

2020

IGNITIS RENEWABLES UAB

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS,
FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH
ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT



www.ignitisgrupe.lt

Ignitis renewables UAB

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Company code 304988904



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Consolidated and the Company's financial statements are prepared and signed for issue on 28 April 2021 by the management of Ignitis renewables UAB:

Aleksandr Spiridonov
Chief Executive Officer

Laurynas Jocys
Chief Financial Officer

Paulius Žukovskis
Ignitis grupės paslaugų centras UAB
Head of Group's accounting consultation division acting
under Order No IS-29-21 of 01/04/2021



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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholder of UAB Ignitis Renewables

Opinion

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

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

Basis for opinion

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

Other information

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
 - ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
 - ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Inga Gudinaite
Auditor's licence
No. 000366

28 April 2021

Consolidated and the Company's Annual Report

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

Basic data about the Company

Company name:	Ignitis renewables UAB
Legal form:	Private Limited Liability Company
Issued capital	EUR 3,000
Date of registration:	14 January 2019
Place of registration:	P. Lukšio st. 5B, 4, Vilnius
Company code:	304988904
Registered office address:	Žvejų st. 14, LT-09310 Vilnius
Register name:	P. Lukšio st. 5B, Vilnius
Telephone:	+5 2 78 29 98
Fax:	None
E-mail:	biuras@ignitis.lt
Website:	www.ignitisgrupe.lt

Ignitis renewables UAB, a holding of renewable energy resources, was established on 14 January 2019 (hereinafter "the Company"). On 28 March 2019, the Company concluded the share sale-purchase agreements with Ignitis grupė AB to acquire 100% interest in the ordinary intangible shares of Vėjo gūsis UAB, Vėjo vatas UAB, EURAKRAS UAB, and VVP Investment UAB. On 27 May 2019, the Company entered into the share purchase and sale agreement regarding the acquisition of 100% of shares of Pomerania Wind Farm Sp. z o. o.

Ignitis renewables UAB, Vėjo gūsis UAB, Vėjo vatas UAB, EURAKRAS UAB, VVP Investment UAB and Pomerania Wind Farm sp. z o. o constitute the Group of companies (hereinafter "the Group").

Description of the Company and Group's activities and service market

The main activity of the Company is the performance analysis and coordination, supply of management services to the legal entities owned by the Company. The Company is responsible for the efficient operation of existing wind farms, maintenance of parks under construction and development of wind and solar power generation capacities, and exercise of rights and obligations of the shareholder.

Main activities of the Group companies

Main activities of Vėjo vatas UAB, Vėjo gūsis UAB and EURAKRAS UAB are production and sale of electricity generated from renewable sources (wind).

Main activities of VVP Investment UAB and Pomerania Wind Farm sp. z o. o are the following: design and construction of wind farms with a total capacity of at least 63 MW and 94 MW, respectively, and supply, installation and connection to the grid of wind power plants, as well as other project-related tasks leading to generation of power by wind power plants.

The Company's main customers are companies, the shares of which are owned by the Company: Vėjo gūsis UAB, Vėjo vatas UAB, EURAKRAS UAB, VVP Investment UAB and Pomerania Wind Farm Sp. z o. o, while main customers of the Group companies are companies engaged in purchase of generated electricity. The purchase of electricity produced by Vėjo gūsis UAB, Vėjo vatas UAB, EURAKRAS UAB is provided by Ignitis gamyba AB, an electricity company designated by the Ministry of Energy of the Republic of Lithuania (hereinafter "the Designated Entity"). The electricity purchased is traded through a day-ahead trading platform on the power exchange Nord Pool. Trading on the Exchange is carried out by the Designated Entity.

The electricity produced by VVP investment UAB will be traded on the Nordpool Power Exchange through the Designated Entity.

The electricity produced by Pomerania Wind Farm Sp. z o.o is expected to be sold to Ignitis Polska Sp. z o.o in 2021.

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

In 2020, the Company carried out activities of a mixed character. The Company coordinated the activities of its legal entities through successful management, consulting and funding services.

In 2020, the Group generated and sold 178.7 GWh and 174.6 GWh of electricity, respectively. In 2020, all parks managed by the Group operated without significant disruptions with availability rate of 98% achieved by wind farms. The Group continued to successfully develop wind power projects in Lithuania and Poland.

The Company is continually involved in the search for new wind and solar projects and their evaluation with the goal set for 2021–2024: to significantly increase the total installed capacity of the operated and developing projects and to perform all necessary research and other development works related to the project of a new offshore wind farm in the Baltic Sea.

To that end, the Company announced on 14 September 2020 that it had selected OW Ocean Wind (OW) as a strategic partner for the development of offshore wind farm projects in Lithuania, and concluded the agreement with OW Offshore S.L. on the submission of a joint offer in offshore wind processes in Lithuania, and signed a purchase and sale agreement with Delphis Holdings Limited, the subsidiary of OW Offshore S.L. and a private minority participant of the project, on acquisition of a 5% stake in the Moray West wind farm project on the east coast of Great Britain.

On 16 September 2020 Ignitis renewables UAB has signed an agreement to acquire solar parks in Poland with a total capacity of up to 170MW from the solar developer Sun Investment Group.

Description of key risks and uncertainties faced by the Company and Group

Economic risk

The Company's income is contingent on the management services provided and the dividends from the subsidiaries managing the operating wind farms. Whereas the Group is engaged in electricity generation in wind farms, which are subject to measures promoting the use of renewable energy sources, including flat rate and purchase of electricity generated and supplied to the grid, under the terms and conditions provided for by the legislation, the management believes that the impact of economic risk on the Group's operations is not significant.

Financial risk

When performing its activities, the Company and Group is exposed to financial risks, including credit risk, liquidity risk, and interest rate risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's and consolidated financial performance.

Credit risk

Credit risk arising from the funds held at banks is minimal because the Company and Group's accounts have been opened only with those banks or their subsidiaries, which have been assigned with high credit ratings by foreign rating agencies.

Liquidity risk

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

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings which are necessary to balance the working capital and finance development projects. All the Group's long-term borrowings and significant part of short-term borrowings are subject to fixed interest rates, therefore, there is no significant risk related to possible interest rate fluctuations. In 2021, the Company's operations were financed using both the issued capital and borrowed funds.

Foreign currency exchange risk

The Company and Group's purchase/sale transactions are mainly denominated in euros and Polish zloty, minor part – in British pounds. In order to manage foreign exchange risk, needs for the euros are ensured by the equity contribution in Pomerania Wind Park sp. z o.o, share capital and needs for Polish zloty are ensured by a long-term loan from the European Investment Bank. Changes in exchange rates of foreign currencies do not have a significant impact on the Company's financing activities. Meanwhile, the Group incurred EUR 543 thousand of foreign currency exchange loss in 2020 due to the items of liabilities and assets denominated in currencies other than the functional currency and foreign exchange transactions. These finance costs were recognised in the statement of profit or loss. Most of these costs relate to a project developed by Wind Farm Sp. z o.o in Poland.

The effect of the translation of net investments operating in the foreign market into the Group's functional/presentation currency in 2020 amounted to EUR 2,194 thousand and was recognised in the Group's other comprehensive income.

Analysis of financial and non-financial performance

In 2020, the Company earned EUR 10,101 thousand, of which dividends amounted to EUR 9,792 thousand. In 2019, the first year of operation, the Company earned EUR 1,947 thousand, of which dividends amounted to EUR 1,870 thousand.

In 2020, the Group earned EUR 13,900 thousand in revenue, representing the increase by 38% compared to 2019 (EUR 10,076 thousand). 99.7% of the Group's revenue consists of sales of electricity generated by wind farms.

In 2020, the Company's operating expenses, compared to the previous financial year, increased to EUR 3,416 thousand (in 2019: EUR 887 thousand). The increase is stemming from the rise in the remuneration fund due to the increase in the number of employees, and the need for business and management services.

In 2020, the Group's costs, compared to the previous financial year, increased to EUR 12,166 thousand (in 2019: EUR 7,561 thousand). The increase is stemming from the rise in the remuneration fund due to the increase in the number of employees, and the need for business and management services, as well as due to the increase in the cost of repair and maintenance existing wind farms.

In 2020, the Company's finance income amounted to EUR 261 thousand declined comparing to 2019 (in 2019: EUR 341 thousand). This was caused by the lower lending related to Pomerania Wind Farm sp. z o.o. In 2020, the Group's finance income were insignificant and amounted to EUR 9 thousand.

In 2020, the Company's finance cost amounted to EUR 1,488 thousand increased comparing to 2019 (in 2019: EUR 809 thousand). The cost increase is largely due to non-current loan from Ignitis grupė AB, which was used to finance the transaction with Sun Investment Group, and increase in number of current loans from Ignitis grupė AB, used to balance the working capital of Pomerania Wind Farm sp. z o.o and finance the transaction of Moray West.

In 2020, the Group's finance costs increased to EUR 2,745 thousand (in 2019: EUR 1,451 thousand). Finance costs consisted substantially of interest paid on loans received from Ignitis grupė AB, Swedbank lizingas UAB, and loss on foreign exchange. Most of the costs relate to a project of Pomerania Wind Farm sp. z o.o developed in Poland.

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All amounts in thousands of euro unless otherwise stated

Information on environmental and personnel-related matters

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

In 2020, the Company had 10 employees (average number of employees), as at 31 December 2020 – 13 employees.

In 2020, the Group had 13 employees (average number of employees), as at 31 December 2020 – 17 employees.

In 2020, The Company's remuneration fund amounted to EUR 496 thousand (2019: EUR 270 thousand). The Group's total wage fund for 2020 was EUR 661 thousand (in 2019: EUR 286 thousand).

	Company		Group	
	Breakdown of headcount by category of employees	Average remuneration (pre-tax)*, EUR January–December 2020	Breakdown of headcount by category of employees	Average remuneration (pre-tax)*, EUR January–December 2020
CEO	1	9,548	1	9,548
Top level executives	1	Not disclosed	1	Not disclosed
Mid-level executives	2	4,537	3	Not disclosed
Experts, specialists	9	3,676	12	3,740
In total	13	4,435	17	4,392

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

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

All financial data presented in this annual report is calculated in accordance with the International Financial Reporting Standards as adopted by EU and is consistent with the Company's audited financial statements.

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

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

Information on the Company's branches and representative offices

The Company has no branches and representative offices.

Significant events after the end of the reporting period

No material events have occurred since the end of the financial year.

The Company's/the Group's operation plans and forecasts

Performance analysis and coordination of and supply of management services to the legal entities owned by the Company. The Company is responsible for the efficient coordination and management of existing wind farms, maintenance of parks under construction and development of wind and solar power generation capacities, and ensuring the implementation of rights and obligations of the shareholder.

After assessing the Company's ability to continue as a going concern, the Group's management considers the going concern principle implemented, since COVID-19 did not have a significant effect for which a liquidation of the Group or divestment of a significant part of its operations may be considered. Based on approved strategic plan for year 2021 – 2024 the Company will continue pursuing new project acquisition opportunities and is planning to start *green field investments* into solar and wind technologies. The first steps for *green field investments* could be specified as follows:

- Adjust Group structure by acquisition or establishing new entities which would be engaged in *green field investments*;
- Securing the land plots needed for further development of the solar and/or wind projects.

Information on the Company and Group's research & development activities

The Company is actively involved in the processes related to the development of a new offshore wind farm in the Baltic Sea region. The Company and Group will pursue a steady expansion in Lithuania, the Baltic Sea region and Central and Eastern Europe through the acquisition of operating power plants and the development of new to-be-constructed plant projects. The Company and Group does not anticipate any other significant research and development activities other than mentioned in this and preceding paragraph.

Financial instruments in use

The Company and Group did not use financial or hedging instruments qualifying for hedge accounting that could affect the assessment of the Company and Group's assets, equity, liabilities, financial position and performance.

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All amounts in thousands of euro unless otherwise stated

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

Full name	Company and position (in Group companies)	Other external companies and position
Aleksandr Spiridonov	Principle workplace: UAB Ignitis renewables (company code 304988904, address: P. Lukšio st. 5B, LT-08221 Vilnius) CEO. Other executive positions: Pomerania Wind Farm sp.z o.o. (company code 0000450928, address: 82/368 Grunwaldzka Street, 80-244 Gdańsk, Poland) Member of the Board. Tuuleenergia OU (company code 10470014, address: Keskus, Helmküla küla, Varbla vald, Pärnumaa, 88208) Member of the Board.	The Lithuanian Wind Power Association (registered office at M.K. Čiurlionio st. 4, LT-03104 Vilnius), Member of the Board.
Dominykas Tučkus	Principle workplace: Ignitis grupė AB (company code 301844044, address: Žvejų st. 14, LT-09310 Vilnius), Member of the Board, Director for Infrastructure and Development Other executive positions: Ignitis gamyba AB (company code 302648707, address: Elektrinės st. 21, LT-26108 Elektrėnai), Chairman of the Supervisory Board Vilniaus kogeneracinė jėgainė UAB (company code 303782367, address: Žvejų st. 14, LT-09310 Vilnius), Chairman of the Board. Ignitis renewables UAB (company code 304988904, address: P. Lukšio g. 5B, LT-08221 Vilnius), Member of the Board. Ignitis UAB (company code 303383884, address: Žvejų st. 14, LT-09310 Vilnius), Member of the Supervisory Board. KŪB Smart Energy Fund powered by Ignitis grupė (company code 304596351, Antakalnio st. 17, Vilnius), Member of the Advisory Committee.	None

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Full name	Company and position (in Group companies)	Other external companies and position
Jonas Rimavičius	Principle workplace: Ignitis grupė AB (company code 301844044, address: Žvejų st. 14, LT-09310 Vilnius), Head of Finance and Investment Management Department	None
	Other executive positions: Ignitis Renewables UAB (company code 304988904, address: P. Lukšio g. 5B, LT-08221 Vilnius), Member of the Board. NT Valdos UAB (company code 300634954, address: Smolensko st. 5, LT-03202 Vilnius), Member of the Board	

28 April 2021

Aleksandr Spiridonov, CEO

Signature

Statements of Financial Position

	Notes	Group		Company	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
ASSETS					
Non-current assets					
Intangible assets	5	40,187	42,208	29	-
Property, plant and equipment	6	126,944	50,983	2	2
Right-of-use assets	7	43,680	42,306	70	53
Investments in subsidiaries	8	-	-	95,645	96,609
Non-current receivables	9	1,761	1,473	11,160	-
Other financial assets	10	2,357	-	2,357	-
Deferred tax assets	18	972	137	436	-
Total non-current assets		215,901	137,107	109,699	96,664
Current assets					
Prepayments and deferred expenses		324	147	21	1
Trade receivables	11	1,833	1,933	-	-
Other receivables	12	15,640	4,649	312	242
Current loans and interest receivable	9	-	-	2,012	512
Cash and cash equivalents	13	11,434	19,885	2,259	5,425
Total current assets		29,231	26,614	4,604	6,180
TOTAL ASSETS		245,132	163,721	114,303	102,844
EQUITY AND LIABILITIES					
Equity					
Issued capital	14	3	3	3	3
Share premium	14	44,697	44,697	44,697	44,697
Reserves	14	(1,946)	113	-	-
Retained earnings (deficit)		561	829	6,656	592
Total equity		43,315	45,642	51,356	45,292
Liabilities					
Non-current liabilities					
Non-current loans	15	108,045	24,355	2,650	-
Non-current lease liabilities	17	13,994	18,378	33	33
Deferred tax liabilities	18	6,267	6,579	-	-
Provisions		6	-	5	-
Total non-current liabilities		128,312	49,312	2,688	33
Current liabilities					
Current portion of non-current loans	15	1,430	-	-	-
Current loans	15	59,983	60,083	59,859	56,922
Current portion of lease liabilities	17	9,339	4,846	33	17
Trade payables		388	518	100	311
Advances received		-	30	-	-
Income tax payable		577	598	-	-
Other current amounts payable and liabilities	19	1,788	2,692	267	269
Total current liabilities		73,505	68,767	60,259	57,519
Total liabilities		201,817	118,079	62,947	57,552
TOTAL EQUITY AND LIABILITIES		245,132	163,721	114,303	102,844

Statements of Profit or Loss and Other Comprehensive Income

	Notes	Group		Company	
		2020	2019	2020	2019
Revenue from contracts with customers	20	13,864	9,376	309	77
Other income		36	700	-	-
Dividend income	25	-	-	9,792	1,870
Total revenue and other income		13,900	10,076	10,101	1,947
Depreciation and amortisation	5, 6, 7	(7,179)	(4,980)	(21)	(7)
Salaries and related expenses		(643)	(282)	(554)	(275)
Repair and maintenance expenses		(1,679)	(1,041)	-	-
Impairment of investments in subsidiaries	8	-	-	(1,300)	-
Other expenses	21	(2,665)	(1,258)	(1,541)	(605)
Total		(12,166)	(7,561)	(3,416)	(887)
Operating profit (loss)		1,734	2,515	6,685	1,060
Finance income	22	9	103	261	341
Finance expenses	23	(2,745)	(1,451)	(1,488)	(809)
Profit (loss) before tax		(1,002)	1,167	5,458	592
Current year income tax (expenses)/benefit	24	(278)	(544)	170	-
Deferred tax (expenses)/benefit	24	1,147	243	436	-
Net profit (loss) for the year		(133)	866	6,064	592
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss in subsequent periods (net of tax)					
Exchange differences on translation off foreign operations into the Group's presentation currency		(2,194)	61	-	-
Items that may be reclassified to profit or loss in subsequent periods, total		(2,194)	61	-	-
Total other comprehensive income (loss) for the year		(2,194)	61	-	-
Total comprehensive income (loss) for the year		(2,327)	927	6,064	592

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

All amounts in thousands of euro unless otherwise stated

Consolidated Statement of Changes in Equity

Group	Issued capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Set-up of the Group's issued capital and share premium	3	11,174	-	-	15	11,192
Exchange differences on translation of foreign operations into the Group's presentation currency	-	-	-	61	-	61
Total other comprehensive income (loss) for the year	-	-	-	61	-	61
Net profit (loss) for the year	-	-	-	-	866	866
Total comprehensive income (loss) for the year	-	-	-	61	866	927
Transfer to reserves and movement in reserves	-	-	52	-	(52)	-
Increase in share premium	-	33,523	-	-	-	33,523
Balance as at 31 December 2019	3	44,697	52	61	829	45,642
Balance at 1 January 2020	3	44,697	52	61	829	45,642
Exchange differences on translation of foreign operations into the Group's presentation currency	-	-	-	(2,194)	-	(2,194)
Total other comprehensive income (loss) for the year	-	-	-	(2,194)	-	(2,194)
Net profit (loss) for the year	-	-	-	-	(133)	(133)
Total comprehensive income (loss) for the year	-	-	-	(2,194)	(133)	(2,327)
Transfer to reserves, movement in reserves	-	-	135	-	(135)	-
Balance at 31 December 2020	3	44,697	187	(2,133)	561	43,315

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

All amounts in thousands of euro unless otherwise stated

Company's Statement of Changes in Equity

Company	Issued capital	Share premium	Retained earnings	Total
Set-up of the Group's issued capital and share premium	3	11,174	-	11,177
Net profit (loss) for the year	-	-	592	592
Total comprehensive income (loss) for the year	-	-	592	592
Increase in share premium	-	33,523	-	33,523
Balance as at 31 December 2019	3	44,697	592	45,292
Balance at 1 January 2020	3	44,697	592	45,292
Net profit (loss) for the year	-	-	6,064	6,064
Total comprehensive income (loss) for the year	-	-	6,064	6,064
Balance at 31 December 2020	3	44,697	6,656	51,356

Statements of Cash Flows

	Notes	Group		Company	
		2020	2019	2020	2019
Cash flows from operating activities					
Net profit (loss) for the year		(133)	866	6,064	592
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	5, 6, 7	7,179	4,980	21	7
Impairment of investments in subsidiaries	8	-	-	1,300	-
Income tax expenses (benefit)	24	(869)	301	(606)	-
Increase/(decrease) in provisions		6	-	5	-
Elimination of results of investing activities:					
Dividend income	25	-	-	(9,792)	(1,870)
Loss on disposal/write-off of property, plant and equipment		2	3	-	-
Elimination of results of financing activities:					
Interest income	22	(9)	-	(248)	(315)
Interest expenses	23	2,201	1,318	1,443	809
Other expenses (income) of financing activities	22, 23	544	30	32	(26)
Changes in working capital:					
(Increase)/decrease in trade receivables and non-current and other receivables	11, 12	(9,410)	(5,169)	(57)	(104)
(Increase)/decrease in prepayments and deferred expenses		(177)	373	(20)	(1)
Increase/(decrease) in amounts payable and advances received		(160)	(649)	(409)	109
Income tax paid		(376)	(257)	170	-
Net cash flows from operating activities		(1,202)	1,796	(2,097)	(799)
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(77,227)	(17,692)	(30)	(2)
Proceeds from sale of property, plant and equipment		-	2	-	-
Loans granted		(1,760)	-	(12,460)	(26,009)
Loan repayments received		-	-	-	25,809
Acquisition of a subsidiary, net of cash acquired	28	-	(53,566)	-	(60,218)
Interest received		-	-	48	3
Dividends received	25	-	-	9,792	1,870
Opening (closing) of term deposit		-	656	-	200
Increase in issued capital of subsidiaries		-	-	-	(36,391)
Other increases/(decreases) in cash flows from investing activities	8, 10	(2,357)	-	(2,693)	-
Net cash flows from investing activities		(81,344)	(70,600)	(5,343)	(94,738)
Cash flows from financing activities					
Issue of share capital	14	-	44,700	-	44,700
Loans received	16	115,220	57,526	25,950	56,922
Repayment of loans	16	(33,261)	(7,769)	(20,480)	-
Lease payments	16	(4,799)	(4,306)	(21)	(11)
Interest paid	16	(3,065)	(1,462)	(1,175)	(649)
Net cash flows from financing activities		74,095	88,689	4,274	100,962
Increase/(decrease) in cash and cash equivalents		(8,451)	19,885	(3,166)	5,425
Cash and cash equivalents at the beginning of the year	13	19,885	-	5,425	-
Cash and cash equivalents at the end of the year		11,434	19,885	2,259	5,425

Ignitis renewables UAB
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1 General information

These financial statements cover the financial statements of a parent company Ignitis renewables UAB (hereinafter “the Company” or “the Parent company”) and the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively “the Group”), prepared for the year ended 31 December 2020 (hereinafter “financial statements”).

Ignitis renewables UAB is a private limited liability company registered in the Republic of Lithuania. The Company’s registered office address is Žvejų st. 14, LT-09310, Vilnius, Lithuania. The Company was registered on 14 January 2019 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 304988904. The Company has been founded for an indefinite period. Reporting period is one year and coincides with the calendar year.

The Company is a parent company which is responsible for the analysis and coordination of activities of its subsidiaries engaged in the generation of electricity from renewable sources, and exercises rights and obligations of the sole shareholder Ignitis grupė AB. When managing subsidiaries, the Company sets guidelines and rules for their activities, annual financial plans, annual rate of return on assets, maximum amounts of debt obligations, as well as other performance parameters of these companies. Information on the Group’s structure is provided in Note 8.

The Company is a part of a group of energy companies, which are legal entities directly and indirectly controlled by the ultimate parent company – Ignitis grupė AB. Ignitis grupė AB is the sole controlling party of the Company.

The Company manages renewable energy projects in the Baltic States and Poland, and is responsible for the efficient operation of wind farms and development of new energy projects. Through the new wind and solar power generation projects, the Company is pursuing strategic goal of Ignitis grupė AB of expanding its green electricity generation portfolio.

The Group’s sole shareholder is Ignitis grupė AB:

	31 December 2020		31 December 2019	
	Share capital, thousand EUR	%	Share capital, thousand EUR	%
Ignitis grupė AB	3	100	3	100

Until 6 September 2019, the name of the sole shareholder was Lietuvos energija UAB, which was later changed to Ignitis grupė UAB. As from 28 July 2020, Ignitis grupė UAB was converted to public limited liability company Ignitis grupė AB. As at 31 December 2019, Ignitis grupė AB was wholly owned by the State of Lithuania, represented by the Lithuanian Ministry of Finance. On 5 October 2020, Ignitis grupė AB increased its issued capital, and on 7 October 2020, has executed initial public offering of new shares. As at 31 December 2020, the shareholders of Ignitis grupė AB were the Ministry of Finance of the Republic of Lithuania (73.08%), and retail and institutional investors (26.92%).

These financial statements were prepared and signed for issue by the Group’s management on 28 April 2021. The Company’s shareholder has a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of the Group and Company’s financial statements are summarized below:

2.1 Basis of preparation

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

The Group and Company’s financial statements as at and for the year ended 31 December 2020 have been prepared on a going concern basis applying measurement based on historical cost.

Financial statements are presented in euros and all values are rounded to the nearest thousand (EUR ‘000) except when otherwise indicated. The Group and Company’s financial statements provide comparative information in respect of the previous period. As the Group and Company were established on 14 January 2019, the comparative period from 14 January 2019 till 31 December 2019 is indicated in explanatory notes as 2019 year.

2.2 New standards, amendments, and interpretations, adopted for application

2.2.1 Changes in accounting policy and disclosures

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

Conceptual Framework in IFRS standards

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

The management of the Group and Company has assessed that these amendments have no impact on these financial statements.

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IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

The management of the Group and Company has assessed that these amendments have no impact on these financial statements but may impact future periods if the Group or Company enters to any business combinations.

International Accounting Standard (hereinafter "IAS") 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS standards.

The management of the Group and Company has assessed that these amendments have no impact on these financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the IASB issued Amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The Amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform (hereinafter "IBOR"), which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (hereinafter "RFR"). There are also Amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from IBOR. The Amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (Exposure draft - ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with RFR.

The management of the Group and Company has assessed that these amendments have no impact on these financial statements.

2.2.2 Standards issued but not yet effective and not early adopted

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2020 and have not been early adopted when preparing these financial statements are presented below:

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the IASB decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the European Union (hereinafter "EU").

The Group and Company's management has assessed that this IFRS will have no impact on the financial position or performance of the Group and Company as insurance services are not provided.

IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023. The amendments to IFRS 17 have not yet been endorsed by the EU.

The management of the Group and Company has assessed that these amendments will have no impact on the financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

The management of the Group and Company has assessed that adoption of these amendments may have an impact on the financial statements for future periods if the Group or Company will enter into transactions of sale or contribution of assets for associate or joint venture.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of the statement of profit or loss and other comprehensive income.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU. The management of the Group and Company is currently assessing the impact of these amendments on the financial statements.

IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 (for more information about COVID-19 refer to the Note 4.1) related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment has not yet been endorsed by the EU.

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

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly RFR. In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of IBOR on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The management of the Group and Company has assessed that these amendments will have no impact on the financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

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

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

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

2.3 Consolidation

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

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

2.3.1 Business combinations

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

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

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

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

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

2.3.1.2 Goodwill

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

2.3.1.3 Contingent consideration

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

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

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

2.3.1.4 Business combination is achieved in stages

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

2.3.1.5 Business combination of entities under common control

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

- (i) the acquisition method set out in IFRS 3 or;
- (ii) the pooling of interests' method.

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

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

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Business combination applying IFRS 3 (subsidiaries that are not under common control)", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:

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

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

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

2.4 Investments in subsidiaries (the Company)

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

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

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

2.5.2 Transactions and balances

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

2.5.3 Group companies

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

2.6 Intangible assets

Intangible assets of the Group mainly consist of intangible assets identified in a business combination and goodwill (Note 2.3.1).

Intangible assets acquired in a business combination and recognised separately from goodwill are licenses to produce electricity, which are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses (Note 2.9), on the same basis as intangible assets that are acquired separately.

Amortisation of licences is calculated using a straight-line basis over the specific validity term of a license, amortisation of other intangible assets – over estimated useful life of 3 to 5 years. Useful life is reviewed on year-by-year basis. For the licenses acquired in a business combination, useful life is determined to be from 4 to 15 years.

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2.7 Property, plant and equipment

The property, plant and equipment of the Group mainly consists of wind power plant and their installations, land and construction in progress. Property, plant and equipment is accounted and measured for at cost less accumulated depreciation and impairment (Note 2.9).

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable acquisition taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating, including costs of employee benefits, as well as delivery, installation, assembly, and testing are included in the cost of acquisition if those expenses meet the criteria for recognition.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost to their residual values over their estimated useful lives (number of years), as follows:

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

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

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

For accounting of borrowing costs – see Note 2.10.2.

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

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

2.8 Right-of-use assets

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

2.8.1 Initial measurement of ROU assets

At the commencement date, the Group and Company measures ROU assets at cost which comprise of the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group and Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. These costs are recognised as part of the cost of ROU assets when the Group and Company incurs an obligation for these costs.

2.8.2 Subsequent measurement of ROU assets

Subsequent to initial recognition, ROU assets are measured using the cost model, i.e. at cost less any depreciation and any accumulated impairment losses (Note 2.9) adjusted for any remeasurement of the lease liability.

ROU assets are depreciated under the depreciation requirements of IAS 16, Property, Plant and Equipment.

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

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

2.9 Impairment of non-financial assets

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

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

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

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

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

2.10 Financial instruments

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

2.10.1 Financial assets

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

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

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

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

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

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group and Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group and Company. The intentions of the Group and Company's management regarding separate instruments has no effect on the applied business model. The Group and Company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI and financial assets measured at FVPL as the Group and Company does not have this kind of assets, is as follows:

2.10.1.1 Financial assets at amortised cost

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

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

2.10.1.2 Effective interest rate (EIR) method

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

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

2.10.1.3 Impairment of financial assets – expected credit losses

The Group and Company assesses on a forward-looking basis the expected credit losses (hereinafter “ECL”) associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

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

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

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

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

For short-term trade receivables without a significant financing component the Group and Company applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.

The Group and Company's management performs the assessment of ECL for trade and other amount receivables on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime ECL in respect of that particular borrower. The Group and Company does not assess debts on a collective basis as there is no absence of reliable sources of information on the credit history of a particular debtor, its financial position as at the date of assessment, including forward-looking information.

Recognition stages of ECL:

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

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

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

2.10.1.4 Credit-impaired financial assets

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

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

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

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2.10.1.5 Derecognition of financial assets

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

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

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

2.10.2 Financial liabilities and equity instruments issued

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

2.10.2.1 Initial recognition and measurement of financial liabilities

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

2.10.2.2 Subsequent measurement

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

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

2.10.2.3 Financial liabilities at FVPL

The Group and Company does not have such financial liabilities.

2.10.2.4 Financial liabilities at amortised cost

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

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

2.10.2.5 Classification and borrowing costs

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

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

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

2.10.2.6 Effective interest rate method

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

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

2.10.2.7 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

2.10.2.8 Derecognition of financial liabilities

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

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2.11 Cash and cash equivalents

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

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

2.12 Issued capital, share premium

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

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

2.13 Lease liabilities

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

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

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

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

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

2.14 Current income and deferred tax

2.14.1 Income taxes

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

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

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

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

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

2.14.2 Deferred tax

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

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

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

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

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2.14.3 Current income and deferred tax for the reporting period

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

2.14.4 Transfer of accumulated tax losses

Upon transfer of the accumulated tax losses, the Group companies derecognise deferred tax on the tax loss carried forward and recognizes the consideration receivable in SPLOCI under the caption 'Deferred tax (expenses)/benefit'. The consideration received is presented in the cash flow statement under the caption 'Income tax paid'.

2.15 Employee benefits

2.15.1 Social security contributions

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

2.15.2 Termination benefits

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

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

2.15.3 Non-current employee benefits

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

2.16 Revenue from contracts with customers

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

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

The Group's major legal performance obligations identified in the contracts with customer are sale of electricity and provision of Public Service Obligations (hereinafter "PSO services"). The Company provides management services to its subsidiaries.

2.16.1 Revenue from sale of produced electricity and PSO services (the Group)

The Group is engaged in electricity generation in wind power plants, which are subject to measures promoting the use of renewable energy sources, including flat rate and purchase of electricity generated and supplied to the grid, under the terms and conditions provided for by the legislation. The produced electricity is purchased by Ignitis gamyba AB (subsidiary of the Group's sole shareholder Ignitis grupė AB), which is obliged by the Ministry of Energy of the Republic of Lithuania as (hereinafter "the Designated Entity") to purchase the produced electricity from all electricity producers who use renewable sources and trade the purchased electricity through a day-ahead trading platform on the power exchange Nord Pool (hereinafter "Power Exchange"). Take-up, transmission and distribution of electricity is carried out by the electricity transmission system and distribution system operators.

Electricity generation from renewable energy sources is considered as a public service obligation (hereinafter "PSO") and financed through the PSO budget. Incentives of the Government of the Republic of Lithuania for generators are set for a period of 12 years in Lithuania, 15 years in Poland from the date of issue of the generation permit, according to which the generator is guaranteed to receive a premium in addition to the market price of electricity, i.e. the difference between the fixed tariff and the market price.

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

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

Group company	Fixed tariff, EUR/MWh	Capacity, MW	Expiry of the incentive measure
Eurakras UAB	71	24	1 December 2027
Vėjo Gūsis UAB	86.9	19	22 March 2022 (9 MW) 31 December 2022 (10 MW)
Vėjo vatas UAB	86.9	15	1 October 2023

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Upon expiration of the incentive, the Group companies participate in a new auction for the allocation of a new fixed tariff (Eur/MWh) and a promotion quota (MW). The permission to generate electricity is issued for an indefinite period.

Sale of electricity and the provision of PSO services are performance obligations set out in the agreement with the Designated Entity.

Revenue is recognised when control of electricity is transferred to the Designated Entity at an amount that reflects the consideration to which the Group expects to be entitled in exchange for this electricity supplied to the grid. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with the Designated Entity. When recognising revenue, the Group takes into consideration terms of contract and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract.

Revenue from sales of electricity produced and PSO services are recognized at the end of the month. For measuring the progress of completion, the Group using the practical expedient recognises revenue in the amount to which it has a right to invoice. VAT invoices show the amount of electricity supplied to the electricity grid in the current month and the price of electricity per 1 MWh. The amount of electricity supplied is determined by the readings of metering devices.

The price of electricity supplied during the current month includes:

- the weighted average price of electricity (i.e. the market price) calculated and declared to the Group by the Designated Entity based on the sales of electricity purchased on the power exchange market Nord Pool during the previous month;
- the amount of PSO funds, which is calculated as the difference between the fixed tariff set by the National Energy Regulatory Council (hereinafter "NERC") and the weighted average price of electricity.

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

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

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

2.16.2 Management services (the Company)

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

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

The contract has no significant financing component as there is no significant length of time between the payment and the transfer of services.

2.16.3 Contract assets and liabilities

The Group and Company has no contract assets and liabilities.

2.17 Other revenue sources

2.17.1 Dividend income (the Company)

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows. Dividends of subsidiaries, attributable to the parent company, are eliminated in the consolidated financial statements.

2.18 Expense recognition

Expenses are recognised in SPLOCI as incurred and applying accrual basis.

2.19 Dividend distribution

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

2.20 Contingencies

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

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

2.21 Provisions

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

2.21.1 Wind power plants decommissioning liability

Current legislation of the Republic of Lithuania does not provide the Group for an obligation related to decommissioning of the wind power plants, therefore the management has not recognized any decommissioning related liability in these financial statements. Once a year the management assesses legislation or resolutions and the possible decommissioning liability.

2.22 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in the Note 30.

2.23 Related parties

Related parties are defined as shareholders, heads of administration and their deputies, their close family members, state-owned enterprises and companies that directly or indirectly (through the intermediary) control the Group and such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

2.24 Offsetting

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

2.25 Fair value

The Group and the Company does not have assets or liabilities that are accounted for as at fair value (Note 29 for financial instruments, for which fair value is disclosed). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

3 Management of financing risks

3.1 Financial risk factors

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

3.1.1 Market risk

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

3.1.1.1 Foreign currency exchange risk

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

In 2020 and 2019 the sale/purchase contracts of the Group and Company are mainly denominated in the euro. Foreign currency exchange risk is mainly characteristic to works and service contracts with third parties concluded by Group company Pomerania Wind Farm Sp. z o.o. and denominated in the Polish zloty. Aiming to reduce foreign currency exchange risk, the Group seeks to purchase the Polish zloty or the euro from credit institutions on the most favourable terms and to maintain the required cash balance in different currencies.

The Group has not entered into the PLN/EUR exchange rate swaps. As the Group expands in Poland, management will consider entering into exchange rate swaps or to perform other foreign currency exchange risk mitigation actions.

Group companies performs operations in their national currency and balances remaining in the statement of financial position as at reporting date are in national currencies only. Therefore, management has not identified significant exposure to foreign currency exchange risk and Sensitivity analysis is not disclosed.

3.1.1.2 Interest rate risk

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

The Group and Company's income and cash flows are not affected by fluctuations in market interest rates because the Group and Company's all loans are received with fixed interest rate as at 31 December 2020. As at 31 December 2019 variable interest rate loans represented a small proportion of the Group's total loans and variable interests rates were largely dependent on EURIBOR, the rate of which has been negative or close to zero in 2019 year, therefore as at 31 December 2019 the risk associated with variable interest rate was not significant. The Company's all loans as at 31 December 2019 were with fixed interest rate.

3.1.2 Credit risk

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

In 2020 and 2019 the Group and Company's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (cash and cash equivalents, loans granted).

The Group's credit risk related to trade receivables is considered insignificant, because all amounts of trade receivables are billed to a single company of the Ignitis grupė AB group – Ignitis gamyba AB, which is the company designated by the Ministry of Energy of the Republic of Lithuania to purchase electricity generated (Note 2.16).

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

As at 31 December 2020 and 2019 the maximum exposure to credit risk equals to the carrying amount of the financial assets.

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

Notes	Group		Company		
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	
Financial assets measured at amortised cost:					
Non-current receivables	9	1,761	1,473	11,160	-
Other financial assets	10	2,357	-	2,357	-
Trade receivables	11	1,833	1,933	-	-
Other receivables	12	1,391	15	84	36
Loans granted	9	-	-	2,012	512
Cash and cash equivalents	13	11,434	19,885	2,259	5,425
In total		18,776	23,306	17,872	5,973

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3.1.3 Liquidity risk

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

As at 31 December 2020, the Group's current liquidity ratio (total current assets/total current liabilities) was 0.398 (31 December 2019: 0.387). As at 31 December 2020 short term liabilities exceeded short term assets by EUR 44,284 thousand (EUR 42,153 thousand as at 31 December 2019). As at 31 December 2020, the Group's balance of credit facilities not withdrawn amounted to EUR 40,053 thousand (31 December 2019: EUR 3,078 thousand).

As at 31 December 2020, the Company's current liquidity ratio (total current assets/total current liabilities) was 0.076 (31 December 2019: 0.107). As at 31 December 2020 short term liabilities exceeded short term assets by EUR 55,655 thousand (EUR 51,339 thousand as at 31 December 2019). As at 31 December 2020, the Company's balance of credit facilities not withdrawn amounted to EUR 32,608 thousand (31 December 2019: EUR 3,078 thousand).

When addressing the issue of liquidity of the Group and Company, as at 2 February 2021 the Group and Company has signed a loan agreement with the ultimate parent company, refinancing existing loan (Note 30). Therefore, subsequently current loan of EUR 56,922 thousand has been reclassified to long term. As a result, the management believes that the liquidity risk as of year-end has been addressed. The table below summarises the Group and Company's financial liabilities by category:

	Notes	31 December 2020		31 December 2019	
		Group	Company	Group	Company
Amounts payable measured at amortised cost					
Loans received	15	169,457	62,509	84,438	56,922
Lease liabilities	17	22,974	66	23,224	50
Trade payables		388	100	518	311
Other current amounts payable	19	1,242	113	2,199	170
In total		194,061	62,788	110,379	57,453

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

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

	Company				Total
	Up to 3 month	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans and lease liabilities	15,218	45,771	1,310	1,560	63,859
Trade payables and non-current amounts payable to suppliers	100	-	-	-	100
Other payables	113	-	-	-	113
31 December 2020	15,431	45,771	1,310	1,560	64,072

The tables below summarise the maturity profile of the Group and Company's financial liabilities under the contracts as at 31 December 2019 (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	Group				Total
	Up to 3 month	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	16,340	46,371	2,835	26,481	92,027
Lease liabilities	1,255	3,765	9,807	10,407	25,234
Trade payables and non-current amounts payable to suppliers	130	388	-	-	518
Other payables	550	1,649	-	-	2,199
31 December 2019	18,275	52,173	12,642	36,888	119,978

	Company				Total
	Up to 3 month	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	14,797	43,735	-	-	58,532
Lease liabilities	5	14	34	-	53
Trade payables and non-current amounts payable to suppliers	311	-	-	-	311
Other payables	170	-	-	-	170
31 December 2019	15,283	43,749	34	-	59,066

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3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position. The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements, requiring to keep respective capital ratios in order to preserve its business and maximise return to the shareholders.

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

Pursuant to the Lithuanian Republic Law on Companies, the share capital of a private limited liability company must be not less than EUR 2.5 thousand, and the shareholders' equity must be not lower than 50% of the Company's authorised share capital. Foreign subsidiaries are subject for compliance with capital requirement according to regulation adopted in those foreign countries. As at 31 December 2020 and 2019 the Group companies complied with these requirements.

On 15 December 2020 the Board of Ignitis grupė AB (ultimate parent company) group companies approved the updated dividend policy which sets uniform principles for the payment of dividends for all its group companies. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries. According to the updated dividend policy, a subsidiary owned by the ultimate parent company shall allocate dividends for the financial year or a period shorter than the financial year using at least 80 per cent of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exclusions for paying dividends by subsidiaries may apply if certain conditions are met.

When financing its business activities, the Group and Company follows the provisions of the financing strategies of Ignitis grupė AB group companies for 2020–2030 as approved by the Board of Ignitis grupė AB on 1 June 2020. In the ordinary course of business, the debt (net debt, Note 16) to EBITDA* (EBITDA – a non-IFRS alternative performance measure) ratio must not exceed 5; the ratio of funds from operations (FFO) to net debt in the last twelve months may not be less than 23%. If the Group company's performance or shareholders' decision results in the debt-to-EBITDA ratio higher than 5 and/or the FFO-to-debt ratio lower than 23%, the tolerance thresholds of debt-to-EBITDA and 12 month FFO-to-debt ratio must be restored within 12 months following the breach reducing the level of the financial debt and restoring EBITDA and/or FFO.

*The Group's management calculates EBITDA as follows:

Total revenue and other income -
Purchases of electricity and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses
EBITDA

The decision on the optimal capital structure (concerning the debt to equity ratio), as agreed with the Company, is passed by the Ignitis grupė AB "Group's Finance and Treasury Service" department.

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

	31 December 2020	31 December 2019
Net debt (Note 16)	58,304	51,035
Equity	51,356	45,292
Total equity	51,356	45,292
Equity and net debt	109,660	96,327
Ratio (%)	53	53

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

	31 December 2020	31 December 2019
Net debt (Note 16)	181,357	87,777
Equity	43,315	45,642
Total equity	43,315	45,642
Equity and net debt	224,672	133,419
Ratio (%)	81	66

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

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

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

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

4.1 COVID-19 pandemic

Below there are presented accounting estimates and judgements the uncertainty of which is changed due to COVID-19 pandemic. The following key areas considered by the Group and Company's management in assessing the impact of COVID-19 are presented below:

4.1.1 Group

4.1.1.1 Going concern

The Group's management has assessed potential disruption of cash flows, supply of services or goods to ensure operations of the Group, potential disruption to attract funding sources, potential reductions in electricity consumption due to economic slowdown, as well as cash flows related to the risk of delays in major infrastructure project. The assessment used all currently available information on the threats posed by COVID-19. The Group's management has not identified any significant threats to the Group's going concern when assessing the potential impact of key COVID-19 factors on the Group's results.

4.1.1.2 Residual value and useful life of property, plant and equipment

Management considered the effect of COVID-19 on the useful lives and residual value of property, plant and equipment used in wind power plants and, finding that there was no change in the expected nature and purpose of these assets, did not determine any effect of COVID-19 on the assets' residual value and useful life. Review of nature and purpose of the use of such assets was based on foreseeable events and economic conditions that could result from a future COVID-19 pandemic. Management has not identified any disruptions in the use of property, plant and equipment neither in short nor in long term.

4.1.1.3 Impairment of property, plant and equipment

The management did not identify any COVID-19 related circumstances that would have possible impact on assumptions used in impairment test of property, plant and equipment.

4.1.1.4 Impairment of intangible assets

The management did not identify any COVID-19 related circumstances that would have possible impact on assumptions used in impairment test of intangible assets.

4.1.1.5 Impairment of goodwill

The management did not identify any COVID-19 related circumstances that would have possible impact on assumptions used in impairment test of goodwill (Note 5.2).

4.1.1.6 Assessment of expected credit losses

The Group's trade receivables comprise only receivables from the Designated Entity (Note 2.16). The management has not identified any threats due to late payments, nor has it identified any deteriorating financial performance of the Designated Entity. The Group management has assessed the potential impact of COVID-19 factors on the impairment of loans granted (Note 9.1), has not identified any circumstances that would require the recognition of an impairment loss.

4.1.1.7 Classifications of financial instruments as current and non-current

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

4.1.1.8 Lease contracts: Revised lease term and discount rate (incremental borrowing rate)

The management assessed all relevant facts and circumstances that create an economic incentives for Group companies that are lessees to exercise the following options or not:

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

The Group did not experience any significant disruptions due to COVID-19 in business activity, investments strategies and development of ongoing projects. COVID-19 had no impact on the Group's expectations to exercise or not options, stated above. Also, the Group did not receive any significant concessions due to COVID-19. The management has concluded that COVID-19 did not cause the need to remeasure the lease liability and right of use assets.

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4.1.1.9 General information on the impact of COVID-19 on the Group's operations

On 14 March 2020 due to threat of the COVID-19 the Government of the Republic of Lithuania announced the first quarantine in the entire territory of the Republic of Lithuania (hereinafter "Lithuania") from 16 March 2020 until 17 June 2020. Due to the increase in the number of COVID-19 diseases, a second quarantine has been announced throughout Lithuania since 7 November 2020 until 30 April 2021 (with a probability of being extended), but the restrictions on business were lower than during the first quarantine period until the additional precautionary restrictions were introduced on 15 December 2020.

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

Factors	Impact
Cash flows related to the risk of delays in major infrastructure projects' development (construction and development of new power plants)	Due to impact of COVID-19 and the quarantine restrictions there appeared some delays in green generation development projects or their individual phases in Pomerania wind park. The first wind turbines were scheduled to launch in May 2020 and the whole wind park – in November 2020. Pomerania wind park is finished in February 2021, turbines are scheduled to launch in II quarter 2021. The delay is approximately proportional to the duration of quarantine.

4.1.1.10 Risk management of COVID-19 infection in employees

During the quarantine period, the Group strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. The Group has all the conditions for efficient work remotely (where it is feasible based on the type of work) and does not experience any disruption in the performance of direct functions of employees.

4.1.1.11 Management of the Group's liquidity risk

The Group's liquidity risk is managed centrally by the Company, using the following measures:

- Short-term liquidity risk is managed through non-binding recurring loan agreements concluded between the Company and its subsidiaries.
- Long-term liquidity risk is managed through cooperation with the Treasury Department of the Company's sole shareholder Ignitis grupė AB of possibilities to finance the activities of the Group using at least two sources, i.e. equity and investment bank loans or commercial bank loans, as well as other means.

For more details on liquidity risk management refer to Note 3.1.

During the year 2020 the Group entered into the following new loan agreements (for movement in loans refer to the Note 15):

- On 10 March 2020 the Group concluded an agreement with the European Investment Bank for PLN 258 million (EUR 56.4 million) loan for the implementation of the Pomerania wind farm project.
- On 14 October 2020 the Group concluded an agreement with the Nordic Investment Bank for PLN 150 million (EUR 32.9 million) loan for the implementation of the Pomerania wind farm project.

As well the Group has concluded loan agreements with the ultimate parent company Ignitis grupė AB (Note 15) the unwithdrawn credit facilities of which as at 31 December 2020 amounted to EUR 40,053 thousand.

4.1.2 Company

4.1.2.1 Going concern

The Company's management assessed cash flows, probability of bad debt growth, potential disruptions to funding sources, the risk of COVID-19 infection by workers performing critical functions. Assessment was based on all currently available information on the threats posed by COVID-19. The Company's management has not identified any threats to the Company's going concern when assessing the potential impact of key COVID-19 factors on the Company's results.

4.1.2.2 Impact on the assessment of expected credit losses

The Company's management, having assessed the potential impact of COVID-19 factors on the impairment of loans granted (Note 9.1), has not identified any circumstances that would require the recognition of an impairment loss.

4.1.2.3 Classification of financial instruments as current and non-current

Management has also reviewed the criteria for classifying loans received and loans granted as non-current or current and has not identified any circumstances that would require a significant adjustment to this classification.

4.1.2.4 Risk management of COVID-19 infection in employees

During the quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. All the conditions are in place for efficient remotely work without any disruptions in the performance of principal job.

4.1.2.5 Management of the Company's liquidity risk

The Company's liquidity risk is managed centrally by the ultimate parent company, using the following measures:

- Short-term liquidity risk is managed through non-binding recurring loan agreements concluded between the Company and ultimate parent company.
- Long-term liquidity risk is managed through cooperation with the Treasury Department of the ultimate parent company of possibilities to finance the activities of the Company using at least two sources, i.e. equity and investment bank loans or commercial bank loans, as well as other means.

For more details on liquidity risk management refer to Note 3.1.

The Company's all loans are received from ultimate parent company (Note 15), the unwithdrawn credit facilities of which as at 31 December 2020 amounted to EUR 32,608 thousand.

4.1.2.6 General information on the impact of COVID-19 on the Group's operations

The Company's management, having assessed the potential impact of COVID-19 factors on the Company's operations, did not identify any threats to the Company's operations.

4.2 Impairment review for property, plant and equipment, ROU assets and other intangible assets

At least once a year the Group assesses whether there is any indication that the carrying amount of property, plant and equipment, intangible assets (except goodwill, Note 4.4) and right-of-use assets recorded at acquisition cost could be impaired. If that is the case, the Group makes an impairment test.

As at 31 December 2020, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of assets mentioned above. In view of this, it was decided to carry out an impairment test of the wind power plants and their installations as a cash-generating unit. Following the impairment test, the recoverable amount (value in use method) exceeded the carrying amount of wind power plants and their installations. Main assumptions used were similar to that used in impairment test of goodwill (Note 5.2.1). No impairment indications were identified for the remaining property, plant and equipment.

As at 31 December 2019, the Group's management assessed the external factors and the internal factors as said above and after reviewing them, management did not identify any indications that assets mentioned above might be impaired and, therefore, chose not to perform an impairment test.

4.3 Impairment test for investments into subsidiaries

4.3.1 Impairment test as at 31 December 2020

On 31 December 2020, the Company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. The Company considered information from external and internal sources of information. During 2020 there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate, and such changes are unlikely to occur soon. The Company considered other information from external and internal sources and, having identified impairment indications for investments in Eurakras UAB, Vėjo gūsis UAB, Vėjo vatas UAB, VVP Investment UAB, Pomerania Wind Farm Sp. z o.o. prepared impairment tests. For investment in Vėjo gūsis UAB the Company recognized an impairment of EUR 1,300 thousand as at 31 December 2020 (Note 8). No impairment was recognized for investments into other subsidiaries.

4.3.2 Impairment test as at 31 December 2019

As at 31 December 2019, the Company's management carried out an impairment test to determine the existence of indications of impairment for investments into subsidiaries with reference to the external factors (changes in economic and regulatory environment, market composition, interest rate, etc.) and internal factors (return on investments, results of operations, etc.) that might have impact on impairment of investments into subsidiaries.

Having identified impairment indications (as mentioned in Note 4.3.1) for investments in subsidiaries as at 31 December 2019, the Company performed impairment testing for the following subsidiaries: Eurakras UAB, Vėjo vatas UAB, Vėjo gūsis UAB. No impairment was recognised as at 31 December 2019.

4.4 Impairment test for goodwill in the Group's accounts

As at 31 December 2020 and 2019 the Group performed an impairment test for goodwill recognised on acquisition of subsidiary Eurakras UAB, VVP Investment UAB and Pomerania Wind Farm Sp. z o. o. The test showed no impairment as at 31 December 2020 (Note 5) and as at 31 December 2019.

4.5 Determining whether statutory and contractual servitudes are a lease

Management of the Group analysed whether statutory and contractual servitudes are in scope of IFRS 16 'Leases' and concluded that statutory and contractual servitudes are not in scope of IFRS 16 'Leases', since both statutory and contractual servitudes are not limited in time and can be used by the Group for an indefinite period of time.

4.6 Leases – determining the lease term and estimating the incremental borrowing rate

4.6.1 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group and Company included the renewal period as part of the lease term for leases of shorter non-cancellable period (i.e., one to three, three to five, five to seven years, etc.). The Group and Company usually exercises its option to renew for these leases. Lease of the state-owned land is not subject to an extension clause, after which the lessee has a pre-emptive right to extend the lease. The periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

4.6.2 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities (Note 17). The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

4.7 Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. However, other factors, such as technical or commercial obsolescence and physical wear and tear, result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following key factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions (Note 2.7, 6).

4.8 Assessment of the going concern assumption

The financial statements of the Group and Company are prepared on a going concern basis. As at 31 December 2020, the Group and Company's liquidity ratio and quick ratio were low (Note 3.1.3), therefore, the Group and Company's ability to continue as a going concern was assessed by the Group and Company's management when preparing the financial statements. In making this consideration, the management has taken into account facts such as:

- (i) the Group and Company has full access to funding of the group of Ignitis grupė AB,
- (ii) the Group and Company has signed a new loan agreement with ultimate parent company as at 2 February 2021 (Note 30). Therefore, payment terms have been revised and current liabilities of EUR 56,922 thousand have been subsequently reclassified to long term.
- (iii) the Group's balance of credit facilities not withdrawn amounted to EUR 40,053 thousand.

After assessing these facts, the management has come to the conclusion that the above circumstances will not have a material adverse effect on the Group and Company's ability to continue as a going concern.

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5 Intangible assets

Movement of Group's intangible assets:

Group	Other intangible assets	Goodwill	In total
Carrying amount as at 14 January 2019	-	-	-
Assets identified during acquisition of subsidiaries	38,560	5,162	43,722
Amortisation	(1,514)	-	(1,514)
Carrying amount as at 31 December 2019	37,046	5,162	42,208
31 December 2019			
Acquisition cost	38,560	5,162	43,722
Accumulated amortisation	(1,514)	-	(1,514)
Carrying amount	37,046	5,162	42,208
Carrying amount as at 1 January 2020	37,046	5,162	42,208
Acquisitions	29	-	29
Other changes	-	(31)	(31)
Amortisation	(2,019)	-	(2,019)
Carrying amount as at 31 December 2020	35,056	5,131	40,187
31 December 2020			
Acquisition cost	38,589	5,131	43,720
Accumulated amortisation	(3,533)	-	(3,533)
Carrying amount	35,056	5,131	40,187

As at 31 December 2020 and 2019, the Group did not have any fully amortised intangible assets.

5.1 Other intangible assets

The following amounts were reported in other intangible assets:

- The license of subsidiary Eurakras UAB to produce electricity with an incentive tariff, the carrying amount of which was EUR 8,756 thousand as at 31 December 2020 (31 December 2019: EUR 9,964 thousand).
- The license of subsidiary Vėjo gūsis UAB to produce electricity with an incentive tariff, the carrying amount of which was EUR 680 thousand as at 31 December 2020 (31 December 2019: EUR 1,069 thousand).
- The license of subsidiary Vėjo vatas UAB to produce electricity with an incentive tariff, the carrying amount of which was EUR 1,161 thousand as at 31 December 2020 (31 December 2019: EUR 1,583 thousand).
- The license of subsidiary Pomerania Wind Farm Sp. z o. o. to produce electricity with an incentive tariff, the value of which was EUR 24,430 thousand as at 31 December 2020 (31 December 2019: EUR 24,430 thousand).

5.2 Goodwill

As at 31 December 2020, the Group accounted for goodwill associated with the acquisition of the following subsidiaries:

- Eurakras UAB – EUR 1,204 thousand (31 December 2019: EUR 1,204 thousand),
- VVP Investment UAB – EUR 1,866 thousand (31 December 2019: EUR 1,897 thousand),
- Pomerania Wind Farm Sp. z o. o. – EUR 2,061 thousand (31 December 2019: EUR 2,061 thousand).

For impairment testing goodwill acquired through business combinations are allocated to the CGUs which comprise acquired subsidiaries, as each separate subsidiary comprises separate CGU. Goodwill is allocated to these CGUs as subsidiaries are expected to benefit from the synergies of the combination.

5.2.1 Impairment test for goodwill

As at 31 December 2020 the Group performed impairment test for its goodwill. The goodwill was tested for each Group company separately. The tests showed that there is no need for impairment of goodwill as at 31 December 2020. The impairment tests were performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2045-2052, with reference to the typical operational period of 30 years.
2. The production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. The price of electricity each year is set at the fixed tariff (read about fixed tariff in Note 2.16.1) for the period till the expiration date of incentive and at the third party electricity price forecast for the period after the expiration date of incentive (Eurakras UAB – at 2027 year, Pomerania Wind Farm Sp. z. o. o. – at 2036 year). For VVP Investment UAB the price of electricity is set at a third-party electricity price forecast as the company is at the stage of wind farm project development. Electricity price according to third party forecast for Poland and Lithuania market is forecasted with the growth each year.
4. Discount rate of 4.7-5.6% after tax (5.5-6.9% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

6 Property, plant and equipment

Movement of the Group's property, plant and equipment:

Group	Land	Buildings	Wind power plants and their installations	IT and telecommunication equipment	Other property, plant and equipment	Construction-in-progress	In total
Carrying amount as at 14 January 2019	-	-	-	-	-	-	-
Additions	-	-	-	5	-	19,315	19,320
Assets identified during acquisition of subsidiaries	1,347	506	26,673	6	2	4,357	32,891
Sales	-	-	-	(3)	(2)	-	(5)
Depreciation	-	(24)	(1,196)	(3)	-	-	(1,223)
Carrying amount as at 31 December 2019	1,347	482	25,477	5	-	23,672	50,983
31 December 2019							
Acquisition cost	1,347	602	31,842	7	-	23,672	57,470
Accumulated depreciation	-	(120)	(6,365)	(2)	-	-	(6,487)
Carrying amount	1,347	482	25,477	5	-	23,672	50,983
Carrying amount as at 1 January 2020	1,347	482	25,477	5	-	23,672	50,983
Acquisitions	-	-	-	1	-	77,587	77,588
Sales	-	-	-	(2)	-	-	(2)
Depreciation	-	(30)	(1,593)	(2)	-	-	(1,625)
Carrying amount as at 31 December 2020	1,347	452	23,884	2	-	101,259	126,944
31 December 2020							
Acquisition cost	1,347	602	31,842	1	-	101,259	135,051
Accumulated depreciation	-	(150)	(7,958)	1	-	-	(8,107)
Carrying amount	1,347	452	23,884	2	-	101,259	126,944

The Group has no fully depreciated assets still in use. During 2020, the Group companies capitalised EUR 1,082 thousand (2019: EUR 330 thousand) of interest expenses on loans for capital investments and lease of land. The average capitalised interest rate was 2.74% (2019: 2.75%).

The Group has significant commitments to purchase property, plant and equipment to be fulfilled in later periods. As at 31 December 2020, the Group's commitments to purchase and construct property, plant and equipment amounted to EUR 68,581 thousand (31 December 2019: EUR 78,399 thousand). As at 31 December 2020 and 2019, all property, plant and equipment of the Group were not pledged to banks, credit institutions, etc.

7 Right-of-use assets

Movement of the Group's right-of-use assets:

Group	Land	Buildings	Structures and machinery	Wind power plants and their installations	Vehicles	In total
Carrying amount as at 14 January 2019	-	-	-	-	-	-
Acquisitions	9,553	77	-	-	33	9,663
Write-offs	-	(30)	-	-	(7)	(37)
Depreciation	(6)	(6)	(545)	(1,685)	(1)	(2,243)
Assets identified during acquisition of subsidiaries	135	-	8,052	26,729	7	34,923
Carrying amount as at 31 December 2019	9,682	41	7,507	25,044	32	42,306
31 December 2019						
Acquisition cost	9,692	44	8,233	27,290	33	45,292
Accumulated depreciation	(10)	(3)	(726)	(2,246)	(1)	(2,986)
Carrying amount	9,682	41	7,507	25,044	32	42,306
Carrying amount as at 1 January 2020	9,682	41	7,507	25,044	32	42,306
Acquisitions	4,873	21	-	-	15	4,909
Depreciation	(538)	(17)	(726)	(2,246)	(8)	(3,535)
Carrying amount as at 31 December 2020	14,017	45	6,781	22,798	39	43,680
31 December 2020						
Acquisition cost	14,497	65	8,233	27,290	48	50,133
Accumulated depreciation	(480)	(20)	(1,452)	(4,492)	(9)	(6,453)
Carrying amount	14,017	45	6,781	22,798	39	43,680

Wind power plants and their installations and Structures and machinery

The Group's companies engaged in the production of electricity from renewable sources have lease agreements for wind power plants with towers, infrastructure and other installation components. Lease agreements for some wind farms are until February 2021, the others – until February 2022. The discount rate as at 31 December 2020 and 2019 was 1.050%.

Land

As at 31 December 2020 and 2019 the Group's land lease contracts are signed mainly by:

- subsidiary Pomerania Wind Farm Sp. z o. o. – the validity of contracts is until 2049-2051 with discount rate of 2.80%, the carrying amount is EUR 12,367 thousand (31 December 2019: EUR 7,165 thousand).
- subsidiary VVP Investment UAB – the validity of contracts is until 2112 with discount rate of 2.43%, the carrying amount is EUR 1,649 thousand (31 December 2019: EUR 1,648 thousand).

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

Group	2020	2019
Depreciation charge	3,535	2,243
Interest charges	171	164
Expenses related to short-term leases (other expenses)	-	38
Write-off of assets and liabilities	84	37
In total	3,790	2,482

8 Investments in subsidiaries

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

Company	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
Eurakras UAB	18,735	-	18,735	100	100
Vėjo gūsis UAB	12,919	(1,300)	11,619	100	100
Vėjo vatas UAB	6,132	-	6,132	100	100
VVP Investment UAB	2,532	-	2,532	100	100
Pomerania Wind Farm Sp. z o.o.	56,627	-	56,627	100	100
In total	96,945	(1,300)	95,645		

Information on the Company's investments in subsidiaries as at 31 December 2019 provided below:

Company	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
Eurakras UAB	18,735	-	18,735	100	100
Vėjo gūsis UAB	12,919	-	12,919	100	100
Vėjo vatas UAB	6,132	-	6,132	100	100
VVP Investment UAB	2,196	-	2,196	100	100
Pomerania Wind Farm Sp. z o.o.	56,627	-	56,627	100	100
In total	96,609	-	96,609		

Movement of the Company's investments in subsidiaries:

Company	2020	2019
Carrying amount as at 1 January	96,609	-
Acquisition of subsidiaries	-	60,218
Increase in issued capital of subsidiaries	-	36,157
Coverage of losses	367	234
(Impairment) / reversal of impairment of investments in subsidiaries (Note 8.1.1)	(1,300)	-
Decrease in investment acquisition cost	(31)	-
Carrying amount as at 31 December	95,645	96,609

All the shares of the subsidiaries were fully paid as at 31 December 2020. All subsidiaries are engaged in the production of electricity from renewable sources. The Group has 100% effective ownership interest in each subsidiary. Subsidiaries are all directly controlled by the Company.

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

8.1 Impairment test for investments into subsidiaries

8.1.1 Vėjo gūsis UAB

As at 31 December 2020, the Company performed an impairment test for investment into subsidiary Vėjo gūsis UAB and recognised impairment loss of EUR 1,300 thousand as at 31 December 2020.

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

1. The cash flow forecast covered the period until 2041, with reference to the typical operational period of 30 years;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. During the first twelve years of operation, the price of electricity is the market price plus 86.9 EUR/MWh feed-in premium;
4. Discount rate of 4.7% (post-tax) (5.9% pre-tax) was used to calculate discounted cash flows.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would have the following impact for the value of investments into Vėjo gūsis UAB: having the discount rate 5.7% the total impairment loss would be EUR 2,800 thousand.

8.1.2 Investments in other subsidiaries

Apart from the above, as at 31 December 2020 and 2019, there were no indications of impairment in respect of investments in other subsidiaries of the Company.

9 Non-current receivables

Amounts receivable after one year comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current receivables				
Loans granted	1,760	-	11,160	-
Other non-current amounts receivable	1	1,473	-	-
Total	1,761	1,473	11,160	-
Less: impairment	-	-	-	-
Carrying amount	1,761	1,473	11,160	-

As at 31 December 2019 the Group's other non-current receivables mainly consisted of a deposit EUR 1,472 thousand paid to the Energy Regulatory Office in Poland to ensure the security of future energy supply and as at 31 December 2020 this deposit is classified as other current receivables.

9.1 Loans granted

The Company's non-current loans granted as at 31 December 2020 comprised as follows:

	Interest rate type	Receivable after one year
Vėjo gūsis UAB	Fixed interest	4,100
Vėjo vatas UAB	Fixed interest	5,300
Mooray West Holdings Limited	Fixed interest	1,760
Carrying amount		11,160

During 2020 the Company granted loans to subsidiaries for amount EUR 10,900 thousand. Non-current loan granted to subsidiary Vėjo gūsis UAB is with fixed interest rate 2.54% and is valid until August 2029. Non-current loan granted to subsidiary Vėjo vatas UAB is with fixed interest rate 2.37% and is valid until February 2027.

The Group and Company as at 11 September 2020 concluded the loan agreement with Mooray West Holdings Limited, sea wind farm project development company in Scotland. The loan EUR 1,760 thousand is granted with fixed interest rate 1.67%. The loan repayment term depends on the progress of the project development. It is intended to repay the entire loan or extend its term as at 31 December 2022.

Non-current loans by maturity:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
From 1 to 2 years	1,760	-	3,106	-
From 2 to 5 years	-	-	4,038	-
After 5 years	-	-	4,016	-
Carrying amount	1,760	-	11,160	-

The Company's current loans granted as at 31 December 2020 and 2019 comprised as follows:

As at 31 December 2020 the Company's current loans and interests receivable presented under the line item "Current loans and interest receivable" of the statement of financial position consisted of loan granted to subsidiary VVP Investment UAB EUR 1,500 thousand (31 December 2019: EUR 200 thousand) and interests receivable from Pomerania Wind Farm Sp. z o.o. EUR 512 thousand (31 December 2019: EUR 312 thousand).

10 Other financial assets

The Group and Company's other non-current financial assets comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Sun Investment Group	2,357	-	2,357	-
In total	2,357	-	2,357	-
Less: impairment	-	-	-	-
Carrying amount	2,357	-	2,357	-

On 16 September 2020 the Company signed preliminary share purchase agreement with UAB "SIG Poland 3" having the intention to purchase all the shares in all project companies – "Sun Investment Group" (hereinafter "SIG") once the photovoltaic installations become operational. Carrying amount of investment EUR 2,357 thousand into SIG as at 31 December 2020 represents payments to SIG for development of the photovoltaic projects as per the preliminary share purchase agreement. Due to the fact that there were no operational projects as at 31 December 2020 and that the Group does not have the power to manage SIG activities it is considered that the Group does not have a control over investments in SIG as at 31 December 2020.

11 Trade receivables

As at 31 December 2020 and 2019, the Group's trade receivables consisted of receivables from the Designated Entity (Note 2.16) which purchases the electricity supplied by the Group to the electricity grid. No interest is charged on trade receivables and the settlement period is usually between 15 and 30 days.

As at 31 December 2020 and 2019, amount of trade receivable was not past due. After individual assessment of expected credit losses, no impairment loss was identified.

The fair value of trade receivable as at 31 December 2020 and 2019 approximated their carrying amounts.

12 Other receivables

The Group and Company's other receivables comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Value added tax	14,248	4,634	228	206
Other receivables	1,392	15	84	36
In total	15,640	4,649	312	242
Less: impairment of other receivables	-	-	-	-
Carrying amount	15,640	4,649	312	242

As at 31 December 2020, other receivables mainly consisted of a deposit EUR 1,383 thousand paid to the Energy Regulatory Office in Poland to ensure the security of future energy supply. As at 31 December 2019 this deposit was classified as non-current receivables (Note 9).

The fair values of other receivables as at 31 December 2020 and 2019 approximated their carrying amounts.

13 Cash and cash equivalents

The Group and Company's cash and cash equivalents comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash balances in bank accounts	11,434	19,885	2,259	5,425
In total	11,434	19,885	2,259	5,425

The fair values of cash and cash equivalents as at 31 December 2020 and 2019 approximated their carrying amounts. As at 31 December 2020, The Group and Company has no pledged amounts (31 December 2019: EUR 346 thousand).

14 Equity

14.1 Issued capital

The registered share capital on 31 December 2020 amounted to EUR 3 thousand (31 December 2019: EUR 3 thousand). As at 31 December 2020 and 2019, the Company's issued capital was divided into 3,000 ordinary registered shares with par value of EUR 1 each. As at 31 December 2020, all shares were fully paid.

As at 31 December 2020 and 2019, share premium of the Company amounted to EUR 44,697 thousand. The Company's share premiums are set and paid up by the sole shareholder in several stages:

- Set at EUR 11,174 thousand at the time of the capital formation.
- Increased by EUR 28,159 thousand on 1 April 2019.
- Increased by EUR 5,364 thousand on 14 June 2019.

14.2 Reserves

14.2.1 Legal reserve

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

The Group's legal reserve as at 31 December 2020 and 2019 was fully formed. The Company had no legal reserve formed neither as at 31 December 2020 nor 31 December 2019.

14.2.2 Other reserves

As at 31 December 2020, the Group accounted for the result of the translation of the Group's net investments in Pomerania Wind Farm Sp. z o. o. in the amount of EUR (2,133) thousand into the Group's presentation currency within the item of other reserves (31 December 2019: EUR 61 thousand). No other reserves were formed by the Group as at 31 December 2020 and 2019.

15 Loans received

Loans of the Group and Company consisted of:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current				
Bank loans	87,840	-	-	-
Other non-current loans	20,205	24,355	2,650	-
Current				
Current portion of non-current loans	1,430	-	-	-
Current loans	59,742	59,869	59,742	56,922
Accrued interests	241	214	117	-
In total	169,458	84,438	62,509	56,922

Non-current loans by maturity:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
1 and 2 years	5,282	-	-	-
From 2 to 5 years	16,700	-	-	-
After 5 years	86,063	24,355	2,650	-
In total	108,045	24,355	2,650	-

15.1 Movement of loans

15.1.1 Loans received from banks

On 10 March 2020 the Group concluded an agreement with the European Investment Bank (hereinafter "EIB") for PLN 258 million (EUR 56.4 million) loan for the implementation of its wind farm project. As at 31 December 2020 the loan was fully disbursed. Under this loan agreement all shares for a 100% of the Group's subsidiary Pomerania Wind Farm Sp. z o. o. were pledged to the EIB. The date of loan repayment is 31 December 2035. The balance of this loan as at 31 December 2020 was EUR 56,560 thousand whereof the current portion was EUR 967 thousand.

On 14 October 2020 the Group company Pomerania Wind Farm Sp. z o. o. signed an agreement with the Nordic Investment Bank (hereinafter "NIB") for the loan of up to PLN 150 million (EUR 32.9 million) for the implementation of the Pomerania wind farm project which is being developed in Poland. As at 31 December 2020 the loan was fully disbursed. Under this loan agreement all shares for a 100% of the Group's subsidiary Pomerania Wind Farm Sp. z o. o. were secondary pledged to the NIB. The date of loan repayment is 31 December 2035. The balance of this loan as at 31 December 2020 was EUR 32,710 thousand whereof the current portion was EUR 463 thousand.

Loans from banks are denominated in Polish zloty.

15.1.2 Other non-current and current loans

Other non-current loans and current loans as at 31 December 2020 consisted of loans granted by the Company's sole shareholder Ignitis grupė AB:

	Received in year	Interest type and rate, %	Maturity date	After one year	Within one year	Total
Loan 1	2019	Fixed, 2.910%	2027-07-14	17,555	-	17,555
Loan 5	2020	Fixed, 2.280%	2028-07-10	2,650	-	2,650
Loan 2	2019	Fixed, 1.330%	2021-08-31	-	56,922	56,922
Loan 6	2020	Fixed, 1.130%	2021-05-31	-	2,820	2,820
In total				20,205	59,742	79,947

As at 31 December 2019 all loans were granted by Ignitis grupė AB and comprised as follows:

	Received in year	Interest type and rate, %	Maturity date	After one year	Within one year	Total
Loan 1	2019	Fixed, 2.910%	2027-07-14	24,355	-	24,355
Loan 2	2019	Fixed, 2.820%	2020-08-31	-	56,922	56,922
Loan 3	2019	Variable, Euribor 3 month + 2.05%	2020-12-31	-	2,547	2,547
Loan 4	2019	Variable, Euribor 3 month + 2.53%	2019-12-31	-	400	400
In total				24,355	59,869	84,224

All loans received from Ignitis grupė AB are denominated in euros.

15.2 Interest rates

The weighted average interest rates (%) on the Group and Company's loans payable with fixed and variable interest rates:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current loans				
Fixed interest rate	2.136	3.138	2.471	2.054
Variable interest rate	-	0.958	0.765	0.911
Current loans				
Variable interest rate	-	8.980	0.446	0.446

15.3 Covenants and unwithdrawn balances

Loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2020 and 2019.

The Group's unwithdrawn balance of loans as at 31 December 2020 and 2019 is presented in Note 3.1.3.

16 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. Management is monitoring net debt metric as a part of risk-management strategy.

For the purpose of net debt calculation financial liabilities comprises of financial loans, lease liabilities and related interest payables.

This note sets out an analysis of net debt, defined by management as presented below.

Net debt balances:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash and cash equivalents	(11,434)	(19,885)	(2,259)	(5,425)
Loans receivable within one year and other financial assets	-	-	(2,012)	(512)
Loans payable after one year	108,045	24,355	2,650	-
Loans payable within one year (including accrued interest)	61,413	60,083	59,859	56,922
Lease liabilities	23,333	23,224	66	50
Net debt	181,357	87,777	58,304	51,035
Cash and cash equivalents	(11,434)	(19,885)	(2,259)	(5,425)
Loans receivable within one year and other financial assets	-	-	(2,012)	(512)
Loans – fixed interest rate	166,635	81,277	59,689	56,922
Loans – variable interest rate	2,823	3,161	2,820	-
Lease liabilities	23,333	23,224	66	50
Net debt	181,357	87,777	58,304	51,035

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

Group	Assets	Lease liabilities		Loans			Total
	Cash and cash equivalents	Non-current lease liabilities	Current lease liabilities	Non-current portion of non-current loans	Current portion of non-current loans	Current loans	
Net debt at 14 January 2019	-	-	-	-	-	-	-
Cash changes							
(Increase)/decrease in cash and cash equivalents	(19,885)	-	-	(2,271)	(20)	2,291	(19,885)
Proceeds from loans	-	-	-	-	-	57,526	57,526
(Repayments) of loans	-	-	-	(435)	(7,202)	(132)	(7,769)
Lease payments (principal portion)	-	451	(4,757)	-	-	-	(4,306)
Interest paid	-	-	(192)	(535)	-	(735)	(1,462)
Non-cash changes							
Recognition of lease liabilities under IFRS 16	-	24	9	-	-	-	33
Lease contracts concluded	-	9,549	81	-	-	-	9,630
Accrual of interest payable	-	-	164	535	-	949	1,648
Write-offs of lease liabilities	-	(21)	(6)	-	-	(264)	(291)
Loans, lease liabilities and interest transferred (taken-over) during acquisition of subsidiaries	-	13,231	4,691	34,263	20	448	52,653
Reclassifications between items	-	(4,856)	4,856	(7,202)	7,202	-	-
Net debt at 31 December 2019	(19,885)	18,378	4,846	24,355	-	60,083	87,777
Net debt at 1 January 2020	(19,885)	18,378	4,846	24,355	-	60,083	87,777
Cash changes							
(Increase)/decrease in cash and cash equivalents	8,451	-	-	-	-	-	8,451
Proceeds from loans	-	-	-	91,920	-	23,300	115,220
(Repayments) of loans	-	-	-	-	(6,800)	(26,461)	(33,261)
Lease payments (principal portion)	-	4	(4,803)	-	-	-	(4,799)
Interest paid	-	-	(520)	-	(355)	(2,190)	(3,065)
Cashpool borrowings – net change	-	-	-	-	-	2,820	2,820
Non-cash changes							
Lease contracts concluded	-	4,880	29	-	-	-	4,909
Accrual of interest payable	-	-	171	-	355	2,399	2,925
Reclassification of interest payable from (to) trade payables	-	-	-	-	-	214	214
Capitalisation of interest	-	-	348	-	-	-	348
Reclassifications between items	-	(9,268)	9,268	(8,230)	8,230	-	-
VAT on interest payable	-	-	-	-	-	(182)	(182)
Net debt at 31 December 2020	(11,434)	13,994	9,339	108,045	1,430	59,983	181,357

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

Company	Assets		Lease liabilities		Loans			Total
	Cash and cash equivalents	Term deposits	Non-current lease liabilities	Current lease liabilities	Non-current portion of non-current loans	Current portion of non-current loans	Current loans	
Net debt at 14 January 2019	-	-	-	-	-	-	-	-
Cash changes								
(Increase)/decrease in cash and cash equivalents	(5,425)	-	-	-	-	-	-	(5,425)
Proceeds from loans	-	-	-	-	-	-	56,922	56,922
Lease payments (principal portion)	-	-	-	(11)	-	-	-	(11)
Interest paid	-	-	-	(1)	-	-	(648)	(649)
New deposit (open)	-	(200)	-	-	-	-	-	(200)
Non-cash changes								
Recognition of lease liabilities under IFRS 16	-	-	24	9	-	-	-	33
Lease contracts concluded	-	-	39	18	-	-	-	57
Accrual of interest payable	-	-	-	1	-	-	808	809
Reclassifications between items	-	-	(9)	9	-	-	-	-
Reclassification of interest payable from (to) trade payables	-	(312)	(21)	(9)	-	-	(160)	(502)
Other changes	-	-	-	1	-	-	-	1
Net debt at 31 December 2019	(5,425)	(512)	33	17	-	-	56,922	51,035
Net debt at 1 January 2020	(5,425)	(512)	33	17	-	-	56,922	51,035
Cash changes								
(Increase)/decrease in cash and cash equivalents	3,166	(1,500)	-	-	-	-	-	1,666
Proceeds from loans	-	-	-	-	2,650	-	23,300	25,950
(Repayments) of loans	-	-	-	-	-	-	(23,300)	(23,300)
Lease payments (principal portion)	-	-	-	(21)	-	-	-	(21)
Interest paid	-	-	-	(1)	-	-	(1,174)	(1,175)
Cashpool borrowings – net changes	-	-	-	-	-	-	2,820	2,820
Non-cash changes								
Lease contracts concluded	-	-	9	28	-	-	-	37
Accrual of interest payable	-	-	-	1	-	-	1,442	1,443
Reclassification of interest payable from (to) trade payables	-	-	(9)	9	-	-	161	161
VAT on interest payable	-	-	-	-	-	-	(312)	(312)
Net debt at 31 December 2020	(2,259)	(2,012)	33	33	2,650	-	59,859	58,304

17 Lease liabilities

The Group and Company's minimum payments under lease contracts are as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Minimum payments				
Within the first year	9,855	5,020	35	18
From two to five years	2,730	9,806	33	34
More than five years	18,893	10,407	-	-
In total	31 478	25,233	68	52
Future finance costs				
Within the first year	(516)	(174)	(2)	(1)
From two to five years	(1,066)	(202)	-	(1)
More than five years	(6,563)	(1,633)	-	-
In total	(8,145)	(2,009)	(2)	(2)
In total	23,333	23,224	66	50

The Group's most significant lease obligations relate to the lease of land and wind farms.

The Group's lease liabilities according to lease contracts related to the development of the wind power parks as at 31 December 2020 amounted to EUR 9,452 thousand (31 December 2019: EUR 14,220 thousand). The Group pays variable rate interests on leases, the average of which is 1.05% (31 December 2019: 1.05%). As at 31 December 2020, the validity terms of the effective finance lease contracts expire in the period from 2021 to 2022.

As at 31 December 2020, the Group's lease liabilities related to land amounted to EUR 13,798 thousand with interest rate ranging from 2.80 to 4.07% (31 December 2019: EUR 8,814 thousand with interest rate ranging from 2.40 to 3.30%).

The remaining Group's lease liabilities amounting to EUR 82 thousand comprise leases of other assets with an interest rate of up to 3.44% (31 December 2019: EUR 190 thousand with interest rate of up to 3.44%).

18 Deferred tax

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

Group	14 January 2019	Recognised through profit/loss	Increase upon acquisition of subsidiary	31 December 2019	Recognised through profit/loss	31 December 2020
Deferred tax asset						
Deferred tax assets acquired at the time of formation of the Group	-	-	122	122	(122)	-
Accrued expenses	-	24	-	24	14	38
Tax losses carry forward	-	182	-	182	826	1,008
IFRS 16 assets	-	-	-	-	474	474
Other	-	-	-	-	137	137
Deferred tax asset before valuation allowance	-	206	122	328	1,329	1,657
Minus: impairment	-	(191)	-	(191)	191	-
Deferred tax asset, net	-	15	122	137	1,520	1,657
Deferred tax liabilities						
Difference of financial and tax value of assets identified on business combination	-	(228)	6,761	6,533	(302)	6,231
Deferred tax liabilities acquired at the time of formation of the Group	-	-	46	46	(46)	-
IFRS 16 liability	-	-	-	-	306	306
Other	-	-	-	-	415	415
Deferred tax liability, net	-	(228)	6,807	6,579	373	6,952
Deferred tax, net	-	243	(6,685)	(6,442)	1,147	(5,295)

The Group's statement of financial position as at 31 December 2020 presents separately deferred tax assets (EUR 1,107 thousand) and deferred tax liabilities (EUR 6,402 thousand) related to different subsidiaries. The net balance of deferred tax as at 31 December 2020 is liability of EUR 5,295 thousand.

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

Company	14 January 2019	Recognised through profit/loss	31 December 2019	Recognised through profit/loss	31 December 2020
Deferred tax asset					
Accrued expenses	-	9	9	10	19
Tax losses carry forward	-	182	182	235	417
Deferred tax asset before valuation allowance	-	191	191	245	436
Minus: impairment	-	(191)	(191)	191	-
Deferred tax, net	-	-	-	436	436

19 Other current amounts payable

The Group and Company's other current amounts payable and liabilities comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Payroll related liabilities	147	112	126	99
Amounts payable for property, plant and equipment	995	1,571	-	-
Taxes (other than income tax)	320	321	-	-
Accrued expenses	79	60	28	-
Interest payable and guarantee fees	69	579	-	165
Other amounts payable and liabilities	178	49	113	5
In total	1,788	2,692	267	269

The guarantees received by the Group are disclosed in Note 26.

Amounts payable for property, plant and equipment are related to payables for construction works of wind power plants farm of the subsidiary Pomerania Wind Farm Sp. z o.o.

20 Revenue from contracts with customers

20.1 Disaggregated revenue information

The Group and Company's revenue from contracts with customers were as follows:

	Group		Company	
	2020	2019	2020	2019
Revenue from sale of produced electricity	5,306	5,114	-	-
Revenue from PSO services	8,558	4,262	-	-
Revenue from management services	-	-	309	77
In total	13,864	9,376	309	77

In 2020 and 2019 all of the Group and Company's performance obligations are considered as settled over time.

20.2 Contract balances

As at 31 December 2020 and 2019, the Group and Company did not have any contract assets and liabilities under the contracts with customers. Information on trade receivables as at 31 December 2020 and 2019 is presented in Note 11.

20.3 Rights to returned good assets and refund liabilities

Under the electricity purchase agreement with the Designated Entity (Note 2.16), on the basis of which all revenue of the Group is earned, the Designated Entity is not entitled to return the purchased electricity, therefore no payment obligations and corresponding income adjustments are recognized for the sold electricity and related PSO income.

20.4 Performance obligations

As at 31 December 2020 and 2019 the Group and Company had no remaining performance obligations.

21 Other expenses

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

	Group		Company	
	2020	2019	2020	2019
Taxes	770	533	389	267
Business support services	731	266	415	173
Consultation services	508	147	498	97
Utility services	123	3	123	2
Audit expenses	96	74	28	23
Lease expenses	84	38	1	-
Telecommunications and IT services	44	50	21	13
Other expenses	309	147	66	30
In total	2,665	1,258	1,541	605

22 Finance income

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

	Group		Company	
	2020	2019	2020	2019
Interest income at the effective interest rate	9	-	248	315
Other income from financing activities	-	103	13	26
In total	9	103	261	341

23 Finance expenses

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

	Group		Company	
	2020	2019	2020	2019
Interest expenses	2,030	1,154	1,442	809
Interest and discount expense on lease liabilities	171	164	1	-
Negative effect of changes in exchange rates	544	-	45	-
Other expenses of financing activities	-	133	-	-
In total	2,745	1,451	1,488	809

The Group incurs interest expenses on loans received from bank institutions, ultimate parent company and lease contracts. During 2020, the Group paid interest in the amount of EUR 3,065 thousand (2019: EUR 1,462 thousand), which are reported in the cash flow statement under caption 'Interest paid'.

The Company incurs interest expenses on loans received from ultimate parent company. During 2020, the Company paid interest in the amount of EUR 1,175 thousand (2019: EUR 649 thousand), which are reported in the cash flow statement under caption 'Interest paid'.

24 Income tax expense

Income tax expenses for the period comprise current year income tax and deferred tax. The Group and Company's income tax expenses were as follows:

	Group		Company	
	2020	2019	2020	2019
Income tax expenses (benefit) for the year	278	544	(170)	-
Deferred tax expenses (benefit)	(1,147)	(243)	(436)	-
Income tax expenses (benefit) recognised in profit or loss	(869)	301	(606)	-

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

	Group		Company	
	2020	2019	2020	2019
Profit/(loss) before tax	(1,002)	1,167	5,458	592
Income tax expenses (benefit) at tax rate of 15%	(150)	175	819	89
Expenses not deductible for tax purposes	64	124	412	1
Income not subject to tax	-	(189)	(1,469)	(281)
Income tax relief for the investment project	(415)	-	-	-
Realisation of unrecognised tax losses	(177)	-	(177)	-
Unrecognised deferred tax on tax losses	(191)	191	(191)	191
Income tax expenses (benefit)	(869)	301	(606)	-

25 Dividends

25.1 Dividends declared by the Company

The Company during 2020 and 2019 did not declare dividends.

25.2 Dividends received by the Company

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

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
14/04/2020	Eurakras UAB	2019	14.62	2,333
03/08/2020	Vėjo vatas UAB	2019	22.28	2,228
03/08/2020	Vėjo gūsis UAB	2019	20.35	5,231
In total				9,792

In 2019 the Company received dividends from subsidiary Eurakras UAB for amount EUR 1 870 thousand for the year 2018. The date of declaration was 30 April 2019, dividends per share amounted to EUR 11,72.

26 Contingent liabilities and commitments

26.1 Guarantees received

The ultimate parent company Ignitis grupė AB, in exchange for a fee, has provided guarantees to the Group companies Vėjo vatas UAB and Vėjo gūsis UAB under leasing agreements and Group company Pomerania Wind Farm Sp. z o. o. under loan agreements. Guarantees received were as follows:

Subsidiary	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2020	31 December 2019
Vėjo gūsis UAB	Swedbank lizingas, UAB	29/01/2019	28/02/2022	9,258	4,327	6,797
Vėjo vatas UAB	Swedbank lizingas, UAB	29/01/2019	28/02/2021	9,687	5,125	7,413
Pomerania Wind Farm sp. z o. o.	European Investment Bank	09/03/2020	31/12/2035	67,872	56,560	-
Pomerania Wind Farm sp. z o. o.	Nordic Investment Group	14/10/2020	31/12/2035	32,920	32,920	-
				119,737	98,932	14,210

27 Related party transactions

The disclosures comprise transactions and balances of these transactions with the shareholder, subsidiaries (the Company's transactions), associates, all entities controlled by (which are related parties of the ultimate parent company Ignitis grupė AB) or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management and their close family members.

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

Related parties	2020			2019			31 December 2020			31 December 2019		
	Sales	Purchases	Finance incomes (expenses)	Sales	Purchases	Finance incomes (expenses)	Loans Payable	Accounts payable	Accounts receivable	Loans payable	Accounts payable	Accounts receivable
Ultimate parent company	-	404	(1,415)	-	129	(1,207)	56,922	153	-	84,134	583	1
Ignitis grupė AB group companies	-	478	(2)	5,254	238	1	2,820	82	-	-	61	1,940
In total	-	882	(1,417)	5,254	367	(1,206)	59,742	235	-	84,134	644	1,941

The Company's transactions with related parties during the year 2020 and year-end balances arising on these transactions as at 31 December 2020 are presented below:

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

The Company's transactions with related parties during the year 2019 and year-end balances arising on these transactions as at 31 December 2019 are presented below:

Related parties	Accounts Receivable	Loans receivable	Accounts Payable	Loans payable	Sales	Purchases	Finance income / (expenses)
The ultimate Parent company	-	-	174	56,922	-	82	(806)
Subsidiaries	30	512	-	-	77	3	312
Ignitis grupė AB group companies	7	-	15	-	-	197	-
In total	37	512	189	56,922	77	282	(494)

The Company did not account for any impairment losses on receivables from subsidiaries, the Company's dividend income amounted to EUR 9,792 thousand (2019: EUR 1,870 thousand) (Note 25).

27.1 Terms of transactions with related parties

The payment terms set range from 15 to 30 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party trade payables and receivables. Guarantees received in respect of loans and lease agreements are presented in Note 26.

27.2 Compensation to key management personnel

	Group		Company	
	2020	2019	2020	2019
Wages and salaries and other short-term benefits to key management personnel	152	103	138	73
Whereof: termination benefits and benefits to Board Members	11	16	-	-
Number of key management personnel	8	7	2	1

28 Business combinations

28.1 Business combinations in 2020

The Group did not enter into any business combinations during 2020.

28.2 Business combinations in 2019

On 27 May 2019, the Company entered into the share purchase and sale agreement regarding the acquisition of 100% of shares of Pomerania Wind Far Sp. z o. o. As at 30 September 2019, the Company had a full ownership of the subsidiary. The investment in Pomerania Wind Farm Sp. z o.o totalled EUR 20,470 thousand. As at 31 December 2019, the investment was fully paid.

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

All investments were paid in cash.

On 28 March 2019, the share sale-purchase agreements were concluded, on the basis of which the Company's parent company Ignitis grupė AB transferred to the Company 100% of shares in Vėjo

As at 31 December 2019, the Group's management carried out the preliminary assessment of the business combinations. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Vėjo vatas UAB	Vėjo gūsis UAB	VVP Investment UAB	Eurakras UAB	Pomerania Wind Farm Sp. z o.o.	Total
Assets						
Property, plant and equipment	341	741	288	27,444	4,357	33,171
Right-of-use assets	15,817	19,098	-	8	-	34,923
Other non-current receivables	-	-	-	-	1,461	1,461
Cash and cash equivalents	436	832	88	5,289	6	6,651
Inventories and prepayments	30	125	56	225	-	436
Current receivables	486	731	49	790	84	2,140
Other intangible assets identified during business combination	1,900	1,360	-	10,870	24,430	38,560
	19,010	22,887	481	44,626	30,338	117,342
Liabilities						
Loans, non-current liabilities	(2,706)	-	-	(24,355)	(7,202)	(34,263)
Finance lease, non-current liabilities	(6,866)	(6,323)	-	(1)	-	(13,190)
Current lease liabilities	(2,254)	(2,471)	-	(6)	-	(4,731)
Current liabilities	(444)	(598)	(416)	(1,057)	(80)	(2,595)
Deferred tax liability	(285)	(204)	-	(1,676)	(4,642)	(6,807)
	(12,555)	(9,596)	(416)	(27,095)	(11,924)	(61,586)
Identifiable net assets	6,455	13,291	65	17,531	18,414	55,756
Goodwill arising on business combination	-	-	1,897	1,204	2,061	5,162
Profit in the case of a bargain purchase	(323)	(372)	-	-	(5)	(700)
Acquisition consideration paid	6,132	12,919	1,962	18,735	20,470	60,218
Net cash outflow on acquisition of subsidiaries:						
Cash paid to sellers of shares	(6,132)	(12,919)	(1,962)	(18,735)	(20,470)	(60,218)
Repayment of loans from former shareholders	-	-	-	-	(7,209)	(7,209)
Cash paid for costs relating to acquisition	-	-	-	-	(292)	(292)
Cash and cash equivalents at acquired companies	436	832	88	5,289	6	6,651
Net cash flow	(5,696)	(12,087)	(1,874)	(13,446)	(27,965)	(61,068)

gūsis UAB, Vėjo vatas UAB, and Eurakras UAB, the companies producing electricity from renewable sources, and VVP Investment UAB, the company developing wind energy project. The shares were transferred for the carrying amount of investments in shares and the related liabilities, accounted for in the financial statements of Ignitis grupė AB on the trade date.

The Company made the following investments during 2019:

Subsidiary	Disposal date	Number of shares disposed	Investment value, EUR	Amount paid up	Amount not paid up
Eurakras UAB	28/03/2019	159,549	18,735	18,735	-
Vėjo vatas UAB	28/03/2019	100,000	6,132	6,132	-
Vėjo gūsis UAB	28/03/2019	257,000	12,919	12,919	-
VVP Investment UAB	28/03/2019	8,640	1,962	1,962	-
Pomerania Wind Farm Sp. z o.o.	27/05/2019	100	20,470	20,470	-
Total:			60,218	60,218	-

In business combinations, the Group has identified that the difference between the acquisition price of the business and the fair value of the net assets acquired constitutes goodwill and other intangible assets identified.

29 Fair values of financial instruments

29.1 Financial instruments for which fair value is disclosed

The Group and Company's fair value of loans granted (Note 9) 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 2.56% as at 31 December 2020 (31 December 2019 – 4,04%). The measurement of financial assets related to the loans issued is attributed to Level 2 of the fair value hierarchy.

The Group and Company's fair value of other financial assets is approximately equal to carrying amount as disclosed in Note 10. The measurement of financial assets related to the loans issued is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities 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 2.56% as at 31 December 2020 (31 December 2019 – 4,04%). 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 Group's and Company's financial instruments as at 31 December 2020:

Group	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	9	1,760	-	1,730	-	1,730
Other financial assets	10	2,357	-	2,357	-	2,357
Liabilities						
Debt liabilities	15	169,458	-	163,910	-	163,910

Company	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	9	13,172	-	13,090	-	13,090
Other financial assets	10	2,357	-	2,357	-	2,357
Liabilities						
Debt liabilities	15	62,392	-	62,342	-	62,342

The table below presents allocation between the fair value hierarchy levels of the Group's and Company's financial instruments as at 31 December 2019:

Group	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Issued deposits	9	1,473	-	-	1,473	1,473
Liabilities						
Debt liabilities	15	84,438	-	82,884	-	82,884

Company	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Liabilities						
Debt liabilities	15	56,922	-	56,922	-	56,922

30 Subsequent Events

As at 2 February 2021 the Group and Company has re-financed current existing loan liabilities (EUR 56,922 thousand as at 31 December 2020) by signing new loan agreement with ultimate parent company Ignitis grupė AB. New loan agreement was signed for an amount of EUR 293,000 thousand with maturity as at 2028.

The management of the Group reviewed the useful life of existing wind power plants (Vėjo vatas UAB, Vėjo gūsis UAB and Eurakras UAB) and made a decision to change depreciation rate from 20 to 30 years and apply a revised rate from 1 January 2021 prospectively. The impact on the Group's annual depreciation will amount to EUR 2,109 thousand.