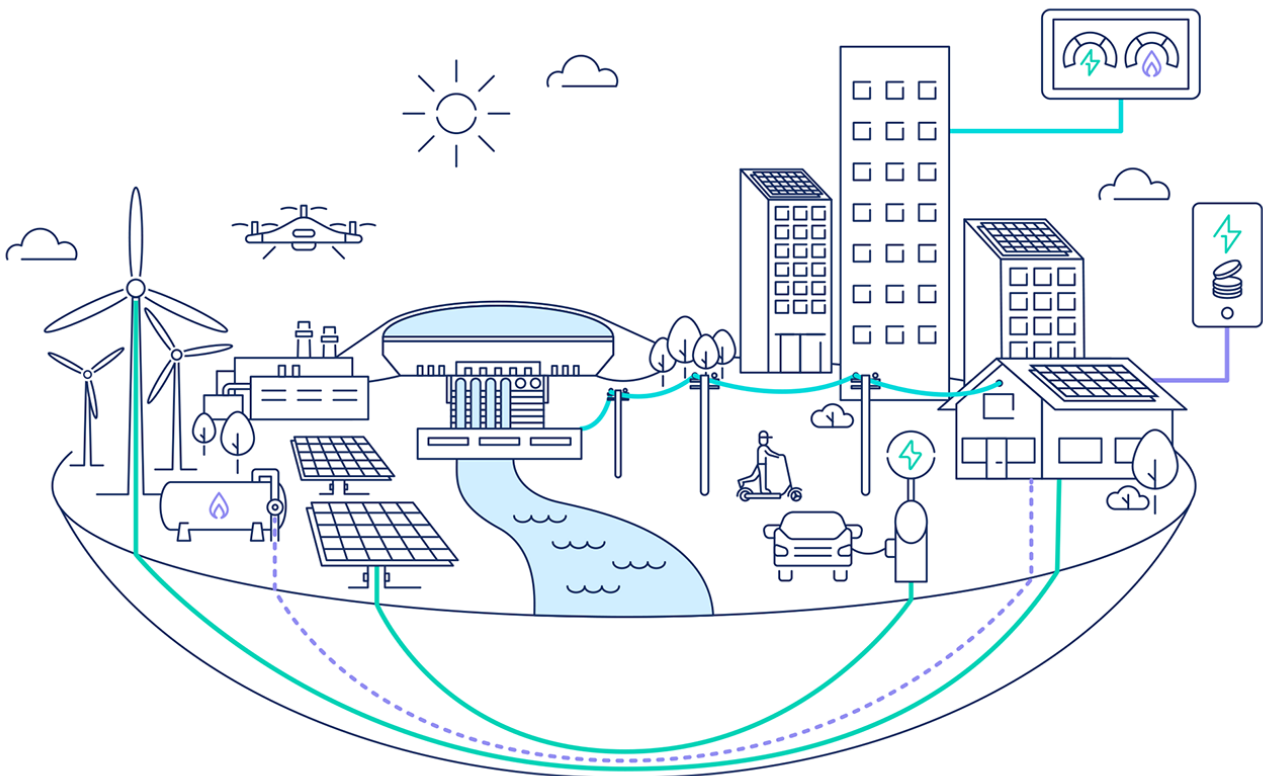


AB “Ignitis gamyba”

Interim Report

Interim report for the six-month period ended 30 June 2022 and the Company’s financial statements for the six-month period ended 30 June 2022, prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union



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Overview

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1.1 CEO's statement

Dear customers, shareholders, partners and colleagues,

Rapidly changing geopolitical situation due to the war in Ukraine, the reporting half-year was a time of changes and innovations for the Company. The changing situation and rising gas prices have shown the importance of the power plants managed by the Company, which can produce electricity when necessary and as much as necessary, for the reliability of the entire Lithuanian energy system. Security changes in the region and the unpredictable situation in the market enforce to take additional measures to ensure the stability of the energy system of Lithuania. As a result, on 8 February 2022, we signed an agreement with Lithuanian electricity transmission system operator Litgrid (TSO), according to which TSO, having assessed the potential likelihood of isolated electricity system operation, may instruct the Company in advance to prepare for continuous electricity generation according to the submitted electricity generation schedule. Electricity would only be generated if the TSO gives an order to generate electricity. The total amount of electricity that TSO may specify to generate under the agreement amounts to approximately 0.5 TWh. About 1.1 TWh of natural gas reserves was acquired to produce this amount of electricity.

In the context of today's geopolitical situation, the importance of our ongoing projects, such as the installation of Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP) 5th unit, major repairs of the 8th energy unit (B-8) of the reserve power plant of Elektrėnai Complex and the Kruonis PSHP 1st unit, has also shown up. Thanks to our team's efforts, these projects are successfully moving forward. In October, we launched a tender for the procurement and installation of Kruonis PSHP 5th unit, and FIDIC (Federation Internationale Des Ingenieurs-Conseils) procurement tender in February. In February, we also signed a contract for major repairs to the B-8 turbine and generator. It should be mentioned that the implementation of the projects was greatly complicated by the war in Ukraine, where the manufacturers of some part of the necessary parts are located. However, our specialists were able to agree that the production of the parts needed for the repair of the Kruonis PSHP-1st unit would be relocated and manufactured in the regions of Ukraine not affected by the war, and the manufacture of the parts required for the major repairs of the B-8 would be transferred to the another European Union country.

The first half of this year was a time of emerging new trends driven by the rapid development of energy from renewable sources. Last half-year, for the first time in Kruonis PSHP's history, it was necessary to connect pumps during the day and thus balance the excess electricity generation of solar power plants and wind power plants. At the same time, the market is experiencing blurring declining differences between day and night electricity prices.

During the reporting period, we continued to look for ways to improve the efficiency and expand the capabilities of our managed power plants. In May we carried out the first research characterised by its complexity and relevance, in the whole Baltic region: together with Litgrid and the Lithuanian Energy Institute, we conducted the research on the joint management of Kaunas Hydroelectric Power Plant (Kaunas HPP) and the experimental 1 MW battery. The results obtained showed that by combining these two technologies with advanced control and exploiting their technological potential, we can increase the flexibility of the system's generation and ensure the operation of generation facilities, which is important for the integration of renewable energy sources and the provision of additional balancing services.

Streamlining the efficiency of the activities of the Company, we have ceased the loss-making operation of the energy units of the Vilnius CHP Plant since 6 January.

During the reporting period, we have also completed a number of important long-term projects. The unique demolition work of two of the 250 m and 150 m high chimneys of the Elektrėnai Complex, which have no longer been used since 2014, has been completed, as well as the optimisation of the electricity sector of the zone of 1-6 energy units has also been finished up.

The successful development of the Obenių Solar Park project should also be mentioned. In spring, we started the last, third stage of development, during which more than 6000 solar modules were installed in an area of 3 ha, and the total capacity of the park will reach 7.4 MW.

As regards the results of the Company, it should be noted that the market during the reporting period was marked by drastic changes in natural gas prices, which also affected electricity prices. This led to a decline in electricity production, resulting in 566 GWh being produced in the first half of this year, which is a 39 % decrease compared to the same period last year when 929 GWh was produced. In the first half of the year 2022, EBITDA of the Company amounted to EUR 82.4 million.

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

1.2 Business highlights

During the reporting period

January

- “Ignitis gamyba” announced a tender for the procurement and installation of the 5th unit of Kruonis PSHP. The new unit will ensure even more flexible and competitive operation of the power plant. The total value of the investment will be around EUR 80 million.

February

- The Company signed an additional agreement with TSO to the contract on the provision of work services of the isolated electric energy system for 2022, signed on 31 December 2021. According to the signed Agreement, the TSO, having assessed the potential likelihood of isolated electricity system operation, may instruct the Company in advance to prepare for continuous electricity generation according to the submitted electricity generation schedule. Electricity will only be generated if the TSO gives an order to generate electricity. Upon receipt of this order, in accordance with the Rules for the Use of the Electrical Networks, the Company undertakes to execute the ordered production schedule under the conditions provided for in the Agreement and to acquire the necessary amount of natural gas in advance.

- “Ignitis gamyba” signed a contract with UAB “Elektrėnų energetikos remontas”, which will carry out the major repairs of the turbine and generator of the 8th energy unit (B-8) in the Elektrėnai Complex for almost EUR 3.2 million. Under the signed contract, the contractor is to complete the repair works at the end of the II quarter of 2023.

March

- The unique demolition works of two electric chimneys of the Elektrėnai Complex that have no longer been used since 2014 and posed a threat to people and surrounding buildings were successfully completed. [\(video\)](#).

April

- The optimisation of the electricity sector in the area of 1-6 energy units was completed, during which 330 kV overhead lines were dismantled, 0.4 and 6 kV switchgear and a centralised control system for technological equipment in the area of 5, 6, 7 and 8 units were adjusted.

- Three out of five members of the new Supervisory Board of “Ignitis gamyba” for a 4-year term were elected and started their activities. Among the three approved members of the Supervisory Board, there are two independent candidates: Edvardas Jatautas, a financial management specialist who worked in the previous term, and Mindaugas Šeštokas, an organisational development specialist, as well as Vilmantas Vitkauskas, a civil servant and a specialist in operational security and continuity.

May

- “Ignitis gamyba” and TSO signed a cooperation agreement to conduct research on the joint operation of Kaunas HPP and 1 MW battery. This is the first TSO 1 MW battery experiment that opened to the market in May. The research, of its complexity and relevance, is the first of its kind in the entire Baltic region.

- The National Energy Regulatory Council (NERC) adjusted the upper limit of the price of the isolated electric power system work service of CCU for the II half of 2022 to cover fixed costs.

After the reporting period

July

- The Environmental Protection Agency, having analysed the Environmental Impact Assessment (EIA) selection documents submitted by “Ignitis gamyba”, found that the planned economic activity would not have a negative impact on the environment, therefore a comprehensive environmental impact assessment was not necessary.

- The research on the joint management of the Kaunas HPP and the experimental 1 MW battery, conducted by “Ignitis gamyba”, TSO and the Lithuanian Energy Institute showed that operating together, these different technologies would enable the unit to provide balancing services.

August

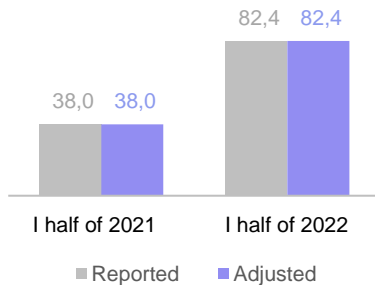
- The Supervisory Board and the Management Board of AB “Ignitis grupė” (the Group) have adopted decisions to replace a two-tier management model applicable in the Group’s main subsidiaries AB “Energijos skirstymo operatorius”, AB “Ignitis gamyba” and UAB “Ignitis” with a one-tier management model, i.e. to remove the Executive Boards made up of employees and instead to form Boards with a supervisory function that will be made up of at least 1/3 of independent members, civil servants and shareholder representatives.

1.3 Performance highlights

Reported

Financial performance

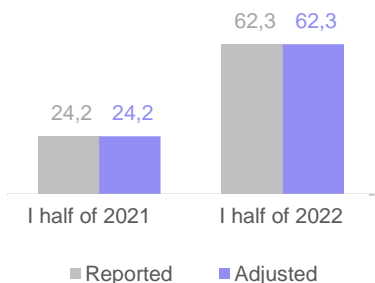
EBITDA, Adjusted EBITDA APM¹
EUR mln.



I half of 2022 The adjusted EBITDA amounted to EUR 82.4 million.

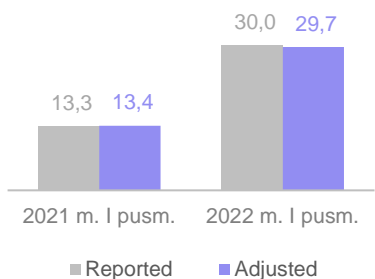
A better result of Kaunas HPP (51.3 % higher production volume and higher price) had the biggest impact on the growth of adjusted EBITDA in the first half of 2022. The adjusted EBITDA in the first half of 2022 was also increased by the result of Kruonis PSP, which was better due to the efficient utilisation of the power plant in the market.

Net profit, Adjusted net profit APM¹
EUR mln.



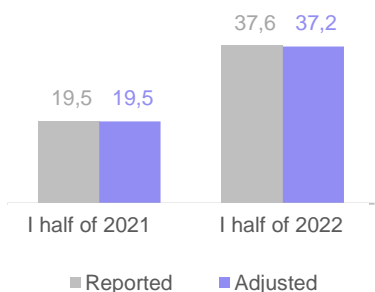
The net profit in the first half of 2022 amounted to EUR 62.3 million and was higher than in the first half of 2021 due to the higher adjusted EBITDA, which was partially offset by the higher income tax.

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



In the first half of 2022, the adjusted return on equity (adjusted ROE) reached 29.7 % due to the higher adjusted profit.

ROCE (12-month), Adjusted ROCE (12-month) APM¹
%

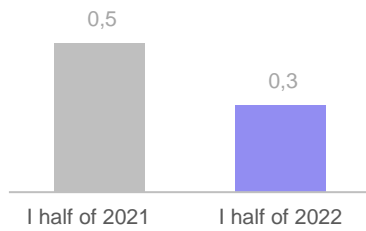


In the first half of 2022, the adjusted return on capital employed (adjusted ROCE) reached 37.2 % due to the higher EBIT driven by the efficient use of power plants in the market.

Investments APM¹
EUR mln.

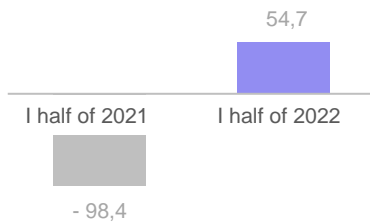
In the first half of 2022, investments amounted to EUR 0.3 million.

¹APM Alternative Performance Measure - adjusted figures used in this report refer to measures used for internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found on the Group's website ([link](#)).



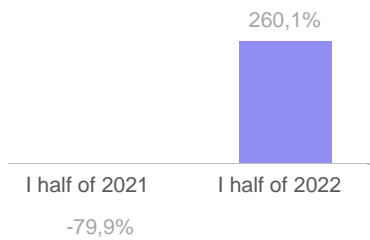
The largest investments in the first half of 2022 were for the modernisation of the Biofuel boiler house (EUR 0.2 million).

Net debt ^{AVR}
EUR mln.



As of 30 June 2022, net debt amounted to EUR 54.7 million. Net debt was higher due to short-term loans that were not available in the first half of 2021 and a significant decrease in disposable funds. The decrease in disposable funds was mainly influenced by dividends paid and gas reserves purchased under an additional agreement with TSO.

FFO (12-month) / Net debt ^{APM}
%



FFO (12-month)/Net debt indicator reached 260.1 % due to an increase in net debt.

Business overview

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2.1 Business profile

“Ignitis gamyba” manages and develops the largest electricity generation capacities in Lithuania: Kruonis Pumped Storage Plant, the combined cycle unit and the reserve power plant in Elektrėnai Complex, Kaunas Algirdas Brazauskas Hydroelectric Power Plant and Vilnius Combined Heat and Power Plant-3. The Elektrėnai Complex also produces thermal energy for Elektrėnai consumers, the needs of Kietaviškės greenhouse complex and other consumers and the Company. “Ignitis gamyba” helps to ensure reliability and security of the energy systems in the whole Baltic and Nordic region, it also contributes to a historical change in energy sector – synchronization of the three Baltic States with the Continental European grid in 2025.

The main goal of “Ignitis gamyba” is the modernisation and development of local reliable generation capacity and further development of the strategic generation through participation in the regional power reserve and system services market. To ensure its sustainability and long-term vision, the Company is putting an increasing focus on driving innovations and developing green generation capacities. Currently, “Ignitis gamyba” has built a 4 MW solar park in Obeniai, which will be expanded by autumn 2022 and the total capacity of the park will reach 7.4 MW.

Quality implementation of the functions of the company is impossible without a modern work culture based on the principles of continuous improvement; therefore, “Ignitis gamyba” attaches great importance to the improvement of operational efficiency, implementation of result-oriented and market-oriented management, training of specialists and ensuring the improvement of employee experience.

2.2 Business environment

The operation of the Company’s power plants

In the first half of 2022 the Company generated electricity and thermal energy, provided the service of ensuring tertiary active power reserve in Elektrėnai Complex, the service of secondary emergency reserve in Kruonis PSHP and other system services.

Elektrėnai Complex	Kruonis Pumped Storage Hydroelectric Plant	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	Vilnius Third Combined Heat and Power Plant
 <p>Capacity – 1,055 MW</p> <p>The power plant provides tertiary active capacity reserve services and services ensuring isolated operation of the power system to ensure safe electricity supply and the reliability of the energy system. Unit 7 and 8 of the reserve power plant provided (519</p>	 <p>Capacity – 900 MW</p> <p>Kruonis PSHP is intended for the balancing of electricity generation and consumption, as well as prevention of emergency incidents within the power system and elimination of consequences thereof. Kruonis PSHP provides the secondary reserve services.¹</p>	 <p>Capacity – 101 MW</p> <p>Kaunas HPP is one of the largest power plants in Lithuania which uses renewable energy sources.</p> <p>Depending on natural conditions, the plant produces green energy and provides system services.</p>	 <p>Since 6 January 2022, the operation of Vilnius HPP-3 energy units has been decommissioned.</p>

¹ Balancing services market conditions prepared in accordance with TSO, 2022 the emergency power reserve requirement for the country is 397 MW. In 2022 balancing capacity service is ensured by means of daily auctions.

<p>MW) tertiary reserve service. The combined cycle unit (371 MW) together with the unit 8 (1 MW) provided services ensuring isolated operation of the power system and carried out commercial production of electricity.</p> <p>Heat is produced in steam and biofuel boiler houses.</p>	<p>It is one of the power plants of the Lithuanian energy system which is able to start autonomous operation in the event of a total system crash.</p>	<p>Kaunas HPP contributes to the balancing of electricity generation and consumption, and levels out the power system.</p> <p>It is one of the power plants in the Lithuanian energy system that can start an autonomous operation in case of the total system failure.</p>	
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The Company sets availability goals for the power plants. Plants are considered available when they produce electricity or are fully prepared for production. It is planned that the average annual availability indicators in 2022 will be at least 93.9% for the CCU, 96.5% for Unit 7 and 98.2% for Unit 8, 86.3% for Kruonis PSHP and 93.2% for Kaunas HPP.

During the reporting period, there were no significant changes in the operation of the power plants managed by the Company.

The business environment is described in the interim report of the Ignitis Group for the first half of 2022, which you can find [here](#).

Key performance indicators of power plants

In January-June 2022, the Company generated electricity and thermal energy, provided the service of ensuring tertiary active power reserve in Elektrėnai Complex, the service of secondary emergency reserve in Kruonis PSP and other system services.

The Company has permissions of unlimited duration to produce electricity. In January-June 2022, the amount of electricity generated and sold in the Company's power plants decreased by 39% compared to January-June 2021 (see Figure 2). The total of 566 GWh of electricity was produced and sold in the Company's power plants in January-June 2022, in January-June 2021 - 929 GWh.

Production indicators of **Kaunas A. Brazauskas HPP** increased by 51% and during January-June 2022, this power plant generated electricity of 238 GWh, while production during the same period in 2021 amounted to 157 GWh.

During January-June 2022, Kaunas A. Brazauskas HPP transmitted and purchased 11 GWh and 1 GWh balancing electricity, respectively (the service is required for balancing the surplus/deficit of electricity in the energy system). During January-June 2021, 9 GWh and 1 GWh respectively.

Kruonis PSHP generated 22 % less electricity in January-June - 254 GWh (January-June 2021, 325 GWh).

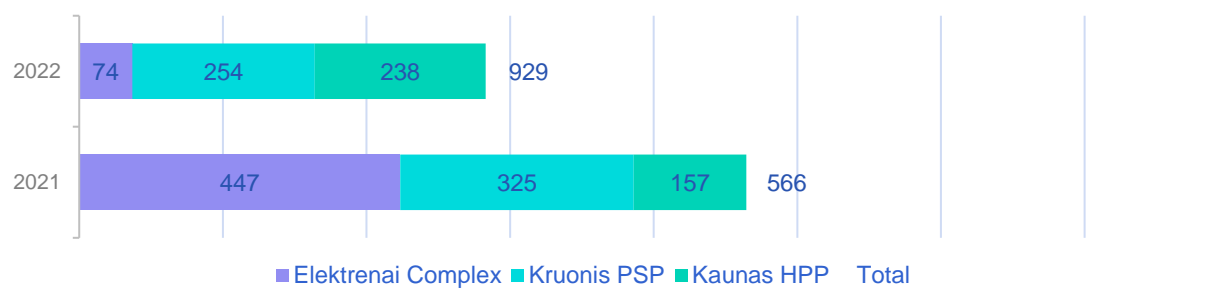
During January-June 2022, Kruonis PSHP transmitted and purchased 29 GWh and 24 GWh balancing electricity, respectively (the service is required for balancing the surplus/deficit of electricity in the energy system). During January-June 2021, 23 GWh and 19 GWh respectively.

Another system service provided by Kruonis PSHP is the secondary active power reserve, i.e. the power of facilities or hydro-units maintained by the producer, activated within 15 minutes. During January-June 2022, this service was demanded 90 times. In January-June 2021 this service aimed at ensuring the security of electricity supply was activated 145 times. This reserve is usually activated by the system operator in the event where it is necessary to compensate a sudden decrease in the electricity volume coming to Lithuania. During January-June 2022, the Company sold approx. 9 GWh of emergency power reserve, while during the same period in 2021 - 13 GWh.

During January-June 2022, **Elektrėnai Complex** produced electricity in the amount of 74 GWh, i.e. less by 83% than in January-June 2021 (447 GWh).

Figure 2

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



2.3 Strategy

Overview

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

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

In the Strategy, Ignitis Group focuses on four key strategic priorities. Firstly, it creates a sustainable future where there is no place for coal or nuclear energy. Environmental, social, and governance (ESG) criteria are an integral part of the strategic goals with a strong commitment to a more sustainable future. Ignitis Group aligns its business targets with the United Nations' Sustainable Development Goals, and it is committed to reducing net carbon dioxide (CO₂) emissions to zero by 2050. Ignitis Group also thrives to align its businesses with science-based targets to a 1.5°C-compliant business model. Second, it ensures resilience and flexibility of the energy system, as well as enables energy transition and evolution. Third, it expands renewables to meet regional energy commitments. It targets to reach 4 GW of the installed green generation capacity by 2030. Fourth, it takes advantage of the growth opportunities and develops innovative solutions to make life easier and energy smart.

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

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

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

Our values



RESPONSIBILITY

Care. Do. For the Earth.
Starting with myself.



PARTNERSHIP

Diverse. Strong.
Together.



OPENNESS

See. Understand.
Open to the world.



GROWTH

Share. Curious. Bold.
Every day.

Results

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3.2	Results for the first half of the year	17

3.1 Summary

Key financial indicators

		I half of 2022	I half of 2021
Revenue	EUR million	218.1	104.1
EBITDA <small>APM</small>	EUR million	82.4	38.0
Adjusted EBITDA <small>APM</small>	EUR million	82.4	38.0
Adjusted EBITDA margin <small>APM</small>	%	37.8%	36.5%
EBIT <small>APM</small>	EUR million	73.6	28.3
Adjusted EBIT <small>APM</small>	EUR million	73.6	28.3
Net profit	EUR million	62.3	24.2
Adjusted net profit <small>APM</small>	EUR million	62.3	24.2
Investments <small>APM</small>	EUR million	0.3	0.5
FFO <small>APM</small>	EUR million	8.2	6.6
FCF <small>APM</small>	EUR million	-57.8	5.0
ROE <small>APM</small>	%	30.0%	13.3%
Adjusted ROE <small>APM</small>	%	29.7%	13.4%
ROCE <small>APM</small>	%	37.6%	19.5%
Adjusted <small>APM</small>	%	37.2%	19.5%
ROA <small>APM</small>	%	17.3%	8.2%
Adjusted ROA <small>APM</small>	%	17.1%	8.2%
		30/06/2022	30/06/2021
Total assets	EUR million	682.2	624.3
Equity	EUR million	360.5	392.4
Net debt <small>APM</small>	EUR million	54.7	(98.4)
Net working capital <small>APM</small>	EUR million	255.4	27.9
Equity ratio <small>APM</small>	%	17.1%	(73.2%)
Net debt/EBITDA <small>APM</small>	In times	0.66	(2.59%)
Net debt/ Adjusted EBITDA <small>APM</small>	In times	0.66	(2.59%)
FFO/Net debt <small>APM</small>	%	(85.1%)	(79.9%)
Common liquidity ratio <small>APM</small>	In times	1.52	6.95
Asset turnover <small>APM</small>	In times	0.63	0.33

Key performance indicators

		I half of 2022	I half of 2021
Electricity produced			
Elektrėnai Complex	TWh	0.07	0.44
Kruonis PSP	TWh	0.25	0.33
Kaunas HPP	TWh	0.24	0.16

3.2 Results for the first half of the year

Revenue

The Company's revenue amounted to EUR 218.1 million in January–June 2022. The increase in income was mainly due to the increase in electricity market prices, as well as higher income from reserve services, specifically - additional income (+50.3 million EUR) intended to cover the costs related to the gas reserve purchased in order to meet the new requirements to provide isolated regime services.

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

Revenue by type, EUR, million

	I half of 2022	I half of 2021	Δ	Δ, %
Revenue from the sale of electricity	141.0	77.2	63.8	82.7%
Income from capacity reserve services	9.9	10.4	(0.5)	(4.5%)
Other system services	62.9	13.3	49.6	372.6%
Revenue from supply of thermal energy	3.5	1.5	2.0	133.3%
Other revenue	0.8	1.7	(0.9)	(54.0%)
Revenue	218.1	104.1	114.0	109,5%

Expenses

In January–June 2022, the Company incurred the costs of EUR 144.5 million, which were almost twice as high as in the same period of 2021.

Purchases of electricity, gas and other services

The major part of the Company's costs (EUR 69.0 million or 47.8%) in January-June 2022 was related to the purchase of electricity and related services, as well as the purchase of fuel for electricity generation. Such costs accounted for 71.1% of costs, or EUR 53.8 million in January–June 2021.

Purchases of electricity, gas and other services grew by 28,3% in January-June 2022, compared to January-June 2021. The growth resulted from the increase in purchases of electricity (EUR +21.6 million) mainly due to increased market prices.

OPEX

In January-June 2022, the OPEX of the Company amounted to EUR 11.0 million and increased by 1.9 % (+ EUR 0.2 million). Such change was due to higher wage and other costs, which increased by EUR 0.9 million and EUR 0.3 million, respectively. Repair and maintenance costs were 1.0 million or 37.0 % lower due to lower CCU maintenance taxes under LTSA (Long term service agreement), the decrease of which was conditioned by the lower hourly work of the CCU. In January-June 2022, the expenses of arrangement and dismantling projects were also lower.

Other

Depreciation and amortization costs of the Company amounted to EUR 8.8 million in January–July 2022 (EUR 8.6 million in January–June 2021).

Costs of derivative financial instruments increased due to the concluded transaction of derivative instruments whereby hedges the sale price of gas purchased to secure obligations under [the additional agreement](#) with Litgrid.

Costs, EUR million

	I half of 2022	I half of 2021	Δ	Δ,%
Purchases of electricity, gas and other services	69.0	53.8	15.2	28,3%
Purchases of electricity and related services	41.2	19.6	21.6	110.2%
Purchases of gas and related services	27.3	30.5	(3.2)	(10.5%)
Other	0.5	3.7	(3.2)	(86.5%)
OPEX ^[APM]	11.0	10.8	0.2	1.9%
Wages and salaries and related expenses	5.8	4.9	0.9	18.4%
Repair and maintenance costs	1.7	2.7	(1.0)	(37.0%)
Other	3.5	3.2	0.3	9.4%
Other costs	64.5	11.1	53.4	481.1%
Depreciation and amortisation	8.8	8.6	0.2	2.3%
Derivative financial instruments	55.7	1.5	54.2	3 613.3%
Impairment costs and write-offs on tangible fixed assets, stocks and other amounts	0.0	1.0	(1.0)	(100.0%)
Total costs	144.5	75.7	68.8	90.9%

EBITDA

In January-June 2022, the adjusted EBITDA amounted to EUR 82.4 million. Adjusted EBITDA margin was 37.8 % (January-June 2021 - 36.5%).

The growth of the adjusted EBITDA in January-June 2022 was mainly influenced by the better result of Kaunas HPP (production volume higher by 51.3% and higher selling price). The adjusted EBITDA in January-June 2022 was also increased by the result of Kruonis PSHP, which was better due to the efficient utilisation of the power plant in the market.

EBITDA adjustments

There were no EBITDA adjustments for the period January-June 2022 and January-June 2021.

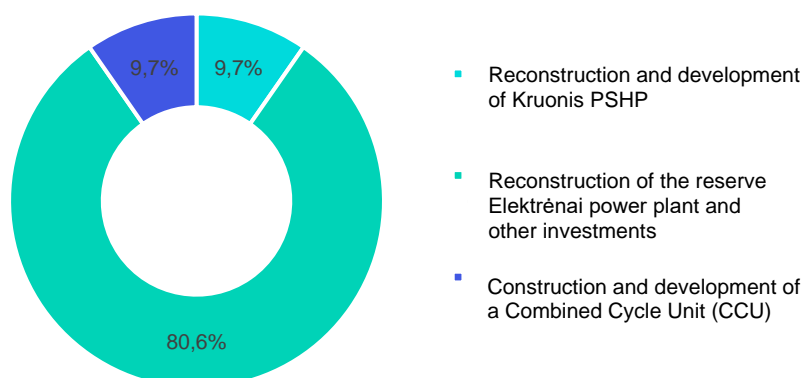
Net profit

In January-June 2022, the adjusted net profit amounted to EUR 62.3 million. The positive impact of the adjusted EBITDA (+ EUR 44.4 million) was partly offset by higher income tax (- EUR 6.7 million). The increase in income tax was mainly due to deferred income tax costs, which rose with the increase in profit before tax.

Investments

In January-June 2022, investments amounted to EUR 0.3 million and were EUR 0.2 million lower than in January-June 2021. In January-June 2022, the largest investments were intended for the modernisation of the Biofuel boiler house (these investments amounted to EUR 0.2 million).

Investments in the first half of 2022, %



Balance sheet

Assets

As of 30 June 2022, total assets reached EUR 682.2 million (a growth of 9.3 % per annum). The growth was mainly due to the purchase of gas reserves.

Equity

As of 30 June 2022, equity amounted to EUR 360,5 million and decreased by 8.1 % per annum, mainly due to dividends paid in January-June 2022.

Liabilities

Total liabilities at the end of June 2022 amounted to EUR 321.8 million, which was 38.8 % higher than at the end of June 2021. The increase in short-term liabilities was driven by changes in the net present value of derivative financial instruments and short-term loans (in total, these liabilities increased by EUR 96.0 million compared to the end of June 2021). Long-term liabilities decreased by 17.9% due to a reduction in long-term loans and grants.

Balance sheet, EUR million

	30/06/2022	30/06/2021	Δ	Δ,%
Non-current assets	446.6	425.4	21.2	5.0%
Current assets	235.6	198.9	36.7	18.5%
TOTAL ASSETS	682.2	624.3	57.9	9.3%
Equity	360.5	392.4	(31.9)	(8.1%)
Total liabilities	321.8	231.9	89.9	38.8%
Non-current liabilities	166.9	203.3	(36.4)	(17.9%)
Current liabilities	154.9	28.6	126.3	441.6%
TOTAL EQUITY AND LIABILITIES	682.3	624.3	58.0	9.3%
Asset turnover ^{APM}	0.6	0.3	0.3 p. p.	87.9%
ROA ^{APM}	17.3%	8.2%	n/a	9.1 p. p.
Common liquidity ratio ^{APM}	1.5	7.0	(5.4 p. p.)	(78.1%)
Working capital/Revenue ^{(12 months) APM}	62.3%	13,4%	n/a	48.9 p. p.

Financing

Net debt

As of 30 June 2022, net debt amounted to EUR 54.7 million, i.e. an increase of EUR 153,1 million compared to 30 June 2021. Net debt was higher due to the emergence of short-term loans in January-June 2022, which were not present in January-June 2021, and a decrease in disposable funds.

FFO (12-month)/Net debt indicator increased from -79.9 % to 260.1 % due to an increase in net debt.

Net debt, EUR million

	30/06/2022	30/06/2021	Δ	Δ, %
Total non-current financial liabilities	15.7	20.2	(4.5)	(22.3%)
Non-current loans	10.3	14.7	(4.4)	(30.1%)
Bonds	0.0	0.0	0.0	n/a
Interest payable (including accrued)	0.0	0.0	0.0	n/a
Lease liabilities (IFRS 16)	5.4	5.5	(0.1)	(1.4%)
Total current financial liabilities	41.0	4.5	36.5	801.5%
The current year portion of long-term loans	4.4	4.4	0.0	0.0%
Short-term loans	36.4	0.0	36.4	n/a
Interest payable (including accrued)	0.0	0.0	0.0	n/a
Lease liabilities (IFRS 16)	0.1	0.1	(0.0)	(6.3%)
Financial debt ^{APM}	56.6	24.7	31.9	129.1%
Cash, cash equivalents and cash in escrow account	1.9	123.1	(121.2)	(98.5%)
Cash and cash equivalents	1.9	123.1	(121.2)	(98.5%)
Cash in escrow account	0.0	0.0	0.0	n/a
Net debt ^{APM}	54.7	(98.4)	153.1	155.6%
Net debt/Adjusted EBITDA (12-month) ^{APM}	0.37	(1.25)	1.6	(129.3%)
Net debt/EBITDA (12-month) ^{APM}	0.37	(1.25)	1.6	(129.3%)
FFO (12-month) / Net debt ^{APM}	260.1%	(79.9%)	n/a	340 p. p.
Financial debt/Equity ^{APM}	0.16	0.06	0.1	149.4%
Equity level ^{APM}	0.53	0.63	(0.1)	(15.9%)

Dividends

On 15 December 2020, the Management Board of Ignitis Group approved an updated dividend policy of the controlled subsidiaries ([link](#)), according to which:

- governance bodies of the subsidiaries are proposing appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year to be at least 80% of the net profit for the financial period for which the dividends are proposed;
- governance bodies of the subsidiaries may propose to distribute profit for the payment of dividends for the financial year or a period shorter than the financial year if a company incurred loss during the reporting period but has retained earnings accrued from the previous reporting periods. This provision is applicable only if there is an imperative need of the parent company to receive dividends in implementing the dividend policy of the parent company;
- governance bodies of the subsidiaries may propose to set a lower share of profits than it is set out in sub-paragraph 1 for the payment of dividends for companies or they may propose not to pay dividends for the reporting period if at least one of the following conditions is met:
 - a subsidiary implements green generation investment projects in accordance with the strategy of Ignitis Group;
 - a subsidiary's ability to allocate dividends is limited by the covenants set out in the financing agreements;
 - a subsidiary implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania;
 - a subsidiary's equity, after payment of dividends, would become less than the amount of the Company's authorised capital, mandatory reserve, revaluation reserve and reserve for acquisition of own shares;
 - a subsidiary is insolvent, or would become insolvent upon payment of dividends;
 - a subsidiary's net financial debt at the end of the reporting period is equal to or greater than the Company's EBITDA for the last twelve months (from the end of the reporting period) multiplied by six (i.e. Net financial debt \geq 6 EBITDA for the last twelve months);
 - a subsidiary has received a written consent passed by the Head of Treasury service and the Head of Finance and Treasury Service of the parent company to apply sub-paragraph 3 in cases which are not anticipated in sub-paragraphs 3.1 - 3.6.

In January-June 2022, were paid EUR 144.5 million dividends.

Dividends paid out in the first half, EUR million

	I half of 2022	I half of 2021	Δ	Δ, %
The amount of dividends paid out	144.5	18.8	125.7	668.6 %

Key performance indicators

		I half of 2022	I half of 2021	Δ	Δ, %
Electricity generation					
Elektrėnai Complex	TWh	0.07	0.44	(0.37)	(84.1%)
Kruonis HPSP	TWh	0.25	0.33	(0.08)	(24.2 %)
Kaunas HPP	TWh	0.24	0.16	0.08	50.0 %

In January-June 2022, production volumes of the Elektrėnai Complex and Kruonis decreased compared to the same period in 2021. While in January-June 2022, Kaunas HPP produced 50.0 % more electricity compared to January-June 2021.

Management report

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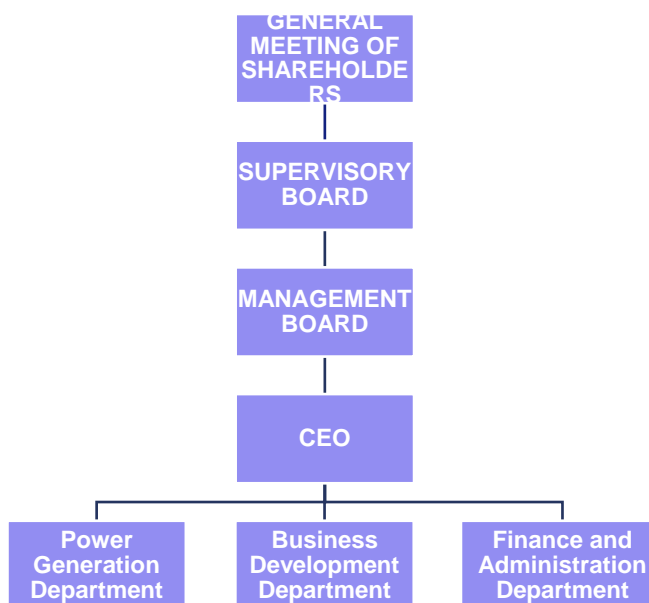
4.1 Governance model

The Company belongs to the state-owned energy-holding group of companies Ignitis Group, which controls 100% of the Company's shares. As at the date of reporting, the Company had no subsidiaries. At the end of the reporting period, the Company jointly with other companies managed UAB "Ignitis grupės paslaugų centras".

Governance model of the Company

Figure 3

Company governance structure (data as of 30 June 2022)



According to the Articles of Association of the Company, which were valid on 30 June 2022, the management bodies of the Company are the following: The General Meeting of Shareholders; the collegial supervisory body - the Supervisory Board¹; the collegial management body - the Board and the sole management body - the Chief Executive Officer.

Shareholders, their rights and functions

The General Meeting of Shareholders is the supreme governing body of the Company. The competence of the General Meeting of Shareholders, the procedure for convening and taking decision is determined by the laws, other legal acts and the Company's Articles of Association.

In accordance with the Articles of Association of the Company, the competence of the General Meeting of Shareholders of the Company is no different from that provided for in the Law of the Republic of Lithuania on public limited liability companies but provides for additional competence of the General Meeting of Shareholders is decision-making on the conclusion of contracts with members of the Supervisory Board of the Company and the Chairman of the Supervisory Board regarding the activities of the Supervisory Council and the protection of confidential information, and their terms and conditions and on approval or disapproval of the Company's annual report and

¹ After the reporting period by decision of 16 August 2022, the sole shareholder of the company approved the new version of the articles of association of the company, which, upon registration in the public register, the change in the corporate governance model of the Company will be implemented, i.e. the collegial supervisory body - the Supervisory Board - will no longer operate in the Company, but the Board will perform supervisory functions. More detailed information is presented in the shareholder [report](#).

interim report adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year.

100 % of the shares of the Company are held by the sole shareholder - Ignitis Group; therefore, in accordance with Paragraph 6 of Article 29 of the Law on Companies, where all shares in the company are held by a single person, his written decisions shall be equivalent to the decisions of the general meeting of shareholders.

During the reporting period, the sole shareholder of the Company adopted the following decisions on 29 April 2022*:

- on the consideration of the annual report of “Ignitis gamyba” for 2021;
- on the approval of the set of audited annual statements of “Ignitis gamyba” for 2021;
- on the distribution of profit (loss) of “Ignitis gamyba” for 2021;
- on the cancellation of the Supervisory Board of “Ignitis gamyba”;
- on the election of the members of the Supervisory Board of “Ignitis gamyba”;
- on the approval of the new wording of the articles of association of “Ignitis gamyba”.

4.2 Supervisory Board

Overview

The Company’s Supervisory Board is a collegial supervisory body. Its competence, procedures of decision making, election and recalling of the members are established in laws, other legal acts and the Articles of Association of the Company.

The Supervisory Board of the Company shall be elected by the General Meeting of Shareholders for a term of four years in accordance with the Articles of Association of the Company. The Supervisory Board shall consist of 5 members, of which at least one third should be formed from independent members. In addition, in accordance with the Law on the Protection of Objects of Importance to Ensuring National Security of the Republic of Lithuania, at least one civil servant must be present in the Supervisory Board of the Company. The Supervisory Board shall elect the Chairperson of the Supervisory Board from its members.

The composition of the Supervisory Board of the Company changed during the reporting period. By the decision of the sole shareholder of 29 April 2022, three of the five members of the new Supervisory Board of the Company were elected for a 4-year term and started their activities - independent members: Edvardas Jatautas and Mindaugas Šeštokas, and civil servant Vilmantas Vitkauskas. The expected end of term of office of the current Supervisory Board of the Company is 28 April 2026.

Information on selection criteria of the Supervisory Board members

The group of companies of Ignitis Group is subject to the policy of equal opportunities of the group of companies, which regulates the principles of implementation and enforcement of equal opportunities and the measures implementing these principles in the companies of the group of companies of Ignitis Group. The principles of equal treatment set out in this policy apply not only to the selection of all employees without exception but also to the selection of the members of the management and supervisory bodies of companies.

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

Therefore, during the reporting period, at the end of the term of office of the Supervisory Board of the Company, a public competition was announced and a procedure for selecting a civil servant for the positions of independent members of the Supervisory Board of the Company was performed. Before submitting the selected candidates to the General Meeting of Shareholders of the Company, the law enforcement (control) authorities were contacted to provide the available information about the candidates. Candidates for the positions of the members of the Supervisory Board of the Company were also assessed by the Supervisory Board of the parent company Ignitis Group, the committee for the appointment and remuneration of the Supervisory Board and the Management Board.

If a member of the Supervisory Board is revoked, resigns or for other reasons, the shareholders of the Company also cease to hold office, who hold shares providing them with at least 1/10 of all votes, oppose the election of individual members of the Supervisory Board, the Supervisory Board shall lose its powers and the entire Supervisory Board must be elected. Where individual members of the Board are elected, they shall be elected only until the end of the term of office of the operating Supervisory Board.

Competences of the Supervisory Board

Main functions of the Supervisory Board of the Company and the responsibilities under which the annual activities of the Supervisory Board are planned also include the following competences:

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

Activities during the reporting period

During the reporting period, overall 15 meetings of the Supervisory Board of the Company were held, and all of them were attended by all members of the Supervisory Board of the Company. The table below provides an overview of the attendance at meetings.

Overview of attendance of meetings of the Supervisory Board members¹

Name, surname	
Vidmantas Salietis (end of term 29/04/2022)	14 / 14
Živilė Skibarkienė (end of term 29/04/2022)	14 / 14
Edvardas Jatautas ²	15 / 15
Mindaugas Šeštokas ³	1 / 1
Vilmantas Vitkauskas ⁴	1 / 1

Activities of the Supervisory Board during the reporting period covered the following key areas:

¹ The figures indicate how many meetings the members have attended out of total meetings during the reporting period.

² On 29 April 2022, Edvardas Jatautas was re-elected for a new term, and the term of Vidmantas Salietis and Živilė Skibarkienė was over, so the difference in participation is seen.

³ On 29 April 2022, Mindaugas Šeštokas was elected a new member of the supervisory board, so the difference in participation is seen.

⁴ On 29 April 2022, Vilmantas Vitkauskas was elected a new member of the supervisory board, so the difference in participation is seen.

- Election of board members, determination of remuneration for activities in the Board of the Company;
- Assessment and provision of an opinion on the Company's related party transactions;
- Evaluation of the decisions made by the Board of the Company in connection with the approval of the operational planning documents of the Company and the submission of opinion;
- Periodic monitoring and evaluation of the Company's performance;
- Assessment of the achievement of the Company's annual performance targets (indicators);
- Submission to the General Meeting of Shareholders of the opinion on the Company's annual financial statements, the Company's profit (loss) allocation project, the Company's annual report.

Members of the Supervisory Board

	Description	Experience	Education	Other current place of employment, position
	<p>Edvardas Jatautas Independent member Start and end of term of office: From 29/04/2022 to 28/04/2026</p>	<p>E. Jatautas, who has accumulated 20 years of management practice, is currently leading his own companies established in the USA and the Baltic States, which specialise in business process optimisation, system integration and business consulting. The clients of companies include the U.S. Federal Law Enforcement Training Centre, the U.S. Senate, telecommunications, finance, and logistics companies. Since 2013, he has been a member of the Baltic Institute of Corporate Governance (BICG).</p>	<p>Vilnius Gediminas Technical University, Master's degree in Engineering Informatics; ISM University of Management and Economics, Master's degree in Management Program; Harvard Business School</p>	<p>Addendum Group Inc., President. • UAB "Addendum solutions", Director. • UAB "Addendum Pro", CEO. • SIA "Addendum LV", Member of the Board. • OU "Addendum EE", Member of the Board.</p>
	<p>Mindaugas Šeštokas Independent Member Start and end of term of office: From 29/04/2022 to 28/04/2026</p>	<p>M. Šeštokas, who has accumulated many years of experience in effective company management, has been working in the company UAB "Kitron" of the international group of companies "Kitron" for the last 14 years. He is also the vice president of this group of companies in Central and Eastern Europe.</p>	<p>Vytautas Magnus University, Master's degree in Business Administration</p>	<p>UAB "Kitron", CEO.</p>
	<p>Vilmantas Vitkauskas Member Start and end of term of office: From 29/04/2022 to 28/04/2026</p>	<p>V. Vitkauskas has more than 23 years of experience in the civil service, NATO and the National Defence System. For many years, he held various management positions in the structures of NATO and the National Defence System; was a national security adviser to the President of the Republic of Lithuania.</p>	<p>Vytautas Magnus University, Bachelor's degree in Political Science; Lithuanian University of Law, Master's degree in Law.</p>	<p>Head of the Threat Management and Crisis Prevention Team of the Government Chancellery.</p>



Vidmantas Salielis
Member, Chairman of the Supervisory board
Start and end of term of office: From 03/09/2021 to 28/04/2022

Vidmantas Salielis, who has more than 7 years of management experience, joined the Group in 2011. He gained his executive experience in energy sector. He held the position of General Manager at Energijos Tiekimas. Previously, he was the Director of the Electricity Wholesale Division at Ignitis Gamyba.

Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business Administration

AB "Ignitis grupė" Member of the Board; UAB "Ignitis" Member of the Supervisory Board; UAB "Ignitis renewables" Member of the Board,



Živilė Skibarkienė
Member
Start and end of term of office: From 03/09/2021 to 28/04/2022

Živilė, who has 5 years of executive experience, joined Ignitis Group in 2018. Živilė gained executive experience while working in financial sector. She previously was the Head of Šiaulių Bankas Legal and Administration Division. In Finasta Bank she was Managing Director and member of the Management Board. She worked as Compliance Manager at DNB bank (now Luminor).

Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; Vilnius University, Faculty of Law, Master's degree in Law.

AB „Ignitis grupė“ Member of the Board; UAB Elektroninių mokėjimų agentūra Member of the Board; UAB „Ignitis grupės paslaugų centras“ Chair of the Management Board.

4.3 The Board

Overview

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

The Board consisting of three members is elected by the Supervisory Board for the term of office of four years and is recalled by the Supervisory Board in line with the procedure prescribed by law and the Company's Articles of Association. The Board reports to the Supervisory Board and the General Meeting of Shareholders. The Board elects its Chairman from among its members.

Information on selection criteria of the Board members

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

If the Board is recalled, the Board resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Board will be elected for the new term of office. Where individual members of the Board are elected, they shall be elected only until the end of the term of office of the operating Board.

Candidates for the positions of the members of the Board of the Company are also assessed by the Supervisory Board of the parent company Ignitis Group, the committee for the appointment and remuneration of the Supervisory Board and the Board.

During the reporting period, after the end of the term of office of the Board of the Company, by the decision of the Supervisory Board of the Company of 1 April 2022, board members Rimgaudas Kalvaitis, Andrius Valivonis, Darius Kucinas were temporarily re-elected to the Board of the Company, until a new management board will be elected by public selection.

Competences of the Board

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

- The Company's acting as a founder or a member of a legal person;
- Any transfer to third parties or encumbrance of the Company's shares/interests or rights attached thereto;
- Formation or termination of branches and representatives offices of the Company;
- Bond emissions;
- Sale, mortgage, change of legal status, other restriction, or operation of energy facilities (as individual assets or a substantial part thereof) located in the territory of Elektrėnai Municipality, Kaunas Hydroelectric Power Plant, Kruonis Pumped Storage Plant, Vilnius Third Combined Heat and Power Plant;
- Signing of agreements for the value of in excess of EUR 3 million;
- Other matters provided for in the Articles of Association of the Company.

In the cases provided for in the Articles of Association of the Company, before adopting decisions, the Board shall obtain feedback from the Supervisory Board and the approval of the General Meeting of Shareholders.

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

Activities during the reporting period

Overall 31 meetings of the Board were held during the reporting period. The table below provides an overview of the attendance at meetings.

Overview of attendance of meetings of the Board members¹


Name, surname	
Rimgaudas Kalvaitis	31 / 31
Andrius Valivonis	30 / 31
Darius Kucinas	30 / 31

Activities of the Board of the Company during the reporting period covered the following key areas:

- Evaluation of the most significant transactions planned by the Company, approval of their conclusion and approval of essential terms of transactions;
- Evaluation of the arrangement of the Company's activities and taking decisions related thereto;
- Evaluation and approval of the Company's operational planning documents, taking into account the opinion of the Company's Supervisory Board;
- Convocation of ordinary general meeting of shareholders of the Company;
- Approval of the annual report and interim report of the Company and submission to the Supervisory Board and General Meeting of Shareholders;
- Evaluation of the set of annual financial statements of the Company and profit (loss) distribution project and provision of feedback to the Supervisory Board and the General Meeting of Shareholders.

The Board shall carry out an evaluation of its activities once a year. In 2021, the Board's evaluation of its activities was carried out on 17 January 2022. Based on the conclusions of this evaluation, the improvement of the Board's activities has been planned.

Members of the Board

	Description	Experience	Education	Other current place of employment, position
	Rimgaudas Kalvaitis Chairman Start and end of the term of office: from 01/04/2022 until the end of the public selection of the Board	More than 25 years of top-level management experience. R. Kalvaitis gained leadership experience in the telecommunications, information and communication technologies and innovation sectors. He has held various management positions at Ericsson Lietuva, a member of one of the leading companies offering innovative solutions in the fields of information and communication technologies - Ericsson. He subsequently led telecommunications company TeleTower, held managerial positions at Global BOD Group and was the head of the Technology Competence Centre. R. Kalvaitis was an independent member of the Supervisory Board of Lietuvos energijos gamyba; was accumulating experience on the boards of Ericsson Lietuva, TeleTower, "Lietuvos radijo ir televizine centras" and Global BOD Group.	Master's degree in Physics, Vilnius University.	-

¹ The figures indicate how many meetings the members have attended out of total meetings during the reporting period.



Darius Kucinas
Member
Start and end of the term of office: from 01/04/2022 until the end of the public selection of the Board

Since 1995 he worked at the Kaunas Algirdas Brazauskas Hydroelectric Power Plant, initially as shift supervisor and later as head of the Electrotechnical Service. In 2012, he started managing the service of the Combined Cycle Unit belonging to "Ignitis gamyba". Since October 2013, he is the Director of the Production Department of Ignitis gamyba.

Bachelor's degree in Electrical Energy Engineering, Kaunas University of Technology.



Andrius Valivonis
Member
Start and end of the term of office: from 01/04/2022 until the end of the public selection of the Board

A. Valivonis, having 14 years of experience in the field of finance, of which 9 years in the energy sector, joined "Ignitis gamyba" in 2013. He gained management experience from working as head of various divisions of the company. Since 29 December 2020, he is the Director of Finance and Administration of AB Ignitis gamyba and a member of the Board.

Master's degree in Economic Analysis and Planning, Vilnius University.

CEO of the company

Overview

Chief Executive Officer is the sole management body of the Company. The Chief Executive Officer organises, directs, acts on behalf of the Company and concludes transactions unilaterally, except for cases provided for in legislation and the Articles of Association. The competence of the Chief Executive Officer, election and recalling procedures are established by laws, other legal acts and the Articles of Association of the Company.

The CEO of the Company is elected and removed from office by the Board of the Company, considering the opinion of the Supervisory Board of the Company. The competence of the CEO of the Company, the procedure for election and revocation and the number of terms of office is determined by the Law on Companies, its implementing legal acts and the Articles of Association of the Company. It should be noted that the CEO of the Company as a subsidiary of a state-owned enterprise is also subject to the special characteristics of recruitment provided for in the Law on Companies, according to which the term of office of the CEO is limited to a period of five years. The law stipulates that the same person may be elected as a manager for no more than two consecutive terms of office.

The remuneration of the CEO of the Company is determined in accordance with the remuneration policy of the group of companies of Ignitis Group and the internal legal acts implementing it.

From March 27, 2019 until 2024 March 26 The manager of the company is Rimgaudas Kalvaitis. Information about the guide is provided above.

4.4 People and remuneration

People and culture

Overview

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

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

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

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

Employees, their diversity and representation

As of 30 June 2022, the Company employed 360 employees (359 employees as of 30 June 2021).

Both in the Company and in the entire Ignitis Group, job opportunities do not depend on an employee's gender. The Company ensures equal opportunities and diversity for employees and does not tolerate direct or indirect discrimination in all their areas of activity. As of 30 June 2022, men accounted for 87% of all employees, women comprised 13%. Male specialists accounted for 82%, and females - for 18%. Distribution of mid-level executives: men accounted for 88%, and women - for 12%.

The Company provides job opportunities to people of various ages. As of 30 June 2022, most employees of the Company belonged to the age group of 37-56 years (55%), and the lowest number of employees belonged to the age group of 17-24 years (3%). 60% of the employees of the Company have a higher education, 2 employees have a phd degree.

The Company promotes and maintains social dialogue with representatives of employees. The employees are represented by the Trade Union of Electricity Production Workers, the Trade Union "Solidarumas", the Kruonis PSP Production Technical Trade Union and the Kaunas HPP Trade Union of Workers.

Remuneration of members of collegial bodies

Overview

Remuneration principles for members of collegial bodies are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Taking into account the recommendations of the Management Coordination Centre and best market practices, in 2021, the principle of remuneration of the members of the collegiate bodies of the parent company and Ignitis Group was changed from hourly to monthly. This principle entered into force with the approval of the new Remuneration Policy by the General Meeting of Shareholders on 27 September 2021.

Basic principles of the remuneration of collegial bodies

- According to the Guidelines on Corporate Governance of State-Owned Group of Energy Enterprises, the maximum monthly remuneration for activities in the Supervisory Board of the parent company and its committees (those to whom the remuneration for the activity is due) may not exceed one quarter of the monthly average salary paid to the manager of the parent company. The maximum monthly remuneration for the Chairman of the Supervisory Board of

the parent company for the work in the Supervisory Board or its committees may not exceed the average monthly salary paid to the manager of one third of the parent company.

- The monthly remuneration of a member of the Supervisory Board of the parent company is determined by the General Meeting of Shareholders of the parent company, and the size of this remuneration is used to calculate the monthly remuneration of the other members of the collegial bodies of the parent company and Ignitis Group.
- The remuneration for the activities in the collegial body is fixed and does not depend on the results of the parent company or the companies of Ignitis Group.

Remuneration for the activities of the Company's collegial bodies is paid to:

- Independent members of the Supervisory Board (as well as the employee representative in the Supervisory Board);
- Members of the Board.

More information on the Group's collegial bodies is available in the [Remuneration Policy](#).

Remuneration paid to the members of the Supervisory Board

The Articles of Association of the Company stipulate that independent members of the Supervisory Board may be paid remuneration for their activities in the Supervisory Board. The terms and conditions of agreements of the members of the Supervisory Board concerning activities in the Supervisory Board, including the determination of remuneration of the members of the Supervisory Board, are approved by the General Meeting of Shareholders of the Company in accordance with the Remuneration Policy. In accordance with the Remuneration Policy, remuneration for activities in the Supervisory Board of the Company may be paid only to independent members. During the reporting period, Edvardas Jatautas and Mindaugas Šeštokas were paid an average monthly remuneration of 1 300 euros (before taxes) for their activities as members of the supervisory board.

Remuneration Policy

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

Key Remuneration Policy principles of the Group

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

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

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

Remuneration of the Company's employees

Information about wages can be found on the Company's website ([link](#) in Lithuanian).

Remuneration of the Company's CEO and the Board

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

During the reporting period, the chairman of the board Rimgaudas Kalvaičius was paid 1 815 euros for the activities of a member of the board, and the members of the board Darius Kucinas and Andrius Valivonis were paid an average monthly remuneration of 1 300 euros (before taxes).

Remuneration structure for the CEO and the Management Board

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

Remuneration of the members of the Board of the Company for the first half of 2021, EUR (before taxes)

Name, surname (position)	FBS	STI	PBM	Total
Rimgaudas Kalvaitis, Chairman	1807			1807
Darius Kucinas, Member	1300			1300
Andrius Valivonis	1300			1300

Remuneration of the members of the Board of the Company for the first half of 2022, EUR (before taxes)

Name, surname (position)	FBS	STI	PBM	Total
Rimgaudas Kalvaitis, Chairman	1808			1808
Darius Kucinas, Member	1300			1300
Andrius Valivonis, Member	1300			1300

More information on remuneration establishment principles of Ignitis Group is available in the [Annual report 2021 of Ignitis Group](#).

4.5 Risks and risk management

Risk management system

In carrying out its activities, the Company faces strategic, operational (performance), financial and external risks that may affect the performance results. In order to reduce them to an acceptable level, the Company applies uniform risk management principles based on the best market practices, including the main principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines). Ignitis Group and the Company apply the “three lines of defence” principle, which establishes clear distribution of risk management and control responsibilities between the management and supervisory bodies, structural units and functions in Ignitis Group and the Company.

In order to ensure that risk management information and decisions are relevant to and reflect the changes in the Company, each year a risk management process is initiated which covers the entire Company. In order to ensure control, we monitor risks each quarter, risk management measures and key risk indicators and prepare internal reports to the Board and the Supervisory Board of the Company.

More information on our risk management model, key risks and their management directions can be found in [the Interim Report of Ignitis Group for the first half of 2022](#).

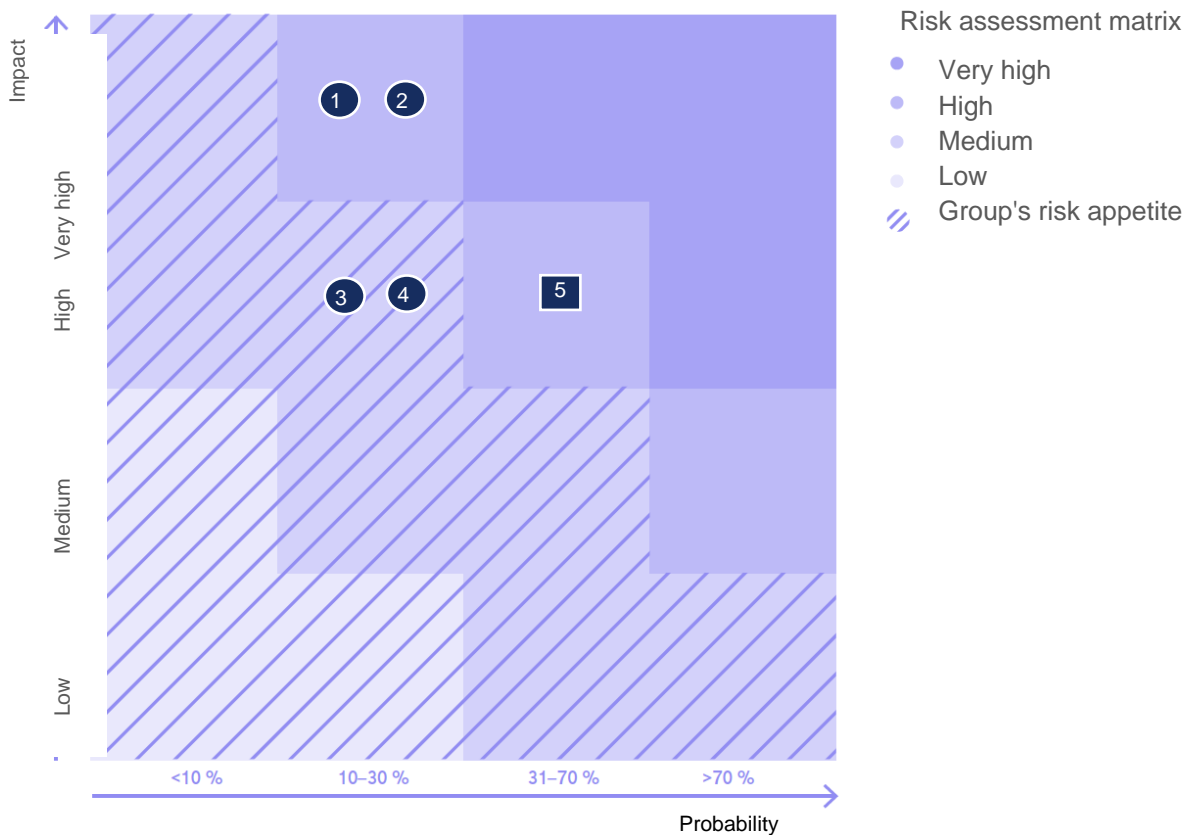
Key risks and their control

During and after the reporting period

- After a review of risks in Q2 2022, in order to increase attention to safety and health, the Company decided to include the risk of Accidents in the list of key risks, although the level of these risks in the Company did not increase.
- Given the geopolitical situation, as a service provider of an isolated electricity system, the Company was directly affected by the emerging need to prepare in advance for continuous electricity production. For this purpose, the Company had to acquire around 1.1 TWh of natural gas, which increased the working capital level accordingly. However, it is planned that the regulatory mechanism will ensure the compensation of additional input in the long run.
- The geopolitical situation also affects the supply of parts required for major repairs of Unit 8 of Elektrėnai Complex and KRUONIS PSP 1 hydro unit, as the necessary parts were to be produced in Ukraine. Alternative solutions have now been found, where the production of parts has been relocated to the Czech Republic or to other regions of Ukraine intact by the war, which is expected to ensure the delivery of the parts, but projects may be delayed compared to the initial plan.

A summary of the potential impact and probability of risks is presented in the matrix below, and a detailed description of the risk management strategies can be found [in the Annual report 2021](#).

Generally, no significant changes in the levels of the key risks of the Company were recorded.



- 1 Risks of non-notification of the State aid to the European Commission
- 2 Risks of market changes
- 3 Risks of non-implementation of main production activities on time
- 4 Risks of accidents
- 5 Risks of cyber-attacks using publicly known system vulnerabilities (Group)

As In addition to the three-year crisis related to the COVID-19 pandemic, at the end of February 2022, the world faced a new geopolitical crisis - the Russian invasion of Ukraine, both of these challenges affect businesses and people on a global scale. You can find more about the impact of this in the [Interim Report of Ignitis Group for the first half of 2022](#), which, for the sake of transparency, presents separately, to the extent possible, the potential impact of these factors on the Ignitis Group, including the Company.

Sustainability report

5.1 Overview of sustainability

“Ignitis gamyba”, like the entire Ignitis Group, of which the Company is a part, strives to create a business culture of the responsible and harmoniously developed energy sector. We strengthen our operation in line with the principles of the United Nations Global Compact while together pursuing the Sustainable Development Goals. With rapid changes in energetics, the approach of responsible business is reflected both in our daily activities and in our plans for the future. The Sustainability Report of Ignitis Group for 2021 is available [here](#).

Financial statements

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6.1 Financial statements of the Company

Unaudited interim condensed financial statements for the six months period ended 30 June 2022, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union

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The Company's interim condensed financial statements were prepared and signed by Ignitis gamyba AB management on 31 August 2022:

Rimgaudas Kalvaitis

General Manager

Andrius Valivonis

Director of Finance and
Administration

Renata Zakažauskienė

Accounting Partner of UAB
Ignitis grupės paslaugų centras,
acting under Decision No IS-22-
22 of 4 April 2022

Interim Condensed Statement of Financial Position

As at 30 June 2022

All amounts in thousands of euro unless otherwise stated

	Notes	30 June 2022	31 December 2021
ASSETS			
Non-current assets			
Intangible assets		6	15
Property, plant, and equipment	5	389,933	402,542
Right-of-use assets		5,336	5,422
Prepayments for non-current assets		676	347
Investment property		3,043	3,043
Investments in associated companies		2,894	2,990
Non-current receivables	6	44,717	118
Total non-current assets		446,605	414,477
Current assets			
Inventories	7	166,490	24,043
Prepayments and deferred expenses		4,678	5,554
Trade receivables	8	16,405	20,369
Other receivables	9	46,152	8,394
Loans granted		-	64,933
Cash and cash equivalents		1,905	169,421
Total current assets		235,630	292,714
TOTAL ASSETS		682,235	707,191
EQUITY AND LIABILITIES			
Equity			
Issued capital		187,921	187,921
Share premium		89,975	89,975
Legal reserve		19,609	19,609
Revaluation reserve		596	603
Retained earnings (loss)		62,382	44,067
Total equity		360,483	342,175
Liabilities			
Non-current liabilities			
Non-current loans		10,275	12,483
Non-current lease liabilities		5,410	5,461
Grants and subsidies		138,249	142,470
Deferred tax liabilities		11,171	19,738
Provisions	11	1,458	8,580
Other non-current amounts payable and liabilities		292	390
Total non-current liabilities		166,855	189,122
Current liabilities			
Current portion of non-current loans		4,417	4,417
Current loans		36,420	-
Lease liabilities		118	124
Trade payables		16,986	31,973
Prepayments received		1,451	92
Income tax payable		16,342	6,599
Provisions	11	11,954	21,168
Other current amounts payable and liabilities	12	67,209	111,521
Total current liabilities		154,897	175,894
Total liabilities		321,752	365,016
TOTAL EQUITY AND LIABILITIES		682,235	707,191

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

For the three and six months periods ended 30 June 2022

All amounts in thousands of euro unless otherwise stated

	Notes	H1 2022	II qtr. 2022	H1 2021 (restated) ¹	II qtr. 2021 (restated) ¹
Revenue from contracts with customers	13	217,636	80,389	103,748	52,057
Other income		436	142	307	149
Total revenue and other income		218,072	80,531	104,055	52,206
Purchases of electricity, gas and other services		(68,968)	(31,299)	(53,830)	(26,533)
Wages and salaries and related expenses		(5,828)	(3,000)	(4,898)	(2,683)
Repair and maintenance expenses		(1,742)	(1,023)	(2,685)	(1,286)
Depreciation and amortisation		(8,822)	(4,408)	(8,606)	(4,290)
Other expenses	15	(59,118)	(5,748)	(5,711)	(2,873)
Total expenses		(144,478)	(45,478)	(75,730)	(37,665)
Operating profit (loss)		73,594	35,053	28,325	14,541
Finance income		74	18	189	120
Finance costs		(592)	(237)	(369)	(184)
Whereof: interest expenses		(298)	(163)	(226)	(124)
Finance activity, net		(518)	(219)	(180)	(64)
Result of associated entities		60	(63)	204	36
Profit (loss) before tax		73,136	34,771	28,349	14,513
Current year income tax income (expenses)		(19,484)	(5,854)	(4,779)	(2,416)
Deferred tax income (expenses)		8,650	723	599	277
Net profit (loss) for the year		62,302	29,640	24,169	12,374
Other comprehensive income (expenses)					
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)					
Change in actuarial assumptions		70	4	-	-
Items that will not be reclassified to profit or loss in subsequent periods, total		70	4	-	-
Total other comprehensive income (expenses) for the period		70	4	-	-
Total comprehensive income (expenses) for the period r		62,372	29,644	24,169	12,374

¹ Part of the amounts do not agree with interim condensed financial statements issued for the six months period ended 30 June 2021 due to changes in presentation and change in accounting policy. More information disclosed in Note 4.

Interim Condensed Statement of Changes in Equity

For the six months period ended 30 June 2022

All amounts in thousands of euro unless otherwise stated

	Notes	Issued capital	Share premium	Legal reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2021 after restatement¹		187,921	89,975	17,519	618	90,942	386,975
Net profit (loss) ¹ for the year		-	-	-	-	24,169	24,169
Total comprehensive income (expenses) for the period (restated)¹		-	-	-	-	24,169	24,169
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(8)	8	-
Transfer to reserves and changes in reserves		-	-	2,090	-	(2,090)	-
Dividends	14	-	-	-	-	(18,792)	(18,792)
Share-based payments		-	-	-	-	14	14
Balance as at 30 June 2021 (restated)¹		187,921	89,975	19,609	610	94,251	392,366
Balance as at 1 January 2022		187,921	89,975	19,609	603	44,067	342,175
Net profit (loss) for the year		-	-	-	-	62,302	62,302
Other comprehensive income (expenses)		-	-	-	-	62,302	62,302
Result of change in actuarial assumptions		-	-	-	-	70	70
Total other comprehensive income (expenses) for the period		-	-	-	-	70	70
Total comprehensive income (expenses) for the period		-	-	-	-	62,372	62,372
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(7)	7	-
Dividends	14	-	-	-	-	(44,064)	(44,064)
Balance as at 30 June 2022		187,921	89,975	19,609	596	62,382	360,483

¹ Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to change in accounting policy. More information disclosed in Note 4.

Interim Condensed Statement of Cash Flows

For the six months period ended 30 June 2022

All amounts in thousands of euro unless otherwise stated

	Notes	H1 2022	H1 2021 (restated) ¹
Cash flows from operating activities			
Net profit (loss) for the period		62,302	24,169
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		13,043	12,741
Fair value changes of derivatives	15	53,352	1,171
Impairment/(reversal of impairment) of financial assets		(76)	(96)
Income tax expenses (income)		10,834	4,180
Depreciation and amortisation of grants		(4,221)	(4,135)
Increase/(decrease) in provisions		(16,254)	3,915
Inventory write-off to net realisable value (reversal)		13	25
Portion of (profit) of associated entities		(60)	(204)
Loss on disposal/write-off of property, plant and equipment		-	1,060
Share-based payment expenses		-	14
Interest income		(54)	(159)
Interest expenses		408	336
Other finance costs		164	3
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(78,314)	3,321
(Increase)/decrease in inventories, prepayments and deferred expenses		(141,609)	5,064
Increase/(decrease) in trade payables, deferred revenue, prepayments received, other non-current and current amounts payable and liabilities		(11,564)	(10,726)
Income tax paid		(9,418)	(7,319)
Net cash from / (used in) operating activities		(121,454)	33,360
Cash flows used in investing activities			
Acquisition of property, plant and equipment and intangible assets		(590)	(582)
Proceeds from sale of property, plant and equipment and intangible assets		2	19
Interest received		77	150
Dividends received		156	160
Loans granted		-	(26,917)
Loans recovered		64,927	-
Net cash flows from / (used in) investing activities		64,572	(27,170)
Cash flows from/(used in) financing activities			
Loans received		36,420	-
Repayments of borrowings	10	(2,208)	(2,208)
Lease payments	10	(52)	(56)
Interest paid	10	(277)	(227)
Dividends paid		(144,517)	(18,737)
Net cash flows from/(used in) financing activities		(110,634)	(21,228)
Increase/(decrease) in cash and cash equivalents (including overdraft)		(167,516)	(15,038)
Cash and cash equivalents (including overdraft) at the beginning of the period		169,421	138,120
Cash and cash equivalents (including overdraft) at the end of the period		1,905	123,082

¹ Part of the amounts do not agree with condensed financial statements issued for the six months period ended 30 June 2021 due to change in accounting policy: income of EUR 10,479 thousand were reclassified from the item "Increase/(decrease) in provisions" to "Net profit (loss) for the period"; income of EUR 305 thousand was reclassified from "Income tax expenses" to "Net profit (loss) for the period".

Explanatory Notes

For the six months period ended 30 June 2022

All amounts in thousands of euro unless otherwise stated

1 General information

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

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

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

Shareholders of the Company:

	30 June 2022		31 December 2021	
	Number of shares held	Ownership interest (%)	Number of shares held	Ownership interest (%)
AB Ignitis grupė	648,002,629	100.00	648,002,629	100.00
Total	648,002,629	100.00	648,002,629	100.00

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 30 June 2022.

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

As at 30 June 2022, the Company's associates were as follows:

Associate	Registered office	Company's ownership interest	Company's ownership interest	Main activities
		30 June 2022	31 December 2021	
UAB Geoterma, bankrut	Lypkių g. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
UAB Ignitis grupės paslaugų centras	Laisvės pr. 10, LT-04215, Vilnius, Lithuania	21.45%	21.45%	Information technology services, public procurement, accounting and employment relations administration services

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

These interim financial statements were signed by the management of AB Ignitis gamyba on 31 August 2022.

2 Summary of significant accounting policies

2.1 Basis of preparation

These interim condensed financial statements are prepared for the six months period ended 30 June 2022 (hereinafter “interim financial statements”) and have been prepared in accordance with International Accounting Standard (hereinafter “IAS”) 34 “Interim Financial Reporting”.

These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter “IFRS”).

The Company’s interim financial statements as at and for the six months period ended 30 June 2022 have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment, investment property, and certain financial instruments measured at fair value.

These interim 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 interim financial statements provide comparative information in respect of the previous period. The financial year of the Company coincides with the calendar year.

During 2021 the Company made change in accounting policy – see Note 2.2.1 of annual financial statements for the year ended 31 December 2021 and Note 4 of these interim financial statements for detailed explanation.

2.2 New standards, amendments, interpretations and changes in accounting policy

2.2.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Company’s annual financial statements for the year ended 31 December 2021, with the exception of the new standards which entered into force during I half-year of 2022.

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

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

Standards or amendments that came into force during H1 2022

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards 2018–2020
Reference to Conceptual Framework

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

2.2.2 Standards issued but not yet effective and not early adopted

Preparing these interim financial statements the Company did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 30 June 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

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

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

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

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. Amendments are not yet endorsed for application in EU.

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

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Not yet endorsed

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

Preparing these interim financial statements the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as used in preparing the annual financial statements for the year ended 31 December 2021 except the following:

3.1 Services ensuring isolated operation of the power system and capacity reserve

On 14 November 2019, NERC adopted a resolution No O3E-715 'On approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system'. This resolution stipulates that Companies that discontinue capacity reserve ensuring services or services ensuring isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator (related company – Litgrid AB) if the costs actually incurred by the Company were less than the revenues received from the transmission system operator. If the actual costs incurred by the Company were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Company. Formulas determined for period y in the resolution for isolated operation of the power system and capacity reserve services:

- In the case of capacity reserve assurance services: the amount of discrepancy between the assigned investment return that meets the reasonableness criteria, compared to the determined investment return, during the reporting period ($y-2$);
- In the case of isolated operation of the power system: the amount of discrepancy between the costs assigned in the reporting period ($y-2$) compared to the amount of income received from Litgrid AB in the reporting period ($y-2$).

With regard to the resolution above, if the costs actually incurred by the Company were higher than the income received from the transmission system operator, the transmission system operator must return such amount to the Company, and vice versa. Due to this reason the Company recognizes assets or liabilities of regulated activities, the purpose of which is to equalize the current year's profit to a set level.

On 8 February 2022 an additional agreement with transmission system operator was signed. Under the agreement the Company undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by transmission system operator, and transmission system operator undertook to reimburse the costs incurred by the Company under the schedule. Due to this additional agreement during I half-year of 2022 the Company has entered into a derivative financial instruments transaction, which hedges the sale price of gas.

The Company presents short term provisions related to isolated power system operation and system services together with accrued revenue.

As at 30 June 2022 the Company accounted EUR 41,689 thousand as accrued revenue such amounts related to regulated activity (Note 6):

- EUR 50,314 thousand accounted as accrued revenue related to the gas derivative transaction described above;
- EUR (3,629) thousand – half of provision for isolated power system operation and system services which was accounted as non-current provision as at 31 December 2021 recognised for I half-year of 2022;
- EUR (4,996) thousand – provision formed for isolated power system operation and system services for I half-year of 2022.

As at 30 June 2022 the Company has also accounted EUR 11,210 thousand as current liabilities under the caption 'Provisions' in the statement of financial position (Note 11):

- EUR (7,580) thousand – remaining amount of balance confirmed by NERC (as at 31 December 2021 the Company has accounted EUR 15,161 thousand current liabilities under the caption 'Provisions' in the statement of financial position, which is used in equal parts during 2022);
- EUR (3,630) thousand - half of provision for isolated power system operation and system services which was accounted as non-current provision as at 31 December 2021, which will be settled within 12 months.

4 Restatement of comparative figures due to changes in presentation and change in accounting policy

Restatement of comparative figures due to changes in presentation

In preparation of these financial statements, in 2021 the Company made changes in presentation of some of the items of the Statement of Profit or Loss and Other Comprehensive Income ('SPLOCI') and combining of lines of the items. The management believed that changes to SPLOCI are necessary as they will provide reliable and more relevant information for users of financial statements.

The Company combined four line items of SPLOCI into one line under the caption "Purchase of electricity, gas and other services". This restatement had no effect on the figures presented in the statements of financial position, changes in equity and cash flows for 2021. The following line items of SPLOCI comparative period have been combined:

	H1 2022	II qtr. 2022
Purchases of electricity or related services	(20,155)	(9,129)
Gas, biofuel expenses	(30,507)	(15,851)
Cost of inventories sold	(90)	(7)
Use of emission allowances	(3,078)	(1,546)
Total purchases of electricity, gas and other services	(53,830)	(26,533)

The Company combined two line items of SPLOCI into one line under the caption "Other expenses". This restatement had no effect on the figures presented in the statements of financial position, changes in equity and cash flows for 2021. The following line items of SPLOCI comparative period have been combined:

	H1 2022	II qtr. 2022
Inventory write-down (allowance)/reversal	(25)	(15)
Other expenses	(5,686)	(2,858)
Total other expenses	(5,711)	(2,873)

Restatement of comparative figures due to change in accounting policy

The Company participates in the greenhouse gas emissions (hereinafter – European Union emission allowances or EUEA) trading system. In 2021 the management has concluded that the current accounting policy for emission allowances does not fairly present the SPLOCI and the statement of financial position in the best interest of the users of the financial statements. Therefore, the management has determined that there is a need for a voluntary change in accounting policy. The new accounting policy is described in Note 2.2.1 of annual financial statements as at 31 December 2021.

The main arguments for changing the accounting policy are:

1. Revaluation of provision for EUEA will no longer have impact to the SPLOCI of future periods.
2. More fairly presentation of SPLOCI and better relationship with cash flows.
3. More fairly presentation of the statement of financial position as EUEAs are used in the Company's operations rather than for sale.

As IAS 8 requires that the users of financial statements need to be able to compare the financial statements of an entity over time to identify trends, the management presents the information regarding the accounting policy changes, that are performed retrospectively (see restatement 2). There was no significant impact to the statement of cash flows, the respective disclosure is added to the statement of cash flows.

Restatement for the six months periods ended 30 June 2021:

	Notes	H1 2021 before restatement	Restatement 2	H1 2021 after restatement
Revenue from contracts with customers		103,748	-	103,748
Other income		307	-	307
Total revenue and other income		104,055	-	104,055
Purchases of electricity, gas and other services		(64,327)	10,497	(53,830)
Wages and salaries and related expenses		(4,898)	-	(4,898)
Repair and maintenance expenses		(2,685)	-	(2,685)
Depreciation and amortisation		(8,606)	-	(8,606)
Other expenses		(5,711)	-	(5,711)
Total expenses		(86,227)	10,497	(75,730)
Operating profit (loss)		17,828	10,497	28,325
Finance income		189	-	189
Finance costs		(369)	-	(369)
Whereof: interest expenses		(226)	-	(226)
Finance activity, net		(180)	-	(180)
Result of associated entities		204	-	204
Profit (loss) before tax		17,852	10,497	28,349
Current year income tax income (expenses)		(5,084)	305	(4,779)
Deferred tax income (expenses)		599	-	599
Net profit (loss) for the period		13,367	10,802	24,169
Other comprehensive income (expenses)				
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
Revaluation of emission allowances		49,090	(49,090)	-
Items that will not be reclassified to profit or loss in subsequent periods, total		49,090	(49,090)	-
Total comprehensive income (expenses) for the period		62,457	(38,288)	24,169

Restatement for the three months periods ended 30 June 2021:

	Notes	II qtr. 2021 before restatement	Restatement 2	II qtr. 2021 after restatement
Revenue from contracts with customers		52,057	-	52,057
Other income		149	-	149
Total revenue and other income		52,206	-	52,206
Purchases of electricity, gas and other services		(32,213)	5,680	(26,533)
Wages and salaries and related expenses		(2,683)	-	(2,683)
Repair and maintenance expenses		(1,286)	-	(1,286)
Depreciation and amortisation		(4,290)	-	(4,290)
Other expenses		(2,873)	-	(2,873)
Total expenses		(43,345)	5,680	(37,665)
Operating profit (loss)		8,861	5,680	14,541
Finance income		120	-	120
Finance costs		(184)	-	(184)
Whereof: interest expenses		(124)	-	(124)
Finance activity, net		(64)	-	(64)
Result of associated entities		36	-	36
Profit (loss) before tax		8,833	5,680	14,513
Current year income tax income (expenses)		(2,491)	75	(2,416)
Deferred tax income (expenses)		277	-	277
Net profit (loss) for the period		6,619	5,755	12,374
Other comprehensive income (expenses)				
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
Revaluation of emission allowances		27,394	(27,394)	-
Items that will not be reclassified to profit or loss in subsequent periods, total		27,394	(27,394)	-
Total comprehensive income (expenses) for the period		34,013	(21,639)	12,374

5 Property, plant and equipment

5.1 Company's property, plant and equipment

	Land	Buildings	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Other property, plant and equipment	Construction in progress	Total
31 December 2021							
Cost or revalued amount	1,845	599	212,108	770,565	2,314	1,534	988,965
Accumulated depreciation	-	(42)	(118,614)	(361,842)	(624)	-	(481,122)
Accumulated impairment	-	-	-	(105,078)	-	(223)	(105,301)
Carrying amount	1,845	557	93,494	303,645	1,690	1,311	402,542
Carrying amount as at 1 January 2022	1,845	557	93,494	303,645	1,690	1,311	402,542
Additions	-	-	9	27	-	274	310
Write-offs	-	-	-	(2)	-	-	(2)
Reclassifications between categories	-	-	-	120	-	(120)	-
Reclassified from (to) inventories	-	-	10	15	-	-	25
Depreciation	-	(6)	(2,711)	(10,168)	(57)	-	(12,942)
Carrying amount as at 30 June 2022	1,845	551	90,802	293,637	1,633	1,465	389,933
30 June 2022							
Cost or revalued amount	1,845	599	212,127	770,760	2,314	1,688	989,333
Accumulated depreciation	-	(48)	(121,325)	(371,999)	(681)	-	(494,053)
Accumulated impairment	-	-	-	(105,124)	-	(223)	(105,347)
Carrying amount	1,845	551	90,802	293,637	1,633	1,465	389,933

5.2 Additions of property, plant and equipment

The Company has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. The Company's acquisition and construction commitments amounted to EUR 8,439 thousand as at 30 June 2022 (31 December 2021: EUR 4,713 thousand).

5.3 Pledged property, plant and equipment

As at 30 June 2022, the Company had pledged to the banks its property, plant and equipment in the amount of EUR 18,785 thousand (31 December 2021: EUR 19,235 thousand).

6 Non-current receivables

Amounts receivable after one year comprised as follows:

	30 June 2022	31 December 2021
Non-current receivables		
Accrued revenue related to isolated power system operation and system services (Note 3.1)	41,689	-
Cash reserved for guarantees	2,976	51
Other non-current amounts receivable	52	67
Carrying amount	44,717	118

7 Inventories

The Company's inventories comprised as follows:

	30 June 2022	31 December 2021
Natural gas	147,652	-
Emission allowances and emission reduction units	16,984	22,666
Spare parts and other inventories	698	644
Other	1,156	733
Carrying amount	166,490	24,043

During I half-year of 2022 the Company wrote down its inventory by EUR 13 thousand. The write-down is included in Other expenses in SPLOCI (during I half-year of 2021 the Company wrote down its inventory by EUR 25 thousand).

Carrying amount of natural gas 30 June 2022 due to increased quantity of gas as the Company undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by Litgrid AB (Note 3.1).

8 Trade receivables

The Company's trade receivables comprised as follows:

	30 June 2022	31 December 2021
Amounts receivable from contracts with customers		
Receivables for electricity	13,504	14,990
Receivables for sale of system recovery services	1,672	2,646
Receivables for sale of reserve services	920	1,965
Receivables for sale of heat	309	775
Amounts receivable from other contracts		
Other trade receivables	1	-
Total	16,406	20,376
Less: impairment of trade receivables	(1)	(7)
Carrying amount	16,405	20,369

As at 30 June 2022 and 31 December 2021, the Company had not pledged claim rights to trade receivables.

9 Other receivables

The Company's other receivables comprised as follows:

	30 June 2022	31 December 2021
Deposits for gas related derivatives to commodity traders (Note 9.1)	41,730	-
Value added tax	2,013	5,231
Cash reserved for guarantees	371	2,900
Other receivables	2,340	635
Total	46,454	8,766
Less: impairment of other receivables	(302)	(372)
Carrying amount	46,152	8,394

The fair values of other receivables as at 30 June 2022 and 31 December 2021 approximated their carrying amounts.

9.1 Deposits related to derivatives

The Company has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading of derivatives linked to 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.

10 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. For the purpose of net debt calculation, borrowings comprise only debts to financial institutions, and related interest payables. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

	30 June 2022	31 December 2021
Cash and cash equivalents	(1,905)	(169,421)
Non-current borrowings payable after one year	10,275	12,483
Current borrowings payable within one year (including overdraft and accrued interest)	40,837	4,417
Lease liabilities	5,528	5,585
Net debt	54,735	(146,936)

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

	Assets		Lease liabilities		Loans and borrowings		Total
	Cash	Non-current	Current	Non-current	Current		
Net debt as at 1 January 2022	(169,421)	5,461	124	12,483	4,417	(146,936)	
Cash changes							
(Increase) decrease in cash and cash equivalents	167,516	-	-	-	-	167,516	
Repayments of borrowings	-	-	-	-	(2,208)	(2,208)	
Loans from related parties, net	-	-	-	-	36,420	36,420	
Lease payments	-	-	(52)	-	-	(52)	
Interest paid	-	-	-	-	(277)	(277)	
Non-cash changes							
Lease contracts concluded	-	6	7	-	-	13	
Lease liabilities write-off	-	(1)	(7)	-	-	(8)	
Accrual of interest payable	-	-	110	-	298	408	
Reclassification of interest payable (from) / to trade payables	-	-	(120)	-	(21)	(141)	
Reclassifications between items	-	(56)	56	(2,208)	2,208	-	
Net debt as at 30 June 2022	(1,905)	5,410	118	10,275	40,837	54,735	

11 Provisions

The Company's provisions consisted of:

	30 June 2022	31 December 2021
Non-current	1,458	8,580
Current	11,954	21,168
Total	13,412	29,748

Movement of the Company's provisions was as follows:

	Emission allowance liabilities (Note 4.4)	Provisions for isolated power system operation and system services	Dismantling works	Provisions for employee benefits	Other provisions	Total
Balance as at 1 January 2022	5,713	22,268	140	1,580	47	29,748
Increase during the period	553	-	-	133	-	686
Utilised during the period	(5,713)	(11,209)	(140)	(24)	(5)	(17,091)
Result of change in assumptions	-	-	-	(82)	-	(82)
Discount effect	-	151	-	-	-	151
Balance as at 30 June 2022	553	11,210	-	1,607	42	13,412
Non-current portion	-	-	-	1,421	37	1,458
Current portion	553	11,210	-	186	5	11,954
Balance as at 30 June 2022	553	11,210	-	1,607	42	13,412

EUR 11,210 thousand current provision for isolated power system operation and system services is related to NERC's letter where stated that reimbursement period is 2022 and half of provision for isolated power system operation and system services which was accounted as non-current provision as at 31 December 2021, which will be settled within 12 months (Note 3.1).

12 Other current amounts payable and liabilities

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

	30 June 2022	31 December 2021
Derivatives	60,796	7,444
Employment related liabilities	2,368	1,662
Payable dividends	1,121	101,574
Taxes (other than income tax)	215	506
Other amounts payable and liabilities	2,709	335
Carrying amount	67,209	111,521

12.1 Derivatives

As at 30 June 2022, liabilities from derivatives related to trade in electricity and natural gas amounted to EUR 60,796 thousand (31 December 2021: EUR 7,444 thousand).

The Company carries out trade in derivative financial instruments linked to the market prices of electricity and natural gas through over-the-counter transactions (directly with the Group company).

13 Revenue from contracts with customers

13.1 Disaggregated revenue information

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

	H1 2022	H1 2021
Revenue from sale of produced electricity	136,757	77,188
Revenue from services ensuring isolated operation of power system	63,994	13,306
Revenue from capacity reserve services	13,048	10,365
Revenue from supply of thermal energy	3,498	1,495
Other income	339	1,394
Total	217,636	103,748

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

	H1 2022	H1 2021
Performance obligation settled over time	217,485	102,569
Performance obligation settled at a point of time	151	1,179
Total	217,636	103,748

13.2 Contract balances

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

	Notes	30 June 2022	31 December 2021
Trade receivables	8	16,405	20,369
Contract liabilities		1,393	42
Prepayments received		1,393	42

14 Dividends

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

	H1 2022	H1 2021
Amount of dividends (EUR thousand)	44,064	18,792

During the ordinary General Meeting of Shareholders of AB Ignitis gamyba, held on 29 April 2022 a decision was made to pay out dividends of EUR 0.068 per share for October–December 2021, amounting to EUR 44,064 thousand in total.

15 Other expenses

The Company's other expenses were as follows:

	H1 2022	H1 2021 (restated) ¹
Derivatives	55,726	1,523
Tax (other than income tax) expenses	869	937
Business support and management services	513	680
Insurance	268	119
Transport	199	152
Utilities	197	167
Security of property	182	177
Write-off of non-current assets	2	1,060
Audit fees	35	32
Impairment (reversal) of receivables	(76)	(96)
Other	1,203	960
Total	59,118	5,711

¹ Part of the amounts do not agree with interim condensed financial statements issued for the six months period ended 30 June 2021 due to changes in presentation and change in accounting policy. More information disclosed in Note 4.

The result of realised and unrealised derivatives is presented through profit and loss of SPLOCI. In SPLOCI result of derivatives is presented on a net basis, depending on the final outcome of the reporting period. The result of such financial instruments can be presented as follows:

	H1 2022	H1 2021
Gain (loss) of realised financial derivatives	(2,374)	(352)
Gain (loss) of unrealised financial derivatives ¹	(53,352)	(1,171)
Total profit (loss)	(55,726)	(1,523)

¹ Change in the fair value of unrealised derivatives.

16 Contingent liabilities

During I half-year of 2022 there were no significant changes in litigations reported in annual financial statements for 2021.

17 Related-party transactions

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

Related parties	Current loans	Amounts receivable	Amounts payable	Sales	Purchases	Finance income (costs)
	30 June 2022	30 June 2022	30 June 2022	H1 2022	H1 2022	H1 2022
Parent company AB Ignitis grupė	35,889	-	492	-	118	(37)
Associates of the Company	-	1	193	10	971	1
Other Group companies	531	41,773	63,727	169	210,284	(8)
State-controlled UAB EPSO-G group companies	-	17,202	10,662	20,158	34,977	-
Total	36,420	58,976	75,074	20,337	246,350	(44)

Related parties	Amounts receivable	Amounts payable	Current borrowings	Sales	Purchases	Finance income (costs)
	31 December 2021	31 December 2021	31 December 2021	H1 2021	H1 2021	H1 2021
Parent company AB Ignitis grupė	-	100,461	-	-	247	-
Associates of the Company	2	325	1,177	4	837	-
Other Group companies	47	9,406	63,733	167	8,130	145
State-controlled UAB EPSO-G group companies	23,995	20,166	-	46,608	32,993	-
Total	24,044	130,358	64,910	46,779	42,207	145

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 6,447 thousand during I half-year 2022; EUR 5,869 thousand during I half-year 2021) and sales (EUR (26,527) thousand during I half-year 2022; EUR 13,481 thousand during I half-year 2021) of electricity produced by wind-power generators as reported in the tables on the related-party transactions.

17.1 Compensation to key management

	H1 2022	H1 2021
Wages and salaries and other current benefits to key management	191	175
Whereof:		
Current benefits	191	160
Termination benefits	-	1
Share-based payment expenses	-	14
Number of key management personnel	6	6

18 Fair values of financial instruments

18.1 Financial instruments measured at fair value

As at 30 June 2022 and 31 December 2021, the Company has accounted for liabilities arising from financial derivatives. The Company accounts for financial derivative liabilities at fair value. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All liabilities measured at market value are measured on a recurring basis. The Company attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are determined 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).

18.2 Financial instruments for which fair value is disclosed

The fair value of the Company's financial liabilities related to debt liabilities to commercial banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.81 as at 30 June 2022 (31 December 2021: 2.76). 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 30 June 2022:

Note	Carrying amount	Level 1	Level 2	Level 3	Total	
		Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs		
Financial instruments measured at fair value through profit (loss)						
Liabilities						
Derivatives	12	60,796	-	60,796	-	60,796
Financial instruments for which fair value is disclosed						
Liabilities						
Debt liabilities to commercial banks		14,692	-	14,129	-	14,129
Current loans		36,420	-	36,420	-	36,420

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

Note	Carrying amount	Level 1	Level 2	Level 3	Total	
		Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs		
Financial instruments measured at fair value through profit (loss)						
Liabilities						
Derivatives	12	7,444	-	7,444	-	7,444
Financial instruments for which fair value is disclosed						
Assets						
Current loans		64,910	-	64,910	-	64,910
Liabilities						
Debt liabilities to commercial banks		16,900	-	15,956	-	15,956

19 Events after the reporting period

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

Additional information

7.1	Other important statutory information	57
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7.1 Other important statutory information

The interim report provides information to the shareholders, creditors and other stakeholders of AB “Ignitis gamyba” about the Company and its controlled companies’, if there are any, operations for the period of January–June 2022.

The interim report has been prepared by the Company’s administration in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania, Law on Companies of the Republic of Lithuania and the Law on Consolidated Accounts of Groups of Undertakings of the Republic of Lithuania while taking into account the Description of the Guidelines for Ensuring Transparency in State-Owned Enterprises. The securities of the Company are not listed and are not traded on the regulated market. The Articles of Association of the Company do not provide more requirements for the contents of the interim report than it is provided in the aforementioned legislation.

The Company’s management is responsible for the information contained in the interim report. The report and the documents, on the basis of which it was prepared, are available at the head office of the Company (Elektrinės St. 21, Elektrėnai), on working days from Monday to Thursday from 7.30 am to 4.30 pm, and on Friday from 7.30 am to 3.15 pm (by prior arrangement).

Information about the Company

1. Company name: AB “Ignitis gamyba”
2. The legal form of the Company: public limited liability company
3. Share capital: EUR 187,920,762.41
4. Date and place of incorporation: 20 July 2011, Register of Legal Entities of the Republic of Lithuania
5. Company code: 302648707
6. Registered office address: Elektrinės St. 21, Elektrėnai
7. Register of the Company: Register of Legal Entities
8. Phone: +370 6 183 7392
9. Fax: (8 5) 278 2906
10. Email: gamyba@ignitis.lt
11. Website: www.ignitisgamyba.lt

Legal disclaimers

There were no significant events after the reporting period.

The Company did not exercise any financial and hedging measures subject to hedge accounting, which would be significant when evaluating the Company’s assets, equity, obligations, financial position and business performance. The Company did not own treasury shares at the start of the reporting period and did not acquire its own shares during the reporting period.

The Company has no established affiliates and representative offices.

The Company is planning further sustainable development of the current activities in order to ensure higher profitability and efficiency of asset utilisation in the long-term. Studies will be conducted as necessary.

The operations of the Company comply with the requirements established in environmental legislation.

Significant transactions

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

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

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

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

The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All financial data presented in the interim report are calculated in accordance with TFAS and corresponds to the audited financial statements of the Company.

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

Alternative performance measures

Alternative Performance Measures (hereinafter – APM) – adjusted figures used in this report refer to measures used for internal performance management. As such, they are not defined under International Financial Reporting Standards

(IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found on the Group's website ([link](#)).

Language disclaimer

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

Abbreviations

ATL	Emission allowances	NordPool	NordPool electricity exchange
Company	Ignitis gamyba AB	LR	The Republic of Lithuania
GDP	Gross domestic product	TSO	Transmission system operator AB LITGRID
ESH	Employee safety and health	MW	Megawatts
EC	European Commission	GWh	Gigawatt-hours
EU	European Union	TWh	Terawatt-hours
Group	Companies of the companies group of Ignitis Grupė AB	NERC	National Energy Regulatory Council
Kruonis HPP	Kruonis hydro power plant	SPI	Services of public interest
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	Vilnius TE-3	Vilnius 3rd CHP plant
CCU	Combined cycle unit		

Certification statement

31 August 2022

We, the undersigned AB Ignitis gamyba Rimgaudas Kalvaitis, Chief Executive Officer, Andrius Valivonis, Director of Finance and Administration, and Renata Zakažauskienė, Accounting Partner of UAB Ignitis grupės paslaugų centras, acting under Order No IS-22-22 of 4 April 2022, hereby confirm that, to the best of our knowledge, AB Ignitis gamyba Interim Condensed Financial Statements for six months period ended 30 June 2022 prepared according to International Accounting Standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB Ignitis gamyba assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report the six months period includes a fair review of the activities business development as well as the condition of AB Ignitis gamyba and with the description of the principle risk and uncertainties it faces.

Rimgaudas Kalvaitis
General Manager

Andrius Valivonis
Director of Finance and
Administration

Renata Zakažauskienė
Accounting Partner of UAB
Ignitis grupės paslaugų centras,
acting under Decision No IS-22-
22 of 4 April 2022

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

+370 618 37392
gamyba@ignitis.lt
www.ignitisingamyba.lt

Company code
302648707
VAT payer's code
LT100006256115