
| 18. State-owned companies and state enterprises that are not required to prepare a corporate social responsibility report are recommended to include in their annual report or annual activity report, as appropriate, information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues. | Not applicable | The social responsibility report (included in the annual report) is prepared at the level of Ignitis Group and published on www.ignitisgrupe.lt |
| 19. If the information referred to in point 17 of the Description is considered to be a commercial (industrial) secret or confidential information of the State-owned company, the State-owned company may not disclose such information, but state in the annual report of the State-owned company or the annual activity report of the State-owned company, as the case may be, that the information is not to be disclosed and under what reason. | Not applicable | The Company presents information in the annual report |
| 20. The annual report of the State-owned company or the annual activity report of the State enterprise may also contain other information not specified in the Description. | Yes | The annual report also contains other information |
| 21. A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as the data referred to in points 5.1 to 5.3, for each of its subsidiaries and subsequent-row subsidiaries, the shareholding (in percentage of share capital) in the authorised capital of the subsidiary and the financial and non-financial results of its operations for the financial year. Where a State-owned company which is the parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply *mutatis mutandis* to it. | Yes | The Company presents information in the annual report |
| 22. The interim report of a State-owned enterprise or the interim performance report of a State-owned enterprise shall include a brief description of the business model of the State-owned enterprise, an analysis of its financial performance for the period under review, information on significant events that occurred during the period under review, as well as the indicators of profitability, liquidity, turnover, assets and debt, and the changes of these indicators as compared to the corresponding period of the previous year. | Not applicable | The Company does not prepare interim report |

# Glossary

| | |
|---|---|
| **#** | 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 |
| **CAGR** | Compound Annual Growth Rate |
| **d** | days |
| **EBIT** | Earnings before interest and tax |
| **EBITDA** | Earnings before interest, taxes, depreciation and amortisation. |
| **eNPS** | Employee Net Promoter Score |
| **EU** | European Union |
| **GW** | Gigawatts |
| **Ignitis Eesti** | Ignitis Eesti OÜ |
| **Ignitis grupė** | The group of companies AB Ignitis grupė |
| **Ignitis Latvija** | Ignitis Latvija SIA |
| **Ignitis Polska** | Ignitis Polska sp. z o.o |
| **ISO** | International Organisation for Standardisation |
| **Litgas** | UAB Litgas |
| **y** | Year |
| **month** | Month/month |
| **m** | Million |
| **MW** | Megawatt |
| **MWh** | Megawatt hour |
| **n/a** | Not applicable |
| **NPS** | Net promoter score |
| **OPEX** | Operating expenses |
| **Parent company** | UAB Ignitis |
| **pp** | Percentage point |
| **ROA** | Return on Assets |
| **ROCE** | Return on Capital Employed |
| **ROE** | Return on Equity |
| **ROI** | Return on Investment |
| **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

**28 March 2024**

We, Artūras Bortkevičius, General Manager at UAB Ignitis, Darius Šimkus, Director of Finance and Business Support Department at UAB Ignitis and Natalija Timofejeva, Accounting Expert at UAB Ignitis grupės paslaugų centras acting under Decision No 24_GSC_SP_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, the UAB Ignitis consolidated and parent company's financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of UAB Ignitis consolidated and parent company's assets, liabilities, financial position, profit or loss and cash flows for the period, the annual report for the year 2023 includes a fair review of the development and performance of the business as well as the condition of UAB Ignitis and its group companies together with the description of the main risks and uncertainties they face.

| **Artūras Bortkevičius** | **Darius Šimkus** | **Natalija Timofejeva** |
|---|---|---|
| General Manager | Director of Finance and Business Support Department | Accounting expert of UAB Ignitis grupės paslaugų centras, acting under Decision No 24_GSC_SP_0004 of 10 January 2024 |

UAB Ignitis
Laisvės pr. 10, LT-04215,
Vilnius, Lithuania

+370 5 232 7700
www.ignitis.lt

Company code 303383884
VAT payer's code LT100008860617