



Annual Report,  
Independent Auditor's Report and  
Financial Statements for the year ended  
31 December 2021



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# Message from the Chairman of the board

Adomas Bužinskas

Faced with the continuing COVID-19 pandemic in 2021, the activities carried out by Vilniaus Vandenys were stable and profitable.

Despite the drastic increase in the global price of energy resources, the Company had gained control over costs, found opportunities to improve operational efficiency, made forward-looking decisions on increasing the production of green energy and thus keeping the price of the services provided low. Among the capitals of the Baltic States, the water supplied to residents of Vilnius continues to be the cheapest and one of the cheapest in Europe.

Last year was also marked by growth of the Company, when many ambitious plans and projects became real, serious actions were taken in the context of pollution prevention, the necessary financing for investments was made available and the reconstruction of the largest wastewater treatment plant in Vilnius and the region was launched.

Significant steps were taken in Vilnius by developing smart water supply system and digitising operational processes, developing harmonious and sustainable activities.

Through improvement of good governance practices, the Company was able to make visible changes last year by identifying and assessing the biggest operational risks, developing risk management and mitigation plans. In order to strengthen the Company's management practices, seven operating policies were approved by the decision of the Board and started to be used by the Company in 2021 alone, including compliance, personnel, project management, personal data processing and security, operation of infrastructure and development planning policies.

In 2022, the implementation of the investment plan remains the major challenge and priority of the Company by the way of managing financial risks and consistently improving the quality of services provided to residents of Vilnius, ensuring compliance with commitments to the EU, reviewing internal processes and successfully implementing LEAN methodology in the Company's activities.



# Message from the CEO

Saulius Savickas

Acting Director General, Head of Production and Customer Service

Dear customers, partners, shareholders and colleagues,

2021 was one of the most productive year for Vilniaus Vandenyys: the Company arrived at the end of the year with key indicators of consumer confidence in the Company being retained.

Despite the challenges in the utility sector, the GCSI index indicating the overall satisfaction of customers with services provided and their quality, remained stubbornly high at 76.

The Company ended the year with profit. At the end of 2021, the Company's EBITDA amounted to EUR 12m against an expected EUR 9m.

The Company had a very fast track implementing the investment plan. Last year, the Company channelled investments of almost EUR 31m not only into infrastructure development and modernisation, digitization of activities, but also into renewable energy sources, cared for nature, took the lead in making tap water accessible to everyone and gradually replacing water from plastic bottles, educated the public on how to behave and use it more responsibly.

2021 was a remarkable year in terms of abundance of successfully launched projects. Renewable energy, digitisation of activities, green and public education, and organisation development projects were launched or gained momentum. Many of them will continue successfully and with even greater ambition in 2022.

Last year, the Company took a big step forward by shifting the most important customer service processes to the cyberspace. Self-service, Live chat, electronic contracts, development of the basket of services. Not only did this allow to consistently improve the quality of customer service, but also to lighten the load for the 659 employees in the Company.

In 2021, Vilniaus Vandenyys took the lead and provide a clear direction for sustainable activities, set and successfully accomplished goals in the areas of environmental protection, mitigation of environmental impact. The Company managed to significantly reduce plastic consumption and CO2 emissions in the city last year by the way of development of renewable energy projects, installation of permanent drinking fountains in green urban areas and schools, mobilisation of mass caterers and promotion of tap-water consumption, and adherence to the city's green initiatives.

Although after evaluating the public sensitivity and response, every water supply or wastewater accident in the city presents challenges for the Company, the rate of emergency response by Vilniaus Vandenyys was higher than last year and equipped with modern technologies, a robot detecting defects in wastewater pipelines, to ensure accident prevention. The water main flushing procedure has been initiated in Naujamiestis to remove manganese and iron deposits built up in the pipes. Although in the short term the water main flushing considerably exhausted the residents of Naujamiestis and employees of the Company, in the future all customers of the Company are expected to be supplied with only water of impeccable quality by applying preventive pipeline maintenance measures in a wider and smarter manner.

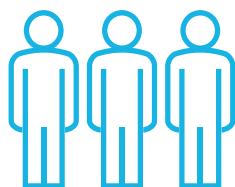
In 2021, Vilniaus Vandenyys continued to pay close attention to its employees and launched a new Values Game initiative for them, which, according to the Employee Engagement and Empowerment Survey, has become the most appreciated initiative of the Company. In 2021, elections to the Labour Council for a new term of office took place in the Company with 11 members of the Labour Council elected by the employees.

The Company welcomes 2022 with the aim to further improve the quality of the services provided, to get even closer to its customers, to give a more profound attention to the expectations of customers, shareholders and society, and to remain a stable and viable job for current and potential employees.

# About the company



Vilniaus Vandenys is the largest Lithuanian water management enterprise that is engaged in drinking water supply and wastewater management for 272 thousand customers. The Company holds a drinking water supply and wastewater management licence issued by the National Energy Regulatory Council (NERC) and operates in Vilnius City Municipality as well as Vilnius, Švenčionys and Šalčininkai district municipalities.



**272 000**  
customers

Due to the specifics of its activities and the provision of strategically important public services, the Company falls into the first category of companies essential to national security. The Company is a public-interest entity.

Vilniaus Vandenys supplies only groundwater from deep wells, which is one of the best sources of drinking water. The Company of Vilniaus Vandenys also owns the largest wastewater treatment plant in Lithuania, which is currently under reconstruction.

The Company carries out its activities focused on overarching objectives: to ensure the provision of drinking water and wastewater management services, to maintain high quality of supplied drinking water and wastewater management in compliance with the highest environmental requirements.

Vilniaus Vandenys is a member of LAVA, the Sustainable Business Association of Lithuania, striving to be a progressive, efficiently managed leader in water management sector providing quality and reliable services. The Company is the first in the region to install a unified smart water supply network, to implement a hydraulic modelling system in its activities, and to rapidly develop renewable energy projects.

Considering the fact that the Company is engaged in the provision of strategically important public services, the provision of the services and environmental protection is subject to large-scope legal regulation.

The Company has implemented and applied an integrated quality and environmental management system that meets the requirements of ISO 9001 and ISO 14001 standards, which shows that the environmental impact of the Company's activities is identified and managed, the Company's activities comply with legal and other environmental requirements. The quality management and environmental protection system is integrated into all business processes that are defined by the specifics of the work of divisions to ensure their effective operation, monitoring and management. Each process is planned and controlled continuously in light of customer needs.

The Company's key performance indicators are the volume of drinking water sold and the volume of collected and treated wastewater, therefore principal revenue generated by Vilniaus Vandenys comprises revenue earned from the provision of services of drinking water supply and wastewater treatment.

Equity accounts for 77% of the Company's assets.



# Main services

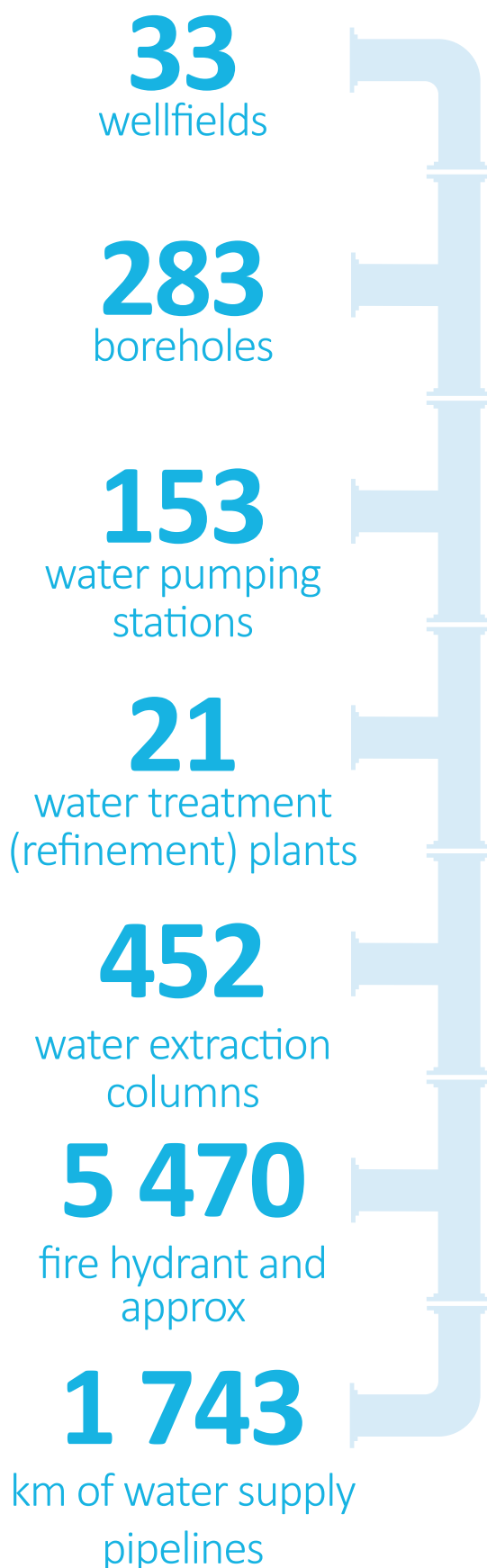


## SUPPLY OF DRINKING WATER

As at 31 December 2021, the Company of Vilniaus Vandenys operated 33 wellfields, 283 boreholes, 153 water pumping stations, 21 water treatment (refinement) plants, 452 water extraction columns, 5,471 fire hydrant and approx. 1,743.2 km of water supply pipelines, of which, 12.5 km of new pipelines were constructed and 14.9 km reconstructed in 2021.

In 2021, the Company extracted 33.43 million m<sup>3</sup> of drinking water, supplied 33.36 million m<sup>3</sup> of water and used 1.7 m<sup>3</sup> of water for technical purposes.

The Company supplies drinking water only from groundwater, from 40–245 meter-deep wells. Although groundwater is considered to be of the best quality globally, natural water contains dissolved impurities, which need to be removed from the water in order for the water to meet safe drinking water qualitative characteristics. High levels of iron and manganese are typical of groundwater in Vilnius City and Vilnius District. They are removed from groundwater by treating water in water treatment (refinement) plants, used to clean approx. 90% of water supplied by the Company.

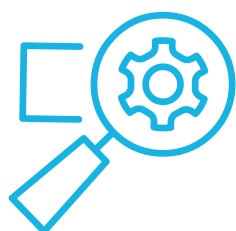




## DRINKING WATER QUALITY

Publicly supplied drinking water in Vilnius city and Vilnius District is clean and of high quality, because it is supplied from underground wells, where the water is protected from external chemical and microbiological pollution. The groundwater, not many countries in the world can enjoy the same abundant resources of which, is saturated with various minerals useful to the human body, such as calcium, magnesium, sodium, potassium, etc. Lithuanian groundwater is a national treasure that confers an advantage.

Safety and quality requirements for drinking water are set by the Hygiene Norm of Lithuania HN24:2017. Taking into account the requirements of the Hygiene Norm of Lithuania and seeking to ensure the quality of supplied water, the Company performs regular monitoring of the quality of drinking water and carries out various water tests thereof.



**21 157**  
tests

Samples for the tests are collected from the distribution networks and different consumption points: education, public catering, and medical institutions. Drinking water quality tests are carried out in the Company's water laboratory in accordance with the programme supervision plan drafted each year and approved with the State Food and Veterinary Services. In 2021, a total of 21,157 tests were carried out in the Company's water laboratory and that is 6% more than in 2020. The increase in the number of water tests was driven by commercial research studies and technological research studies performed at the initiative of the Company which are needed to ensure the supply of quality water after pipeline washing, accidents, disinfection and other technological processes.

In 2021, 43 water quality indicators were tested in the Company's wellfields. In seven of the 29 wellfields, an increase in concentration of indicators such as iron and manganese was observed, which does not meet the requirements of the Hygiene Norm of Lithuania HN24:2017. However, the concentrations of these indicators did not exceed the limit levels indicated in the Guidelines of the World Health Organisation above which adverse health effects are likely to occur. In 2021, the water tests showed the increased concentrations of iron or manganese and water turbidity in the wellfields of Vingis Park, Žemieji Paneriai, Šalčininkai, Verkiai, Turniškės, Karveliškės and Pečiukai.

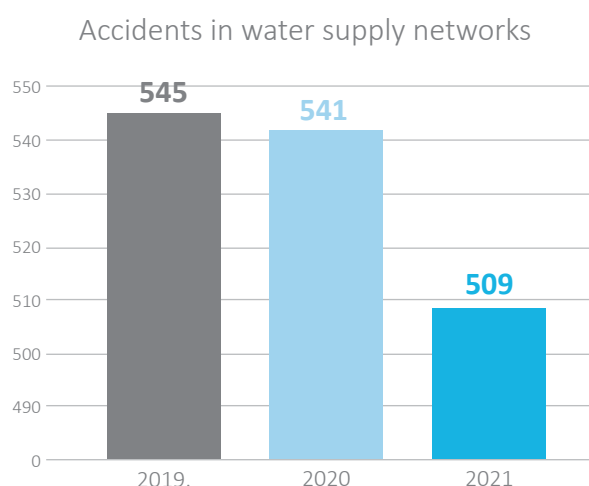
In case the Company's laboratory determines that the values exceed the authorised indicator limits, it replicates samples of drinking water and informs the management of the Company's Water Supply Stations and Departments of Water Supply Networks so as to restore the values of drinking water indicators up to the authorised limits.

In commemoration of the World Water Day in 2021, the Company introduced an interactive map of the wellfields, which can be found on the Company's website (Activities/Maps/Water-quality map). It allows each consumer, based on home address, to determine the wellfield from which drinking water is supplied to him/her and to check microbiological, chemical and sensory characteristics.

## WATER SUPPLY CHALLENGES

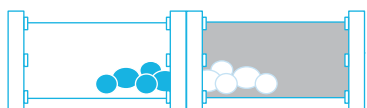
The majority of the water supply networks has been constructed in the processes of city expansion, thus have been in place for decades. Due to the long term of operation, pipelines in certain parts of Vilnius city are obsolete, thus resulting in occasional water leaks or accidents.

In 2021, the Company responded to 509 water supply accidents, i.e. a 6% reduction in the number of accidents compared to 2020. The average duration of fault and accident localisation in 2021 was 148 minutes.



The most frequent reasons of accidents are wear and tear of the network (more than 60% of water supply and wastewater network is more than 30 years old), corrosion of pipelines, obsolete shut-off and control, and protective fittings, pipeline fractures affected by seasonal temperature changes to soil, faults and negligence of developers, contractors when pipelines are damaged during the construction works (earthmoving, drilling, etc.)

In the second half of 2021, the Company has launched so far the largest in the Company's history water main flushing program in Naujamiestis, one of the fastest expanding districts of Vilnius city. Here, the Company's employees were removing iron and manganese deposits built up on the inner surface of pipes. By the end of the year, the Company flushed approx. 35 km of water mains in Naujamiestis and intends to continue this program in 2022.



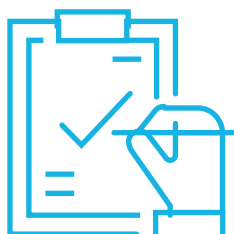
The total length of water mains flushed by the Company in 2021 is **102 km**.

In 2021, the Company made good use of the hydraulic modelling information system installed in Vilnius city water supply network, which has been adapted for the assessment of opportunities for developing infrastructure and connecting newly developed quarters to satisfy the growing water needs of new users. Additionally, the hydraulic model applied to assess the possibilities of optimising the existing infrastructure, and thus reducing the Company's costs.

A water supply network segmentation project was pushed ahead in 2021 to reduce water losses and operatively identify accident sites.

## Accident and Failure Prevention

In 2021, the Company of Vilniaus Vandenys updated the preventive action plan To Safeguard Water Supply in Vilnius City in the Event of Radiation Pollution of the River Neris drawn up by the Company in 2019. The necessary actions for an immediate response within the existing infrastructure in operation were updated and clarified in the plan.



The Company's Department of Operational Control, Divisions of Water Supply, Wastewater Stations and Networks pay great attention not only to the response to accidents and failures, but also to the prevention of infrastructure networks. In 2021, particular attention was paid to the highly problematic sections of the networks: more frequent inspections were carried out based on scheduled inspection plans, water main flushing and the status-based network grading was conducted by means of which network reconstruction works were carried out. .

## WASTE COLLECTION AND MANAGEMENT

„For the collection of wastewater and its transportation to the wastewater treatment facilities, Vilniaus Vandenys uses 1,497.8 km wastewater networks and collectors, including 237 km pressure lines and 215 wastewater-pumping stations. In 2021, 22.96 km of new sections of the wastewater network were constructed and 2.1 km was reconstructed.

During 2021, the Company operated 8 wastewater treatment plants, at the end of the year – 6: Vilnius city, Švenčionys, Švenčionėliai, Nemenčinė, Šalčininkai and Eišiškės.

In 2021, the activities in Gėla filtration fields were terminated with a view to implement environmentally friendly and sustainable solutions. The project for the construction of new pressure line in wastewater networks and reconstruction of the existing pumping station was implemented, thus transporting wastewater to the Nemenčinė Wastewater Treatment Plant.

Additionally, the activities in Pabradė town, located in Švenčionys district, were terminated in December 2021. Until now, the Company was responsible for the operation of wastewater networks and a wastewater treatment plant in Pabradė. The Company transferred the operation of the networks to Švenčionys Municipality under a legal commitment.

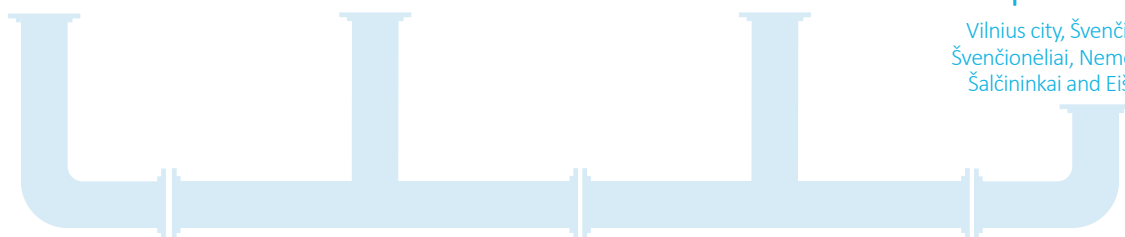
**237**  
pressure  
lines

**1 498**  
km wastewater  
networks

**215**  
wastewater-  
pumping  
stations

**8**  
wastewater  
treatment  
plants

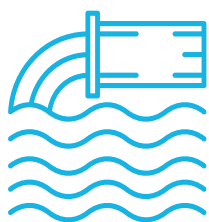
Vilnius city, Švenčionys,  
Švenčionėliai, Nemenčinė,  
Šalčininkai and Eišiškės



Vilniaus Vandenys also accepts and manages wastewater collected by companies transporting wastewater.

Wastewater management is governed by the Wastewater Management Regulation and Integrated pollution prevention and control permits/emission allowances, issued to the Company. The Company's wastewater laboratory carries out testing against more than 40 wastewater quality indicators.

Tests of quality of wastewater inflows and treated outflows are performed in observance of the Environmental monitoring programmes providing for the plans of monitoring of pollutants released with wastewater and plans of monitoring of the impact on water quality approved with the Environmental Protection Agency (setting the parameters to be tested, points, frequency of measurement and methods of measurement).



In 2021, Vilniaus Vandenys collected **40.8 million m<sup>3</sup>** and treated **42 million m<sup>3</sup>** of wastewater (the volume of treated water in 2020 was lower – 39.2 million m<sup>3</sup>).

In terms of the key examined indicators (biochemical oxygen consumption in seven days (BOD7), the total phosphorus content, the total nitrogen content), high treatment efficiency levels are reached in Vilnius wastewater treatment plant, which remained the same in 2021, compared to 2020.

In 2021, the Company launched the reconstruction of Vilnius city wastewater treatment plant and the planning of the 1st stage of reconstruction of Švenčionys waste water treatment plant.

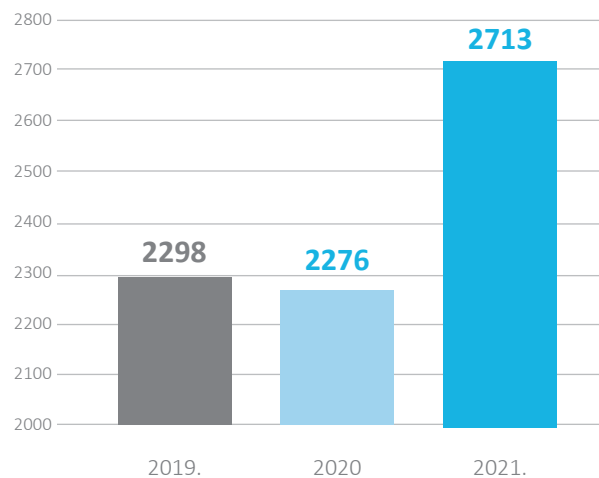
## Wastewater Treatment Challenges

In 2021, there were 271 accidents in wastewater networks, i.e. 27% less than in 2020 (369 accidents). Accidents and breakdowns in wastewater networks were mainly caused by obsolescence of pipelines and blockage of pipes caused by irresponsible attitudes of residents, industry, services and, in particular, construction companies towards emissions.

A mixed wastewater drainage system is installed in Vilnius city centre, the Old Town, a part of Antakalnis and Naujamiestis where both wastewater and rainwater is collected. These wastewater networks accumulate sediment and silt causing frequent blockages.

The Company faces challenges in taking over an orphan, unskilfully constructed and/or improperly operated network infrastructure that often requires greater investment and other kind of resources. In most cases, such networks are taken over from municipalities, thereby meeting the expectations of shareholders. Increased pollution caused by manufacturing facilities is also observed, and this contribute to a greater number of accidents in the wastewater network.

### Accidents and breakdowns (blockage) in wastewater networks



The number of accidents and breakdowns in wastewater networks in 2021 increased, because catering companies operated without any restrictions as compared to 2020 (many catering companies were forced to limit their activities due to quarantine declared in 2020, which resulted in fewer reports of blockages in wastewater networks potentially caused by grease in wastewater system). The growth of accidents and failures in the wastewater networks was also determined by a higher amount of rainfall compared to 2020.

The Company's wastewater operation and accident response units focus not only on the response to such accidents and breakdowns but also on their prevention.

**33 km**

Modern video-assisted diagnostic equipment is used to assess the condition of wastewater networks: **33 km** of the Company's wastewater networks were tested in 2021, which was **22% more than in 2020**.

**23 499**  
wells

**23,499 wells** were tested during the inspections of wastewater networks in 2021. The number of inspections continues to be stable compared to 2020, when 23,825 wells were tested.

## Installation of metering devices

in wastewater  
pumping stations

In 2021, installation of metering devices in wastewater pumping stations is progressing to reduce losses in wastewater networks.



# Strategy. Objectives



In 2021, Vilniaus Vandenys continued the implementation of the Company's business strategy for 2020–2030, which was launched in 2020. The strategy was approved on 12 September 2019 by the Company's Board. The strategy was prepared through analysis of internal and external environmental drivers of the Company's activities and taking into account the provisions of the Law on State and Municipal Enterprises, the Law on Drinking Water Supply and Wastewater Management, as well as the Water Area Development Program 2017–2023 and action plan. The Vilnius City Strategic Direction Vilnius 2IN is integrated into the Strategy.

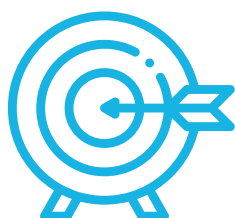
The strategy established the Company's mission, vision, values, sets the strategic directions for 2020–2030, defined the goals to be achieved, and described tasks and specific measurement indicators to assess the Company's performance and the fulfilment of goals.

In 2020, the Company's management, together with the Board, reviewed and updated the Company's mission and defined the Company's vision and a new strategic orientation (Efficient Management of Customer Experience; Sustainable Activities; Sustainable Development and Innovation; Caring Organization and Involved Employees).

Following renewal of the Company's mission, vision and new strategic directions in 2020, the operational and development plan for 2020–2022 was amended in 2021 and approved by the municipal councils of the Company's shareholders: by the decision of the Council of Vilnius City Municipality No 1-1169 (06/10/2021) On Approval of the Operational and Development Plan of Vilnius Vandenys for 2020–2022, by the decision of the Council of Šalčininkai District Municipality No T-695 (13/10/2021) On Approval of the Revised Operational and Development Plan of Vilnius Vandenys for 2020–2022, by the decision of the Council of Švenčionys District Municipality No T-211 (27/10/2021) On Approval of the Operational and Development Plan of Vilnius Vandenys for 2020–2022, by the decision of the Council of Vilnius District Municipality No T3-274 (29/10/2021) On Approval of the Revised Operational and Development Plan of Vilnius Vandenys for 2020–2022.

## THE COMPANY'S MISSION, VISION, VALUES

The Company of Vilnius Vandenys strives to be a progressive, efficiently managed leader providing quality and reliable services by fulfilling its main objectives: to ensure the provision of drinking water and wastewater management services, to maintain high quality of supplied drinking water and wastewater management in compliance with the highest environmental requirements.



### MISSION:

**High quality  
water and a clean  
environment.**



### VISION:

**A leader in sustainable and  
innovative water management  
services in the Baltics, committed to  
nature and the community.**



### VALUES:

**Responsibility  
Professionalism  
Cooperation**

The Company's vision encrypts a constant goal to strive for modernity, sustainability and a cleaner environment – in every step, and in every project implemented.

Mission implementation and vision achievement is based on shared human and professional values: responsibility, cooperation and expertise.

## Responsibility

We take responsibility for our words, actions and results.

We care about nature, the communities, partners, customers and colleagues.

We are each responsible for the safety and health of ourselves and those around us.

## Professionalism

We are seeking to improve and innovate through understanding the importance of professional knowledge, practical experience and learning.

We strive for each employee to gain recognition and ability to grow as a professional in their field.

Professional is an employee who works safely, and protects himself and his colleagues.

## Cooperation

We all pursue common goals, we are open to suggestions and constructive critics, and we are well-meaning and ready to help.

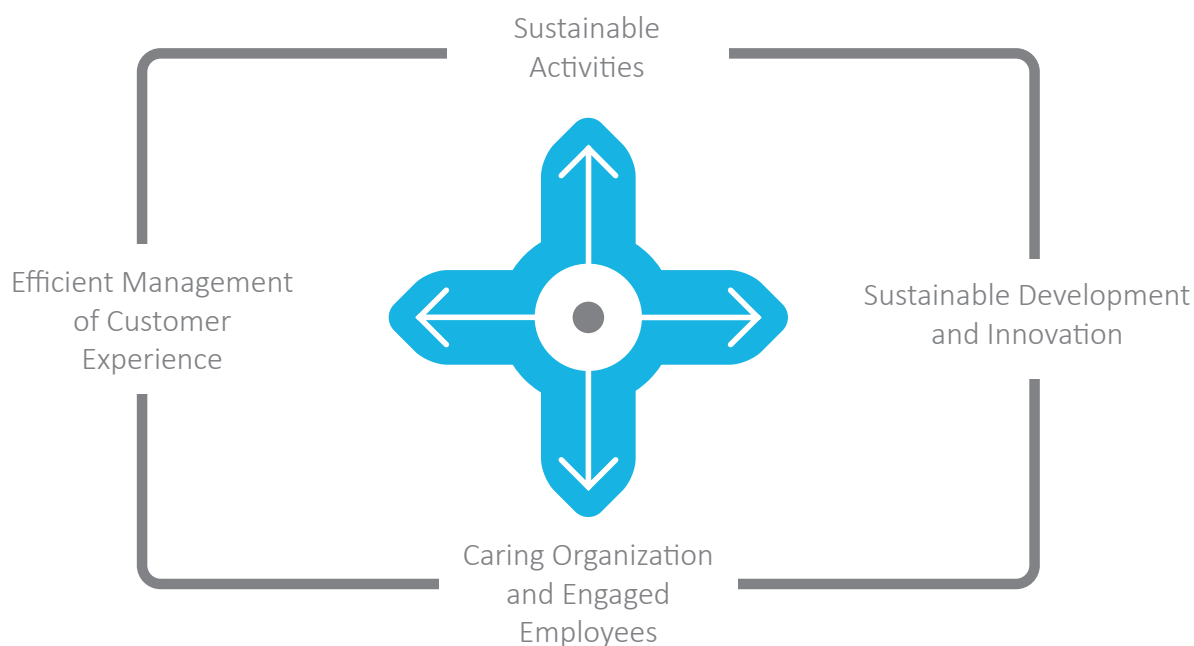
We share experience and knowledge.

We work together to create safe and enjoyable working environment.

## THE COMPANY'S STRATEGIC DIRECTIONS, OBJECTIVES AND TASKS

In 2021, the Company continued to maintain focus on four strategic directions of Vilniaus Vandenys that enabled it to pursue its goals and objectives in a focused manner.

The Company's strategic directions



**Efficient Management of Customer Experience.** This is one of the most important strategic orientations for the implementation of which the Company uses the experience and professionalism of its employees, partners' expertise, state-of-the-art technologies and financial resources to provide customers with the highest quality services, attentive service, and efficient management and to shape a positive customer experience.

**Sustainable Activities.** Strategic direction indicating the Company's willingness to carry out environmentally sustainable activities: not only meeting the environmental laws that continue to get stricter, but go beyond the environmental requirements to spare natural resources, to use renewable energy sources in business, prioritising the green energy production, continuously searching and purposefully investing in the implementation of environmentally friendly technologies in water management. The Company carries out refurbishment and development of drinking water supply and wastewater treatment infrastructure through environmentally-friendly and sustainable to environment, cities and districts activities.

**Sustainable Development and Innovation.** The application of innovative solutions in water management is an essential element that directly affects the quality of life and activities of the community. The Company consistently improves the quality of the services provided through smart digitalization solutions. And by implementing best practices and introducing advanced technologies, the Company keeps the pace with developing society, sets an example for other companies, while optimising the allocation of the Company's resources and reducing operating costs.

**Caring Organization and Engaged Employees.** Employees are considered as one of the most important components of success. Respectful treatment, focus on development, career opportunities, concern and daily efforts of the Company to ensure safe jobs, remind employees of the need to protect themselves, maintain a value-based organisational culture increases employee engagement, motivation, promotes mutual orientation of both the Company and its employees towards the result and consistent value creation.

In 2021, the Company's Board concluded that the Company, taking into account topical issues, has to engage external advisers to develop a new operating strategy for 2023–2033.

In the currently adopted strategy of Vilnius Vandenys, the Company's performance is estimated against the indicators set out in the table below (planned change from the beginning of 2020 until the end of 2030).

Long-term objectives and performance indicators provided for  
in the Company's Strategy for 2020–2030

Indicator	Indicator size	
	2020	2030
Length of water supply networks	1,697.93 km	1,850 km
Length of wastewater networks	1,346.24 km	1,500 km
Number of water improvement equipment	19 units	21 units
Number of water extraction columns	500 units	0 units
Number of customers	255 thousand	296 thousand
The Company's metrologically certified metering devices installed for customers	90%	95%
One-stop customer service (Multichannel customer management with 360-degree customer view)	Not implemented	Implemented
Smooth connection of new customers in line with the principle "one-shop-stop" (the Company provides all necessary services)	5 units	8 units
Net Promoter Score (NPS)	70	80
Revenue from ancillary services, % of revenue	0.5%	5%
Remote (smart) meter reading	0%	95%
Number of ultrasonic meters	0%	95%
Water losses in multi-dwelling-units (difference between the amount of water supplied to the network and the amount sold to customers)	15%	2%
Employee engagement	68%	75%

The operational and development plan of Vilnius Vandenys for 2020–2022 (this document is made publicly available on the Company's website [www.vv.lt](http://www.vv.lt), go to section About us/Operational plans, reports, salary/Operational plans and reports) contains a detailed draft measures and envisaged projects to achieve strategic goals and objectives, as well as the need for funds and sources of funding, discusses the deadlines and indicators needed not only to achieve strategic directions and goals, but also to maintain the Company's activity.



## THE COMPANY'S OPERATIONAL AND FINANCIAL GOALS

With a clear strategy, expectations defined by its shareholders and consistent implementation and planning for further development, the Company set a truly ambitious goal in 2021. Objectives were achieved at as much as 94% despite the challenges associated with the global pandemic, and other objective disruptions of activity that are difficult to predict.

The Company's objectives 2021

Objective	Indicator	Weight (%)	Target value	Result	Achievement (%)
I. To reduce the negative environmental impacts <sup>1</sup>	1. To reduce the volume of improperly managed biodegradable materials to an acceptable level 2. To reduce CO <sub>2</sub> emissions	25%	1. 206,1 t BDS7 2. 24 718,2 t CO <sub>2</sub>	1. 206,1 t BDS7 (100%) 2. 24 273 t CO <sub>2</sub> (100%)	100%
II. To implement the project in the project portfolio on timely basis	Indicator of timely project implementation	20%	85%	95%	100%
III. Improve performance	EBITDA	20%	≥ 9,412 mln. Eur	11,800 mln. EUR (125%)	100%
IV. Ensure customer satisfaction	Customer satisfaction and Corporate Assessment Index (GCSI) <sup>2</sup>	20%	77	76 (70 %)	70%
V. To create value-based organizational culture	TRIR index	15%	≤0,5	0,168	100%
		<b>100%</b>			<b>94%</b>

### Objective 1:

#### To reduce the negative environmental impacts.

The achievement of this objective is measured by two indicators (each with a weight of 50%): reduction of the volume of improperly managed biodegradable materials to an acceptable level and reduction of CO<sub>2</sub> emissions. The Company reduces the negative environmental impacts (water, air) by:

- connecting consumers to the newly constructed wastewater networks, increasing the volume of properly managed/reducing the volume of improperly managed biodegradable organic substances (BOD<sub>7</sub>), thus reducing pollution of river basins (the plan was implemented in a larger scale, 550 consumers were connected);
- reducing CO<sub>2</sub> emissions from the Company's operations and involving the public in CO<sub>2</sub> reduction projects.

Based on the approved calculation methodology, in 2021, the Company succeeded in reducing its total CO<sup>2</sup> emissions through the following measures:

- generation of electricity from biogas;
- generation of electricity in solar parks;
- installation of remote reading equipment;
- outdoor drinking fountains.

Thus, the achievement of this target component indicator is 100%, and overall achievement is 100%.

## Objective 2: To implement the project in the project portfolio on timely basis.

The indicator of timely project implementation shows the percentage of projects implemented during the current year or in a timely manner. In order to implement the projects in a timely manner, the Company ensures the efficient use of its resources. Consequently, focused attention can be paid to the achievement of project indicators, regardless of whether the funds requirements to implement a project has decreased (due to savings or other circumstances) or remained as originally estimated in the plan. At the beginning of 2021, the Company set the target to implement 85% of the projects within the current year on the dates specified in the project implementation plans. In doing so, the Company applied a separate methodology, under which it envisaged and selected 44 projects with separate project implementation stages planned and recorded for each project. At the end of 2021, 95% of projects listed and their stages were implemented in timely manner, i.e. higher than a target rate of 85%. Thus, the achievement rate of this objective by the Company was 100% in 2021.

## Objective 3: Improve performance.

Seeking to implement and achieve this objective, the Company relies on EBITDA (earnings before interest, taxes, depreciation, impairment and write-offs). In the long term, the Company plans to consistently increase its performance, therefore, the targeted EBITDA in 2021 was set at ≥ EUR 9.412 million. At the end of the year, the Company achieved EBITDA of EUR 11.8 million with the effect of gain of EUR 3.1 million on disposal of non-current assets, i.e. sale of unused buildings of Vilniaus Vandenys in the centre of Vilnius (Maironio st.). Thus, the achievement rate of this objective by the Company of Vilniaus Vandenys was 100%.

## Objective 4: Ensure customer satisfaction.

The Company carries out customer satisfaction survey on services provided and quality of service for the fifth year in a row. In 2017, this indicator was measured for the first time and the customer satisfaction index reached 67 points. Vilnius Vandenys exceeds both the overall Lithuanian and US-European average at national and international level. This result was due to the consistent implementation of targeted actions aimed at increasing customer satisfaction with the services provided by the Company, prompt and consistent communication of the Company with external audiences. Based on an international GCSI (Global Customer Satisfaction Index) methodology, the performed investigation revealed that Vilniaus Vandenys customer satisfaction index in 2020 increased from 72 to 76 points, thus the Board of Vilniaus Vandenys has set itself the objective for 2021 to further increase the score by one point to achieve a 7-point GCSI score. Although the Company was unable to achieve this goal, the score of 76 points maintained in 2021 remains extremely high in the context of other companies. Consequently, the fourth objective set by the Company for 2021 was achieved by 70%.

## Objective 5: To create value-based organizational culture.

The Company uses TRIR to track and measure the achievement of this objective. TRIR is a key safety metric widely used at international level for evaluating the organization's safety performance from the past year. TRIR allows not only to make comparison between the organisation's annual safety performances, but also to compare them to safety performances of organizations within a similar industry. The lower the value of TRIR the better safety performance is in the Company. TRIR represents the total number of recordable occupational safety incidents/accidents (workplace accidents, injuries or illnesses that must be reported to the State Labour Inspectorate). The Company uses this indicator to improve security initiatives. The Company set a TRIR target for 2021 at  $\leq 0.5$ . At the end of 2021, the Company's TRIR was 0.168, therefore the achievement rate of this objective by the Company was 100%.

# Overview of activities



## SCOPE OF SERVICE PROVISION

The dynamics of the volume of sales of drinking water and wastewater treatment services best reflects the changes in the Company's operating volumes that affect income earned by the Company.

The key performance indicators – the volume of drinking water sold and the volume of collected and treated wastewater – distributed unevenly through the activities of Vilniaus Vandenys: the volume of water sold increased by 1%, the volume of wastewater treatment services – by 5% in 2021, compared to 2020. This was due to the quarantine declared in the country in the first half of the year, which has changed consumer behaviour: although these indicators were declining in small businesses sector, the consumption of hot and cold water in the private sector increased. The consumption of water in the big business sector was muted, resulting in an increase in the ratio of wastewater treated to the water purchased.

The Company's key performance indicators

Performance indicators, thousand m <sup>3</sup>	2019	2020	2021	Change in 2020–2021	
				thousand m <sup>3</sup>	proc.
<b>Drinking water sold, thousand m<sup>3</sup></b>	<b>28,436</b>	<b>27,977</b>	<b>28,220</b>	<b>243</b>	<b>1%</b>
To natural persons (consumption), thousand m <sup>3</sup>	14,096	14,499	14,740	241	2%
To legal persons (subscribers), thousand m <sup>3</sup>	14,339	13,478	13,480	2	0%
<b>Wastewater treatment service sales, thousand m<sup>3</sup></b>	<b>29,765</b>	<b>30,741</b>	<b>32,192</b>	<b>1,452</b>	<b>5%</b>
To natural persons (consumption), thousand m <sup>3</sup>	13,663	14,171	14,465	294	2%
To legal persons (subscribers), thousand m <sup>3</sup>	16,103	16,569	17,728	1,158	7%

In 2021, the Company extracted 33.43 million m<sup>3</sup> of drinking water, supplied 33.36 million m<sup>3</sup> of water and used 1.7 m<sup>3</sup> of water for technical purposes.

The differences between the amount of drinking water supplied to the pipelines and the drinking water sold occur due to technical reasons (leakages and accidents), but incorrect meter readings submitted by the customers plays an important role.

In 2021, the Company treated more wastewater than sold wastewater treatment services due to rainwater infiltration in the wastewater collection system, i.e. 42.0 million m<sup>3</sup> of treated wastewater was accounted for in wastewater treatment plans, while only 32.2 million m<sup>3</sup> of wastewater treatment services were sold.

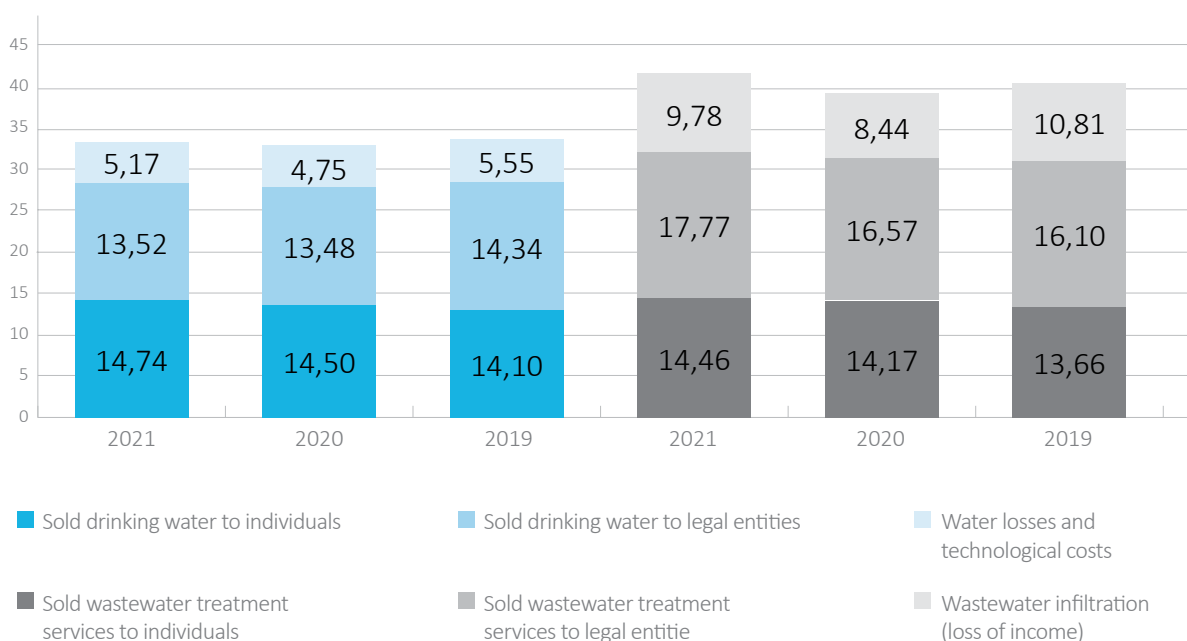
With the aim to reduce the difference between sold wastewater treatment services and cleaned wastewater, a working group has been established in the Company, the primary purpose of which is to reduce infiltration and rainwater access to wastewater network.



## The main achievements of this working group in 2021 are set out below:

1. In the basin of the Vingis wastewater pumping station, the volume of wastewater collected and losses from non-charged wastewater were successfully reduced to 0%, all customers who discharged wastewater above the reported amounts were identified. In this basin, the monthly amount of wastewater collected is approx. 25 thousand m<sup>3</sup>. The analysis of this basin revealed that approx. 50 thousand m<sup>3</sup> of wastewater was collected, causing up to 95% of losses incurred by the Company.
2. The analysis of Janiškių basin has been launched. In this basin over 10 thousand m<sup>3</sup> of wastewater are collected on average per month, 99% of which is tax-exempt. The working group was able to trace back customers who used non-charged drinking water supply and sewage disposal services in this basin; therefore, the non-charged wastewater discharge was reduced to 78%.
3. Additionally, the working group took action on the objects serviced in Vilnius District. The Company was able to charge a customer in Nemenčinė discharging an additional 2 thousand m<sup>3</sup> of wastewater per month due to the neglect of its network. apie 2 tūkst. kub. metrų nuotekų.

The Company's total service provision scope (in thousand m<sup>3</sup>)  
with respect to drinking water losses\* and wastewater infiltration\*\*



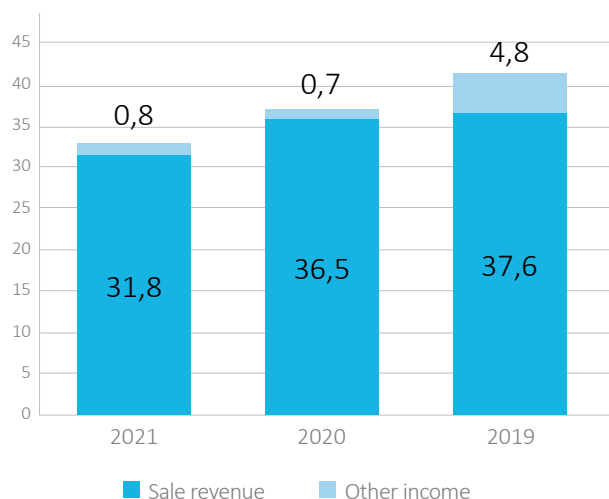
\* Water losses means a difference between the volumes of drinking water supplied to pipelines and the volume of drinking water sold.

\*\* Infiltration means a difference between the volume of water treated in treatment plants and the amount of wastewater treatment services sold (thousand m<sup>3</sup>).

## REVENUE FROM THE SALE OF SERVICES

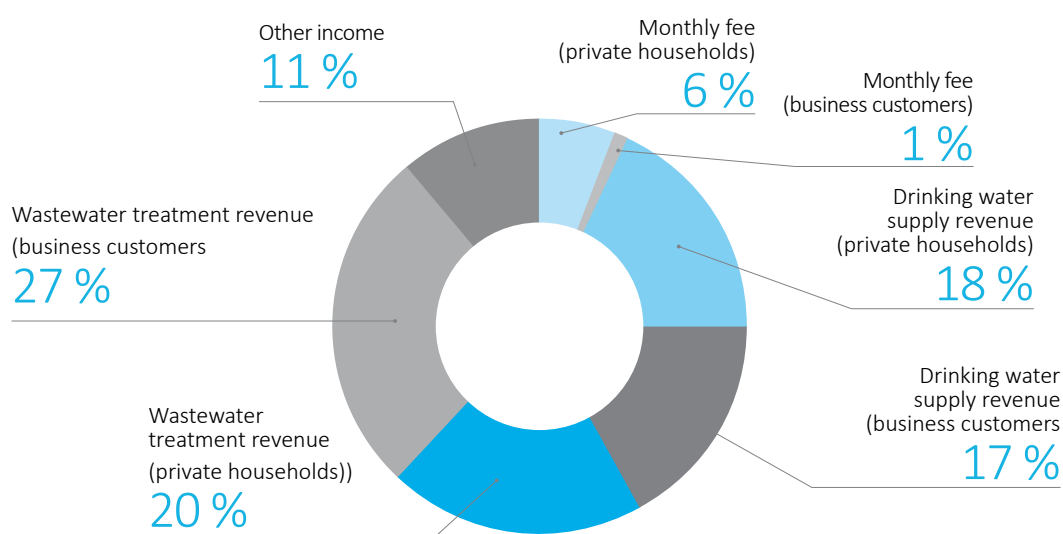
Principal revenue generated by Vilniaus Vandenys comprises revenue earned from the provision of services of drinking water supply and wastewater treatment. **The Company earned EUR 37.6 million from services sold in 2021.** The Company's revenue in 2021 increased by EUR 1.04 million compared to 2020. This was influenced by the tightened wastewater contamination control and a greater number of services provided to customers.

The Company's revenue structure (EUR million)



In 2021, the Company's revenue increased from EUR 37.3 to 42.4 million (growth of 14%). The growth of other income from EUR 0.7 million in 2020 to EUR 4.8 million in 2021 contributed to increase in revenue. The amount of other income includes EUR 3.3 million of net gain on disposal of non-current assets due to sale of unused buildings of Vilniaus Vandenys in the centre of Vilnius (Maironio st.), and EUR 604.7 thousand of in-kind income (i.e. when a builder/developer, by the way of connecting to the existing infrastructure, dismantles and rebuilds/relocates the Company's assets, and transfers these assets to the Company).

Sources of the Company's sales revenue



\* Other income comprise income from unregulated activities, assets received free of charge, assets disposed, as well as rental and other income.

**Sales revenue from business customers\* in 2021 accounted for about 46%, whereas revenue from private customers\*\* – for 43%, and other income – for 11% of the Company's total revenue.** Revenue from the largest hot water supplier (Vilniaus Šilumos Tinklai) accounts for as high as 32% of sales revenue from business customers.

#### The Company's sales revenue

Sales revenue, thousand EUR	2019	2020	2021	Change in 2021-2020	
				thousand EUR	proc.
<b>SALES REVENUE</b>	<b>32,390</b>	<b>36,531</b>	<b>37,573</b>	<b>1,042</b>	<b>3%</b>
<b>Revenue from the supply of drinking water, including:</b>	<b>12,874</b>	<b>14,561</b>	<b>14,757</b>	<b>196</b>	<b>1%</b>
Revenue from private customers (consumers)	6,308	7,556	7,614	58	1%
Revenue from business customers (subscribers)	6,567	7,005	7,143	138	2%
<b>Revenue from centralised wastewater management, including:</b>	<b>16,256</b>	<b>18,752</b>	<b>20,050</b>	<b>1,298</b>	<b>7%</b>
Revenue from private customers (consumers)	6,960	8,121	8,407	285	4%
Revenue from business customers (subscribers)	7,337	8,606	9,442	836	10%
Revenue from business customers (subscribers) for increased pollution	1,960	2,025	2,201	176	9%
<b>Monthly fee income</b>	<b>3,085</b>	<b>3,194</b>	<b>2,737</b>	<b>-456</b>	<b>-14%</b>
<b>Change in income accruals</b>	<b>174</b>	<b>24</b>	<b>29</b>	<b>5</b>	<b>21%</b>

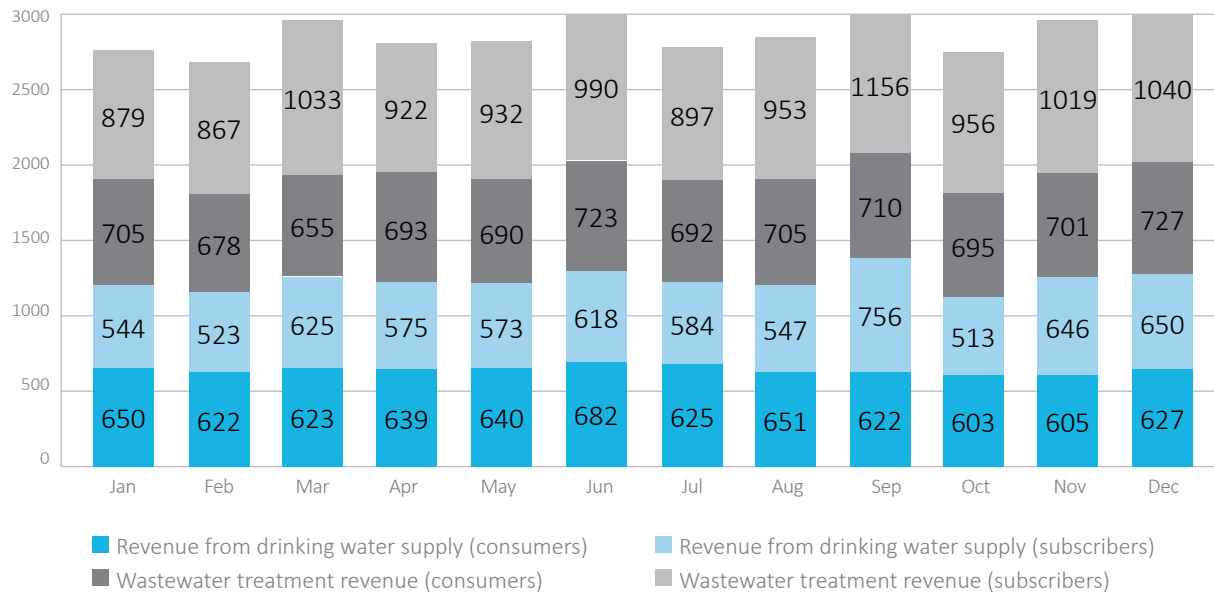
\* The term "business customer" used in the Company's annual report corresponds to the term "subscribers" used in the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania.

Subscriber is a natural or legal person, a branch of a foreign legal entity or another organisation established in the Republic of Lithuania purchasing the services of the supply of drinking water and/or wastewater management for business needs or carrying out economic activities and having concluded a public contract on the supply of drinking water and/or wastewater management with a drinking water supplier, wastewater manager and/or surface wastewater manager or, if a contract has not been concluded, having connected in accordance with the procedure prescribed by laws his drinking water supply and/or wastewater drainage facilities, drinking water usage and/or wastewater treatment plants owned by the right of ownership or general shared ownership to the drinking water supplier and/or wastewater management infrastructure owned by the drinking water supplier and/or wastewater manager by the right of ownership or managed and/or used otherwise, or draining surface wastewater to surface wastewater management systems of managers of such wastewater.

\*\* The term "private customers" used in the Company's annual report corresponds to the term "consumers" used in the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania.

Consumer is a natural person purchasing drinking water supply and/or wastewater management services for personal, family or household needs rather than for business, who has concluded a public contract on the supply of drinking water and/or wastewater management or, if a contract has not been concluded, having connected in accordance with the procedure prescribed by laws his drinking water supply and/or wastewater drainage facilities, drinking water usage and/or wastewater treatment plants owned by the right of ownership or general shared ownership to drinking water supply and/or wastewater management infrastructure owned by the drinking water supplier and/or wastewater manager by the right of ownership or managed and/or used otherwise.

The Company's income from water supply and wastewater treatment services in 2021  
(in EUR thousand)

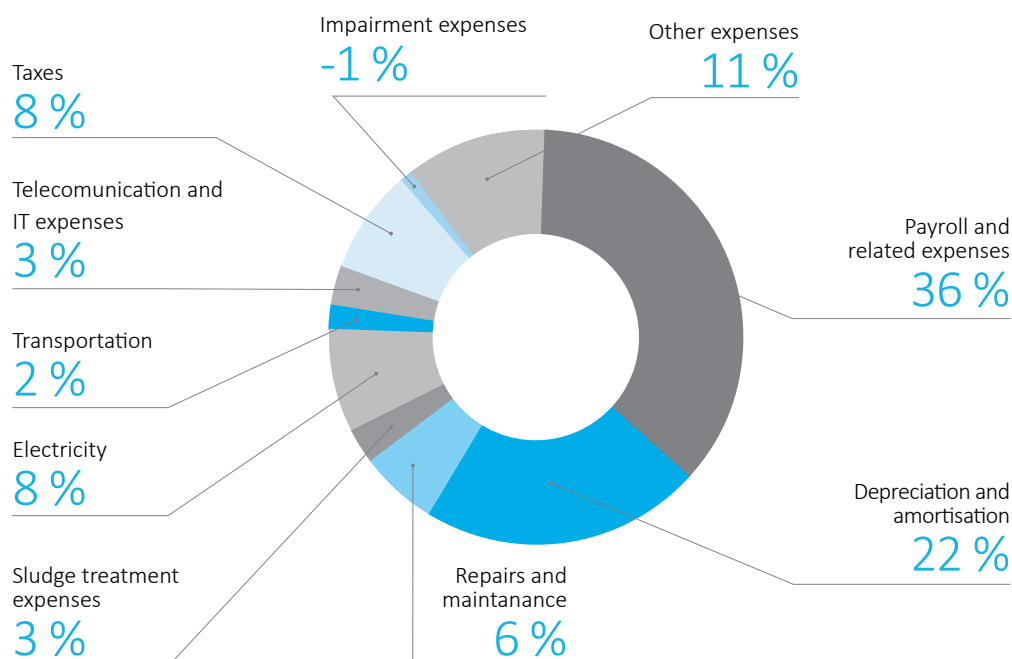


In terms of percentage, income from different activities remained almost stable in 2021. **Income from the supply of drinking water accounted for 39.3% in the income structure, income from wastewater management – for 53.4% and income from the monthly fee – for 7.3% of the Company's total income.**

## COMPANY'S OPERATING EXPENSES

In 2021, the Company's operating expenses amounted to EUR 39.2 million, whereas in 2020 – EUR 39.3 million.

Company's OPEX structure in 2021



*\* Other costs include heating, security, garbage collection, cleaning of premises, landscaping, customer service costs, occupational safety and special clothing, promotion, advertising, insurance, compensation for damage resulting from the Company activities, office costs, legal services and other costs.*

In 2021, the Company's payroll and related tax expenses made up the major share of operating expenses accounting for 36% of the total OPEX. Payroll and related tax expenses totalled EUR 14.4 million in 2021 and (EUR 168 thousand more than in 2020). The increase in these expenses was caused by changes in remuneration market and the Company's direction to aim at qualitative growth through employee expertise improvement and employment activity governance system that motivates to pursue the best results. Vilniaus Vandenys is guided by the Company's Remuneration Policy approved by the Board, according to which remuneration for the Company's employees are reviewed annually, taking into account annual employee performance.

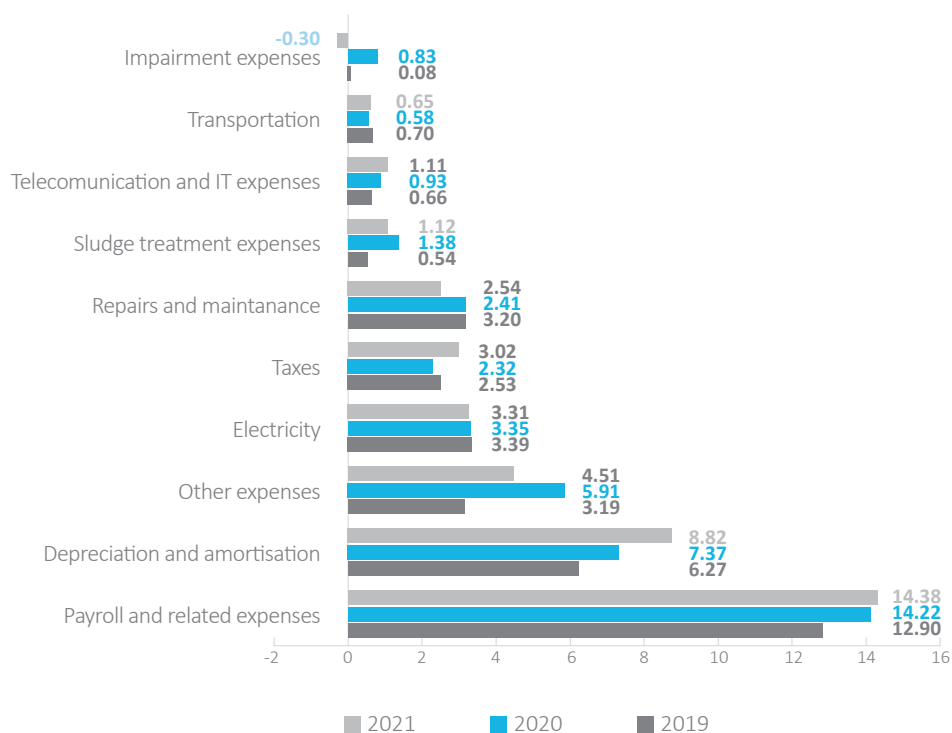
Property, plant and equipment amortisation expenses grew to EUR 8.8 million in 2021 (a EUR 1.4 million change compared to 2020) and made up 22% of the Company's total OPEX. Increase in expenses in 2021 was a result of a newly acquired, built and reconstructed property, plant and equipment.

Other expenses made up 11% of the Company's total OPEX. They decreased by EUR 1.4 million: from EUR 5.9 million in 2020 to EUR 4.5 million in 2021.

Electricity expenses accounted for 8% of operating expenses in 2021 and amounted to EUR 3.3 million.



### Comparison of the Company's operating expenses in 2019–2021 (EUR million)



In 2021, tax (non-payroll) expenses, which account for about 8% of operating expenses of Vilniaus Vandenyys, increased to EUR 3 million (from EUR 2.3 million in 2020). This change was mainly driven by changes in the tax rates for polluting the environment from stationary sources of pollution (these taxes are governed by the Law on Pollution Tax of the Republic of Lithuania). In 2021, the Company paid a total of EUR 10.374 million of taxes collected and administered by the State Tax Inspectorate and EUR 3.212 million to Sodra (including payroll-related taxes).

Repair and maintenance costs that comprise of technical materials and consumables, network diagnostics, cleaning and repair, dug-hole restoration after accidents, equipment servicing, etc. amounted to 6% of the Company's operating expenses (increased by EUR 0.1 million from EUR 2.4 million in 2020 to EUR 2.5 million in 2021).

In 2021, sludge treatment expenses made up 3% of the Company's operating expenses (decreased by 0.3 million). The decrease in these expenses was determined by the biogas used for technical purposes, which resulted in the Company purchasing a smaller volumes of natural gas (MWh) (12 million MWh was purchased in 2021, 15.5 MWh in 2020).

Telecommunication and IT service expenses in 2021 made up 3% of Vilnius Vandenyys total operating expenses. In 2021, these expenses increased by EUR 0.2 million due to solutions for modernization and automation of operations. During 2021, 171 system updates were installed in the Company.

In 2021, transport expenses made up 2% of the Company's operating expenses and, compared to 2020, increased by 13% or EUR 74 thousand due to the rise in fuel prices.

## COMPANY'S KEY FINANCIAL INDICATORS

Company's key financial indicators and their change

Key financial indicators, thousand EUR	2019	2020	2021 *	Change in 2021-2020	
				thousand EUR	proc.
Profit or loss statement indicators					
Total income	33,215	37,268	42,400	5,132	14%
Operating income (sales)	32,390	36,984	38,779	1,795	5%
Operating expenses (OPEX) (1)	27,056	30,962	30,600	-362	-1%
EBITDA (2)	6,159	6,306	11,800	5,494	87%
Profit (loss) before tax	-245	-2,104	3,230	5,334	254%
Net profit	-240	-1,992	3,120	5,112	257%
Indicators of assets, equity and liabilities					
Total assets	143,420	156,663	173,303	16,640	11%
Cash and cash equivalents	4,456	6,043	7,348	1,305	22%
Equity	127,870	129,607	133,217	3,610	3%
Borrowings	3,198	10,378	18,046	7,668	74%
Trade receivables (before impairment)	4,974	7,694	5,667	-2,027	-26%
Trade payables	5,111	6,035	6,642	607	10%
Profitability indicators					
EBITDA margin (3)	19%	17%	28%		
Net profit margin	-2%	-5%	7%		
Return on assets (ROA) (4)	-0.2%	-1%	2%		
Return on equity (ROE) (5)	-0.2%	-2%	2%		
Other financial indicators					
Net financial debts (6)	-1,258	4,335	10,698	6,363	147%
Equity level (7)	89%	83%	77%		
Investment scope, total (8)	21,415	18,029	33,577	15,548	86%
Debt to equity ratio (9)	2,5%	8,0%	13,5%		
Current ratio (10)	0.83	0.86	0.76		
Critical liquidity coefficient (11)	0.80	0.84	0.74		

OPEX – operating expenses other than depreciation and amortisation, and impairment and write-offs.

EBITDA (profit before interest, taxes, depreciation and amortisation) = Profit (loss) before tax + Finance expenses – Finance income – Dividend income + Depreciation and amortisation + Impairment loss + Asset write-offs;

EBITDA margin = EBITDA/revenue

Return on assets (ROA) = Net profit (loss)/Average assets

Return on equity (ROE) = Net profit (loss)/Average equity

Net financial debts = Financial debts - Cash and cash equivalents - Short-term investments and term deposits - Share of other non-current financial assets consisting of investments in debt securities

Equity level = Equity at the end of the period/Total assets at the end of the period

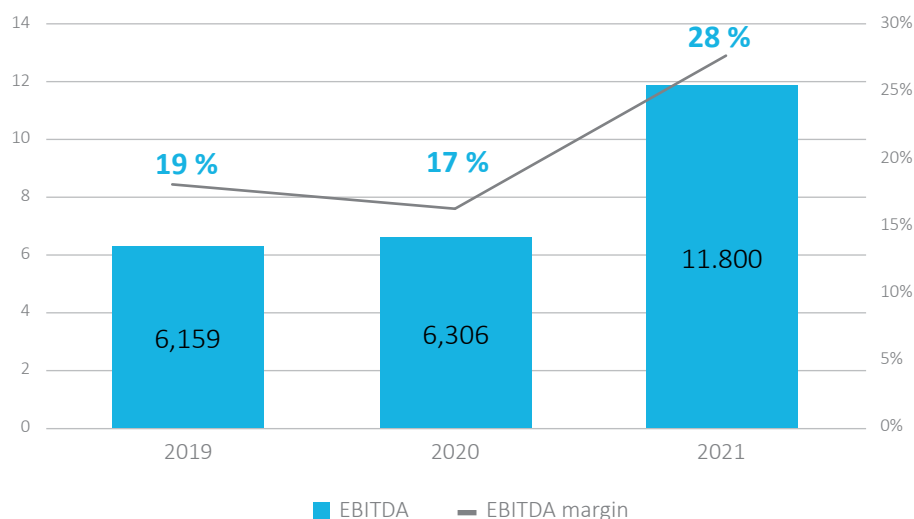
Investment scope, total = Non-current assets put into operation + Construction in progress + Prepayments, less assets received free of charge and in kind contribution made on increase of issued capital

Debt to equity ratio = Financial debts/Equity

Current ratio = Current assets/current liabilities

Quick ratio = (Current assets - Inventories)/Current liabilities

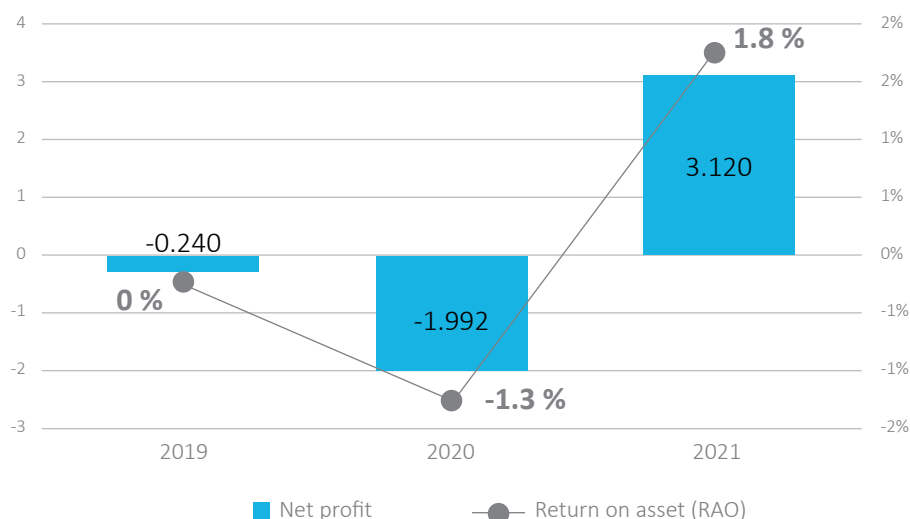
Change in EBITDA (EUR million) and EBITDA (%) in 2019–2021



EBITDA in 2021 increased by EUR 5.5 million compared to 2020. The change in expenses was insignificant, mainly driven by the increase in income. Increase in income was greatly influenced by the sale of the Company's buildings in the centre of Vilnius, Maironio st.

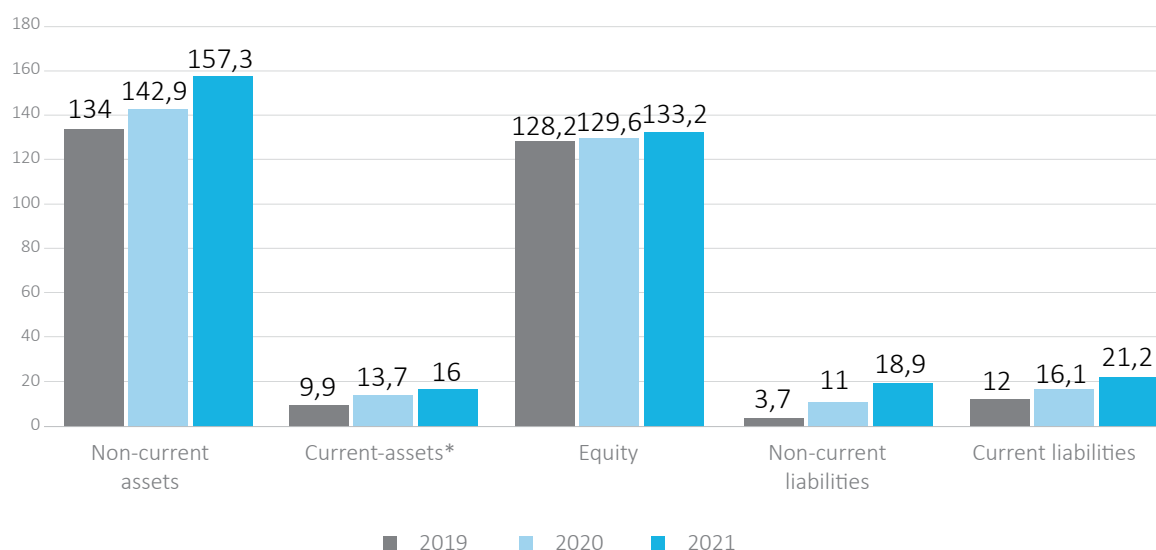
The Company's net profit in 2021 totalled EUR 3.12 million. Sale of the Company's buildings in Maronio st. is a key component of this factor.

Company's net profit (EUR million) in 2019–2021



In 2021, this resulted in respective increase in profitability of assets and profitability of equity.

Changes in key balance sheet line items (EUR million) in 2019–2021



\*Together with the assets held-for-sale

Bendrovės turtas 2021 metų pabaigoje sudarė 173,3 mln. eurų ir palyginti su 2020 m. išaugo. At the end of 2021, the Company's assets amounted to EUR 173.3 million – increased by 11% from 2020. Property, plant and equipment, which accounted for 90.7% of the total assets structure, grew by 10% to EUR 157.3 million. This growth was driven by large-scale investments drifted towards the renovation of operated networks and stations, reconstruction of Vilnius city wastewater treatment plant, as well as wellfield areas, upgrades of sludge treatment equipment, replacement of water metering devices, renewal of vehicle fleet etc.

At the end of 2021, the Company's current assets amounted to EUR 16 million – increased by 16.7% from 2020. As at 31 December 2021, cash balances amounted to EUR 7.3 million, i.e. 21.6% more than as at 31 December 2020.

Increase in the Company's equity in 2021 was driven not only by net profit, but also increase of the issued capital by in-kind contributions from shareholders in the amount of EUR 0.29 million and cash contributions in the amount of EUR 0.2 million. In 2021, the Company's equity increased to EUR 133.2 million and accounted for 77% of the Company's assets.

Financial debts totalled EUR 18 million at the end of 2021 and accounted for 13.5% compared to equity, or 10.4% compared to the Company's assets.

On 29 November 2021, the Company signed two agreements for funding of investment projects in the development of drinking water supply and wastewater collection networks in Vilnius, Švenčionėliai, Šalčininkai and Eišiškės agglomerations with Viešųjų Investicijų Plėtros Agentūra UAB. The total amount of the project is as high as EUR 18.9 million with subsidy of EUR – 7.8 million, and up to EUR 11.1 million is financed through loans and the Company's own funds (of shareholders – municipalities). Additionally, the Company submitted a request to the Ministry of Environment of the Republic of Lithuania in 2021 for additional funding for the project of reconstruction of Vilnius wastewater treatment plant. The additional funding of EUR 7.34 million was approved by the Order of the Minister of Environment of the Republic of Lithuania No D1-773 on 27 December 2021 and the amendment to the funding agreement was signed with the Environmental Project Management Agency on 3 January 2022. The total investment

in the project (reconstruction phase I) is EUR 33.4 million. The remaining part of the project, which is not covered by the subsidy, is financed through the Company's own funds and the loan obtained under the agreement concluded with the Ministry of Finance of the Republic of Lithuania for a period of 18 years.

On 13 September 2021, the Company was awarded a subsidy of EUR 32 thousand under the agreement No KKS-S-79 (2021) for funding the electric car project "Acquisition of cars and light electric vehicles to reduce GHG emissions". This funding is provided under the Climate Change Program "Promotion of the purchase of electric vehicles for legal entities" (conditions for support are approved under the Order of the Minister of Environment of the Republic of Lithuania No D1-615 of 12 October 2020 "Promotion of the purchase of electric vehicles for legal entities").

In addition to the funding from the European Union Structural Funds, the Company also invokes other sources of financing for the smooth implementation of the investments provided for in the Action and Development Plan 2020–2022. The European Investment Bank (EIB) granted a loan of EUR 50 million for the improvement of infrastructure: development and reconstruction of networks, renovation of waste water treatment plants, construction and modernisation of water improvement facilities, etc. On 31 March 2021, the loan agreement was signed for EUR 20 million. The loan agreement for the outstanding balance of EUR 30 million is scheduled to be signed in 2022. The quality and availability of services to the communities of the municipalities of Vilnius, Švenčionys and Šalčininkai and Vilnius District will be improved through the loans and implementation of the Action and Development Plan.

The Company had no overdue trade payables at the end of 2021.

In 2021, comparing to 2020, the amount of the investments made with the Company's funds increased by 86%. Investments were drifted towards the renovation of operated networks and stations, as well as wellfield areas, reconstruction of Vilnius city wastewater treatment plant, upgrades of sludge treatment equipment, replacement of water metering devices, renewal of vehicle fleet etc. The volume of investments in non-current assets is to be increased in 2022.

The Company's finance expenses in 2021 amounted to EUR 0.2 million. They were incurred from the interest paid to financial institutions on loans, and default interest and fines paid. Finance income from received default interest and interest amounted to EUR 0.19 million. These income include non-performance of contract liabilities and the interest payable to Vilnius City Municipality under the agreement of the scheduled deferred payments.

In 2021, the Company of Vilniaus Vandenys had not invested in term deposits or debt securities. The Company's income and expenses in 2021 were not related to other currencies, therefore changes in exchange rates did not have any effect on the Company. In 2021, the Company did not use derivatives.

In 2021, there was no dividend payment to shareholders for 2020 performance.

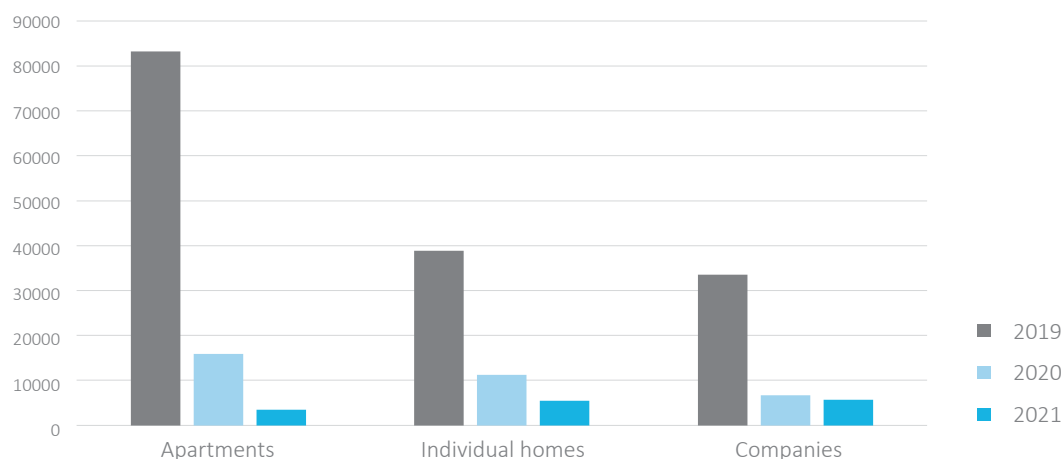
## IMPACT OF THE GLOBAL COVID-19 PANDEMIC ON THE COMPANY'S OPERATIONS

The Company carried out an assessment of the impact of the COVID-19 pandemic on the Company's activities and financial statements back in 2020 and identified that the COVID-19 pandemic did not make a significant impact on the Company's financial performance, since the Company provides vital services that are not particularly sensitive to economic changes and the prices of which are regulated by the State. However, as in the rest of the world, the COVID-19 pandemic still affected the Company's activities: the challenge to ensure the continuous provision of water supply, wastewater management, emergency response and other services, as well as to monitor replacement of water meters and to verify readings of water meters remains true in 2021.

The global pandemic affected the operation of factories on a global scale, and this also reflected on the Company's investment activities: the contractors were confronted with bottlenecks in the supply of goods, which resulted in adjustments to the contractual schedules, but nevertheless, the Company was able to implement nearly everything on time or with slight delays.

Due to the quarantine declared by the government, the Company suspended the meter data verification and meter replacement activities carried out due to ended or ending metrological inspection. This led to fewer object inspection carried out together with contractors in 2020 and 2021, compared to 2019 ( 55,591 objects were inspected in 2020 and 45,939 objects in 2021, whereas in 2019 this number was higher – more than 90 thousand objects were inspected).

Changes in the scope of the Company's inspections before and during the quarantine:



In 2021, the Company incurred a loss of EUR 35 thousand (in 2020: EUR 149 thousand) for managing the COVID-19 pandemic and ensuring the safety of employees and customers. The Company made maximum efforts to adjust employment of its staff and organise work in a way that allows everyone to feel safe at work, however, some professionals were in downtime.

During the first wave of the COVID-19 from 16 March 2020 to 16 June 2020, 22 meter reading operators from the Meter Reading Division were temporary laid off. 2 staff members from the Meter Reading Control Unit (locksmith) were temporary laid off from mid-November 2020 to end of February 2021, and 20 meter reading operators from the Meter Reading Division were temporary laid off until mid-June 2021. In 2021, a total of 22 employees were temporary laid off. Wage compensations for the employees in the downtime were estimated at EUR 52,011.36. Subsidies for the employees in the downtime amounted to EUR 52,010.86. Subsidies received after the downtime (for July and August) amounted to EUR 13,765.99.

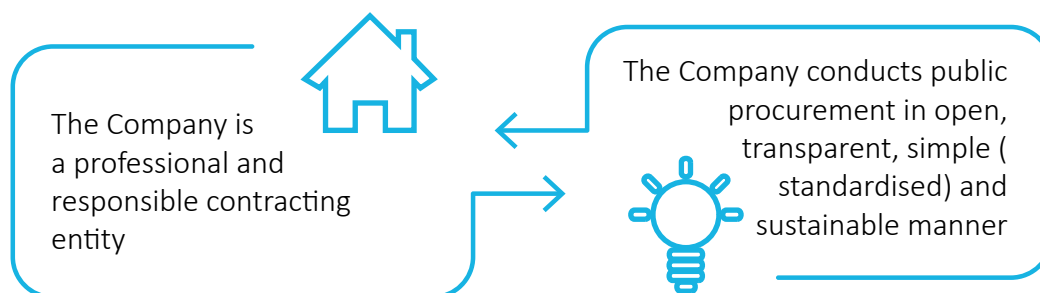


# Public procurement



Public procurement of Vilniaus Vandenys is arranged and carried out in compliance with legal acts regulating water management activities and public procurement (the Law of the Republic of Lithuania on Procurement by Contracting Authorities Operating in the Water, Energy, Transport or Postal Services Sectors; Methodologies and guidelines approved by the Public Procurement Office; Descriptions of Low Value Procurement Procedure and Public Procurement Procedure approved by the Company, etc.).

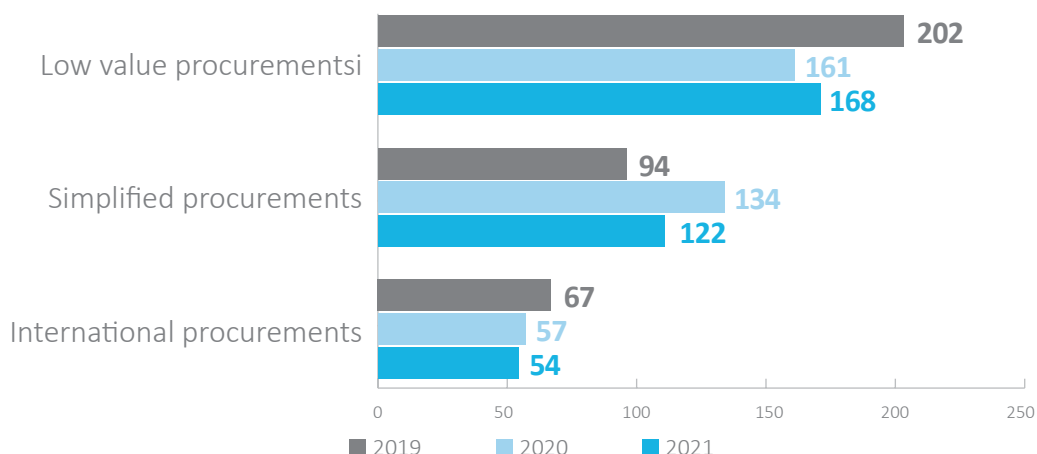
#### Goal and direction of Vilniaus Vandenys in public procurement



In 2021, priority attention of the Company was paid not only to the review of the procurement process and the efficiency of procurement procedures, but also to the new direction of public procurement – sustainable procurement. Taking into account the Government’s sustainability policy approach, the Company has introduced the minimum environmental criteria set by the Ministry of the Environment, eco-labels, environmental management systems and individual environmental requirements in its public procurement procedures in 2021. In addition, the priority in procurement has been given to the Price and Quality Evaluation Criteria.

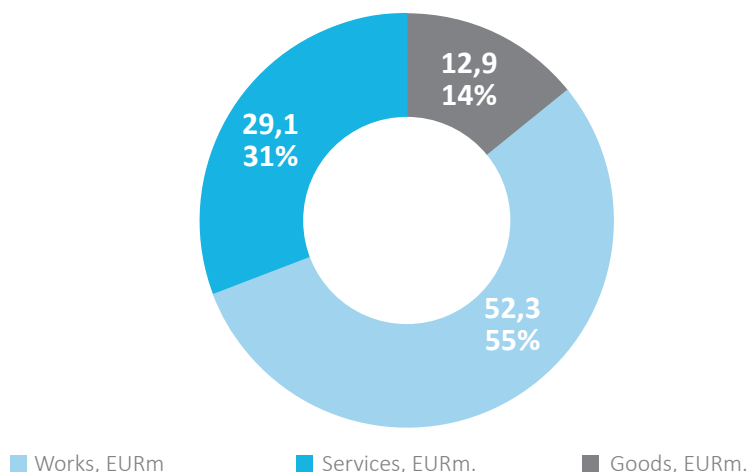
In 2021, the Company made a total of 476 procurements: 300 low value procurements (of which 132 were below EUR 3,000 (excl. VAT), 168 were above EUR 3,000 (excl. VAT), the low value procurements totalled EUR 2,601,259.00 (excl. VAT)), 122 simplified procurements, 54 international procurements, with a total estimated value of EUR 98.54 million (excl. VAT). For comparison, in 2020, the Company made a total of 557 procurements, of which 366 were low value procurements (of which 205 were below EUR 3,000 (excl. VAT), the low value procurements totalled EUR 190,730.40 (excl. VAT)), and 134 simplified procurements, 57 international procurements, with a total estimated value of EUR 73.53 (excl. VAT). Based on this data it is evident that the focus on standardisation of the procurement process in 2020 and 2021 led to optimisation and efficiency of the procurement process, whereas in 2021, the Company sought to focus on the smooth execution of procurement procedures and preparation for the launch of Price and Quality, including sustainable (Green) public procurement.

#### Number of procurements by type of procurement in 2021 (units/%)



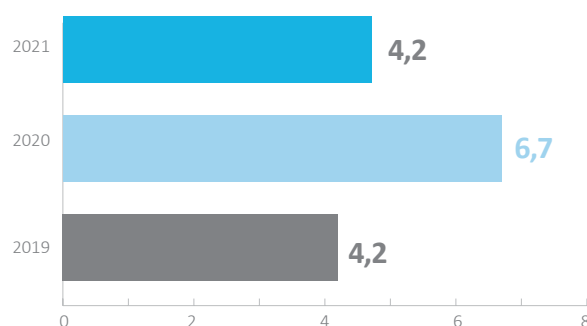
Taking into account the planned value, procurement of works undoubtedly accounted for the largest share of the Company's procurements in 2021. Compared to 2020, only slight changes in this indicator are observed (in 2020: procurement of works accounted for 62%, services – 21%, goods – 17% of the total value of procurement).

Distribution of procurements in 2021 by total planned value of works, services and goods (EUR million/%)

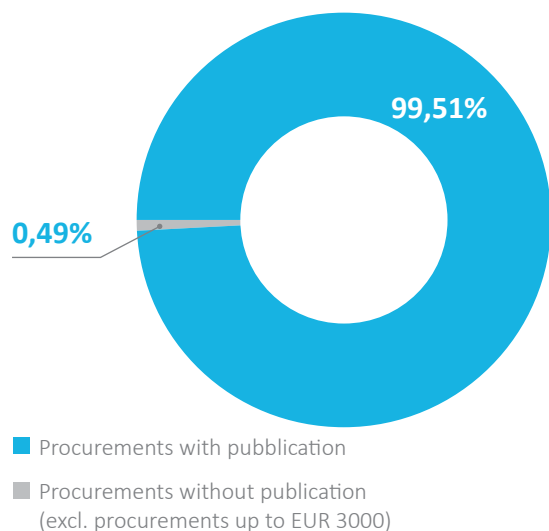


In 2021, the Company made virtually all of its purchases publicly available. Only procurements of a particularly low value were made through negotiated procedure (i.e. all procurements below EUR 3,000 (excl. VAT)) and/or negotiated procedure without publication of a contract notice taking into account the exemption provided for in the law.

Average number of participants in procurement of works in 2021

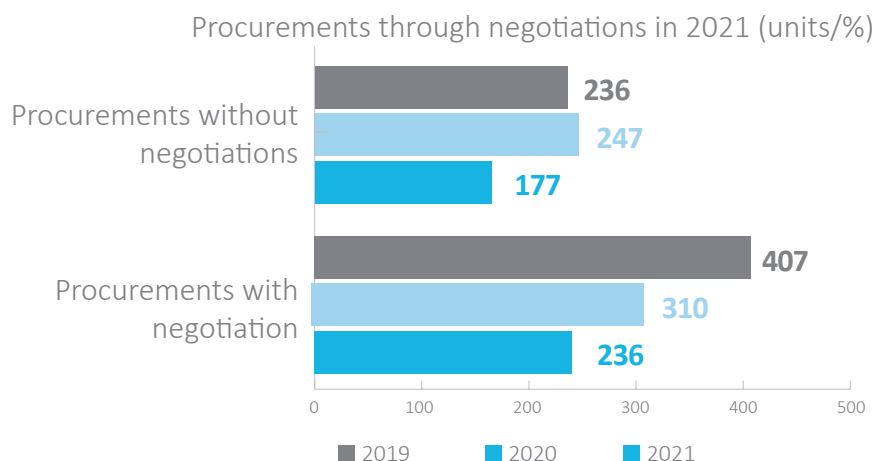


Public procurements with/without publication of a contract notice by planned value in 2021 (EUR million):



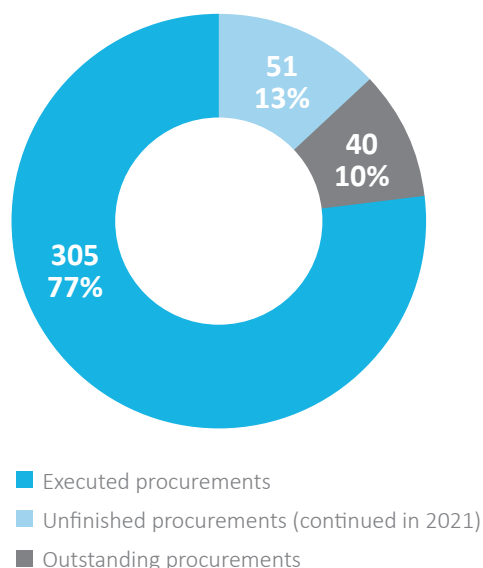
Public procurements had undoubtedly led not only to competition between suppliers, price flexibility, but also to the possibility for Vilniaus Vandenys to make budgetary savings. Additionally, the ratio of procurements through unannounced negotiations to procurements through public negotiations in 2021 remained largely unchanged (in 2020, procurements through unannounced negotiations accounted for less than 1% of the total value of procurements).

Seeking to make more rational use of the resources available, the Company applied the negotiated procedure in 2021, i.e. conducted more than 57% of its procurement through negotiations. Furthermore, taking into account the market changes and price fluctuations, this procurement method allowed successful completion of procurement procedures (thus avoiding repeating procurement procedures, especially in cases where the suppliers' tenders slightly exceeded the Company's planned budget. At the stage of the envisaged negotiations, it is permissible to reduce the initial prices offered by suppliers rather than rejecting such tenders on the grounds of excessive and unacceptable prices). For comparison, in 2020, the Company conducted more than 56% of its procurement through negotiations.



A total of 396 procurements were scheduled by the Company of Vilniaus Vandenys in 2021 (including 21 general procurement on demand). It should be noted that 131 procurement was conducted in addition to approved general procurement (these procurements are not separately represented in the statistical chart and are classified as general procurements)

Execution of the Procurement Plan for 2021 (units/%)



Total sales planned for 2021 is

**396**  
(~EUR 98.54 million)

In 2021, a total of 396 procurements were scheduled by the Company (procurement requirement), of which 305 procurements were completed. Part of procurements scheduled for 2021 were ongoing after the end of the reporting period (40 procurements, i.e. the procurements launched in 2021, but not completed and continued in 2022). Other procurements scheduled for 2021 were no longer relevant (a total of 51 procurement), thus became devoid of purpose.

Important (strategic) high-value purchases, completed in 2021 by awarding public contracts:

Type of procurement object	Number of suppliers in procurement	Agreement date	Contract value (excl. VAT)	Successful tenderer(s)	Source of funding
Development of networks in Vilnius city agglomeration (SB Sveikatos Apsauga, SB Krantas, SB Vitaminas, SB Viktorija, SB Tulpė)	6	06/09/2021	3,500,000.00	KRS UAB	European Union funding
Remote data reading service (communication)	3	16/12/2021	3,283,200.00	Bitė Lietuva UAB	The Company's own funds
Rehabilitation of roads, sidewalks, lawns after accidents in water supply and/or wastewater networks, and repair and restoration of wells, landslides causing emergencies	3	29/06/2021	3,174,000.00	Eurovia Lietuva AB	The Company's own funds
(PK21-230) Development of water supply and domestic wastewater networks in Vilnius agglomeration (Grigaičiai vlg., Vilnius District)	9	25/10/2021	2,052,720.00	Instita UAB	European Union funding
(PK21-273) Development of water supply and domestic wastewater networks in Švenčionys agglomeration	8	18/10/2021	1,654,000.00	Požeminės Linijos UAB	European Union funding
Development of networks in Švenčionėliai, phase I – EUR 1,782,807.00 (excl. VAT), phase II – EUR 1,900,679.00 (excl. VAT)	8	30/09/2021	1,219,000.00	Panevėžio Ryšių Statyba UAB	European Union funding
Reconstruction of Karoliniškės water supply station	2	13/08/2021	1,089,799.00	Statovita UAB	The Company's own funds
Emergency response in water supply and wastewater networks	3	04/06/2021	1,000,000.00	Alvora UAB	The Company's own funds
Development of networks in Eišiškės agglomeration	7	24/08/2021	994,700.00	Žilinskis ir Co UAB	European Union funding

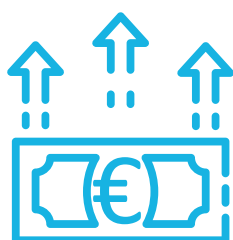
Design and construction of wastewater network and pumping station flushing waste reception and treatment facilities and industrial building in Vilnius city wastewater treatment plant	2	07/06/2021	944,100.00	Arginta UAB	The Company's own funds
(PK21-359) Scheduled repair, reconstruction and small-scale construction works in water supply and wastewater networks	6	03/01/2022	900,000.00	Inrestas UAB	The Company's own funds
Construction, reconstruction and repair	2	17/12/2021	900,000.00	Stareka UAB	The Company's own funds
Design and construction of block water supply and wastewater networks SB Renetas, SB Kalnakasyba in Vilnius	9	26/10/2021	877,347.00	Požeminės Sistemės UAB	European Union funding
(PK21-115) Development of water supply networks by connecting the water supply zones in Kalnėnai and N. Vilnia	13	11/06/2021	862,809.92	Žilinskis ir Co UAB	The Company's own funds
Maintenance and repair of technological installations in sludge treatment equipment of Vilnius city wastewater treatment plant	1	24/11/2021	850,000.00	Axioma Servisas UAB	The Company's own funds
(PK21-270) Development of networks in Vilnius agglomeration, Nemenčinė, Vilnius District	9	19/11/2021	844,200.00	Ekobana UAB, Mėlynoji Liepsna UAB	European Union funding
(PK21-213) Development of water supply and domestic wastewater networks in Šalčininkai agglomeration	9	07/09/2021	722,600.00	Žilinskis ir Co UAB	European Union funding
Development of block water supply and wastewater networks SB Aronija	11	21/06/2021	722,400.00	Žilinskis ir Co UAB	European Union funding
Microsoft software license subscription	3	17/09/2021	700,000.00	Squalio Lietuva UAB	The Company's own funds
Installation of flow measurement and automatic transported wastewater sampling systems in wastewater reception facilities	3	25/10/2021	671,730.00	Elteros Projektai UAB	The Company's own funds





## The Company's achievements in 2021 made with respect to the following procurements:

- Successful and smooth conduct of procurement procedures (legal disputes – 1 claim (settlement reached), pre-trial disputes – 37 claims (6 were satisfied, remaining – rejected as unfounded/inadmissible);
- High level of competition maintained (average number of participants: 6 in 2020, 4 in 2021);
- Launching of the Company's procurement procedure (forms of technical specifications) was simplified and the Company's internal legislation governing public procurement was revised;
- "Green Procurement" and "Energy Efficient Procurement" memos were drawn up and the Price and Quality Reference Criteria were developed for the Company's employees.



## At the end of the reporting period, the Company identified the following highlights to which it will pay close attention in the field of public procurement in 2022:

- Efficient procurement: ensuring the principle of value for money for at least 50% of all procurements.
- Green and sustainable procurement: application of environmental criteria in at least 50% of all procurements.
- Professional procurement: improve excellence of Procurement Officers, prepare Procurement Officers for certification and ensure that procurement is carried out by qualified procurement officers.
- Introduce a dynamic purchasing system for the Company's recurring general procurements.
- Standardisation of the procurement initiation and execution process in the light of regulatory changes.

# Risk and non-compliance management

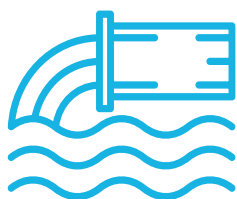


Risk management has been a cornerstone of the Company's strategic planning for years. The main objective of the Company is to minimise the Company's potential risks and to prepare to act and ensure going concern even in the event of force majeure.

A formalistic approach to risk management may possibly turn into costly lessons, therefore the Company carefully analyses the causes of the risks, determines the potential scale of the consequences based on financial losses, health problems, time perspective, reputational effects, etc.

## The Company's most significant and priority risks in 2021 were related to:

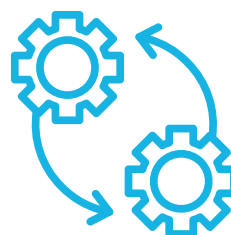
Environmental  
pollution



Occupational  
health and  
safety



Cybersecurity



The Company's critical risks and additional measures provided for in risk management plan

Risk description	Measures provided for in risk management plan
Inadequate control of wastewater pollution	Renewed contracts with top 500 managers of stationary sources of pollution
Entry of wastewater of higher/unusual pollution into the wastewater collection system and treatment plant	Installation of flow measurement and automatic transported wastewater sampling systems. Laboratory equipment acquired
Accident/health disorder/fatality	Reconstruction of well covers or raised fire hydrants
Waste water treatment process disruptions	Ongoing reconstruction of Vilnius wastewater treatment plant
Cyber security threats	Various network security measures are purchased and implemented

The Company's Risk Management Policy (Risk Management Policy is publicly available on the Company's website [www.vv.lt](http://www.vv.lt), go to section About us/Operational plans, reports, salary/Operational plans and reports) is effective from 2020 and defines risk management objective, sets the basic principles of risk management and clearly defined responsibilities in the field of risk management. The Company manages risks in accordance with the best practices in the world and the guidelines of the group of ISO 31000 standards.

Not only the Company's employees, but also the Board and the Audit Committee are involved in the risk management process.

Continuous communication, rigorous control of risk management plans, regular risk monitoring, evaluation of the effectiveness of risk management measures, adoption of solutions for new management measures, sharing of good practices have been and still are the key activities to ensure an appropriate response to events, i.e. cases that may have a negative impact on the achievement of the Company's objectives.



### In 2021, the following risk management actions were taken in the Company:

- Annual risk assessment was launched. During this stage of the process, changes in external and internal factors, the weakest links between processes were analysed by taking into account complaints/operational disruptions/incidents that have been recorded in recent years, as well as anticipated future developments.
- Process risk assessment carried out in the working groups (40 meetings were held) The Board approved the Company's assessed risks in December 2021.
- The implementation of risk management measures was monitored to assess whether the measures implemented provide the expected benefits and are effective, decisions were made on the need to adjust the Risk Management Measures Plan by adding a set of new actions (the process is repeated on a quarterly basis).



### In December 2021, the Company's Board approved the following amendments to the Description of the Risk Management Procedure:

- Amendments clarify that the Board determines the risk appetite for critical and high level risks.
- The risk level assignment matrix was updated to make the highest-impact (5) risks more critical, thereby giving risks with catastrophic implications a higher priority, albeit their probability is low.

In 2021, the Risk Map started to be used in the quarterly reports on the Company's risk management measures plan for the graphic representation of risks, monitoring the change in risk when implementing risk management measures.

## NON-COMPLIANCE MANAGEMENT

Recording and addressing of non-compliances on timely basis ensures continuous improvement of quality of the Company's services and mitigation of risks and threats to the Company to suffer financial or reputational damage. Non-compliance management focuses not only on the earliest possible identification of action/process of poor quality, but also on the possibility of addressing it before it causes a lot of damage.



In order to meet ISO 9001: 2015 and ISO 14001: 2015 standards and improve performance, the Company continually improves the non-compliance management process.

In 2021, the Company launched a new process to record, coordinate and resolve the observed instances of non-compliance. A separate tool Non-compliance Register was also developed for this process, where each employee of the Company can record the observed instances of non-compliance.

Every instance of non-compliance recorded in the Non-compliance Register was subject to corrective measures: initial steps to stop and eliminate the non-compliance as soon as possible. Corrective actions against a number of instances of non-compliance are further implemented after the end of the reporting period.

In 2021, the majority of instance of non-compliance recorded by the Company's employees were related to non-compliance with occupational safety, physical security improvement, and environmental requirements, compatibility of internal legislation with laws, improvement of processes and substantiated complaints received.

## ENSURING PHYSICAL SECURITY

Due to the specifics of its activities and the provision of strategically important public services, the Company falls into the first category of companies essential to national security.

The Company was the first among the country's water management companies to prepare and approve the Security Plan in the Government of the Republic of Lithuania. The Company currently has 407 protected facilities, which are divided into three levels of physical protection based on their significance to the Company's activities and potential risks: security level 3 is assigned to 4 facilities, level 2 – to 22 facilities, and level 1 – to 381 facilities.

Taking into account the importance of the facilities owned by the Company, in 2021, the Company updated and improved the video surveillance and security alarm systems installed in the Company's facilities. Furthermore, the Company entered into a manned guarding service agreement with the security service company ARGUS in the reporting period.

## ENSURING CYBER SECURITY

According to the data of the National Cyber Security Centre, the distribution of malicious software and the number of related cyber-incidents have increased since the start of the pandemic in Lithuania, therefore, in 2021, the Company put a strong emphasis on ensuring cyber and data security of information systems and business continuity.

With the pandemic still ongoing and some employees working from home, additional technical measures have been taken to protect information systems from hacking: IT controls ensuring password management, two-factor authentication, and organizational measures such as employee training and awareness raising.

Ensuring cybersecurity requires ongoing update of competencies, technologies, as a result, in 2021, the Company invested in upgrading of security measures, enhancing the efficiency of production information systems, and training systems.



# Project management

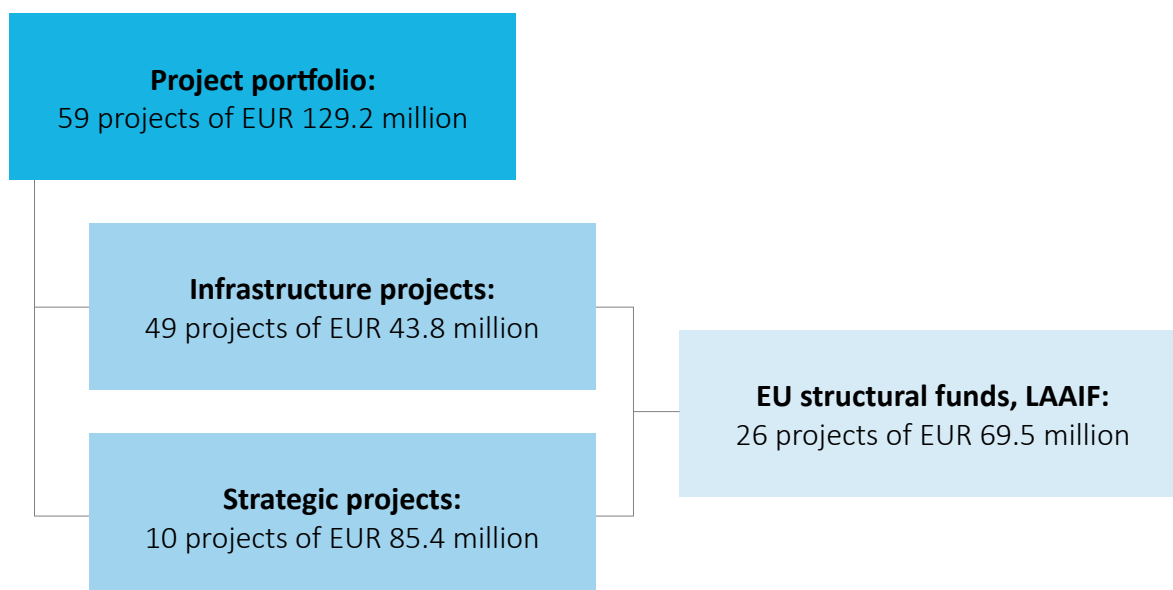


With the aim to standardise the principles of the Company's project management, the Project Management Policy for Vilniaus Vandenys was developed and approved by the Board of the Company in 2021 (the Project Management Policy is publicly available on the Company's website [www.vv.lt](http://www.vv.lt), go to section About us/Operational plans, reports, salary/Operational plans and reports). The main provisions of this policy cover: the definition and scope of projects, the principles for the construction and management of the project portfolio, monitoring and control of projects.

Furthermore, to increase effectiveness of the Company's project implementation, to manage the project portfolio, to systematise project management knowledge and to standardise the methods and tools used, the standard Project Management Body of Knowledge (PMBOK) developed by the Project Management Institute was chosen for project management in 2021. Based on this standard, project management applies a single project management methodology ensuring systematic and standardised project management, involving management structure, roles of participants, phases, decision-making points and documentation. Using a single project management methodology, projects are managed and implemented in line with the planned schedule, scope and budget. The project portfolio monitoring and control mechanism applied in project portfolio management ensures a more rational use of the Company's resources.

At the end of 2021, the Company's project portfolio contained a total of 59 projects with the overall budget of more than EUR 129 million, 26 of these projects were funded with almost EUR 69.5 million received from the European Union Structural Funds

The Company's project portfolio as at 31 December 2021



In 2021, the Company drew up a plan with 44 projects with separate project implementation stages planned and recorded for each project, ought to be achieved during FY2021. At the beginning of 2021, the Company also set the target to implement 85% of the projects within the current year on the dates specified in the project implementation plans. In 2021, as many as 40 projects out of 44 projects were implemented in accordance with the planned project implementation deadlines, and only 4 projects were implemented in deviation from the planned deadlines.

## COMPANY'S STRATEGIC PROJECTS

In 2021, the Company implemented 10 strategic projects with a total budget of more than EUR 85 million.

Company's strategic projects

Name	Start date	End date
Reconstruction of Vilnius city wastewater treatment plant	2019	2023
Smart network management (3rd stage of 3): Installation of digital ultrasonic metering devices with remote reading function in apartments, private homes and commercial premises.	2020	2026
Financial accounting, management accounting and customer accounting (FAVAKA)	2020	2024
Smart network management (2nd stage of 3): Installation of smart metering devices with remote reading function in consumer water supply inlets located in wells and basements of apartment buildings.	2019	2022
Reconstruction of Švenčionys wastewater treatment plant	2020	2022
Development of customer self-service portal	2018	2022
Implementation of the information system for the operation and management of infrastructure (AMS)	2017	2021
Identification of protection zones for infrastructure managed by Vilniaus Vandenyys	2019	2022
Project Management IT System Installation (PMS)	2020	2021
Company's compliance with GDPR requirements	2019	2021

## THE COMPANY'S KEY STRATEGIC PROJECTS, THE IMPLEMENTATION OF WHICH WAS STARTED/CONTINUED/COMPLETED IN 2021:

### 1. Reconstruction of Vilnius city wastewater treatment plant.

**The aim of the project:** to increase the quality of the wastewater treatment services provided to Vilnius City and Vilnius District by ensuring that the average annual concentrations of pollutants in discharged wastewater meet the requirements of legal acts.

**The final outcome of the project:** the reconstruction of wastewater treatment plants, improvement of the wastewater treatment plant treatment indicators, prevention of wastewater entering the environment and improvement of the efficiency of the wastewater treatment plant.

In 2021, a technical design for the reconstruction of wastewater treatment plants in Vilnius city was developed and a construction permit obtained. The reconstruction works were also launched, the first bioreactor (out of six) was reconstructed, the first bioreactor commissioning works were initiated at the end of the year, and a new building for airblower was constructed.

**The project budget** is EUR 33.174 million.

## 2. Smart network management (3rd stage of 3): Installation of digital ultrasonic metering devices with remote reading function in apartments, private homes and commercial premises.

**The aim of the project:** to accurately account for the amount of water supplied and consumed, to eliminate the abuse of residents by providing meter readings, to identify in a timely manner the emergency situations occurring between the building's inlet metering device and apartment, as well as emergency situations occurring outside the metering device located in the apartment.

**The final project outcome:** installation of almost 360 thousand units of digital ultrasonic metering devices with remote reading function.

In 2021, technical design, procurement documents for this project were drawn up, market consultation was conducted and procurement of the communication service was carried out.

**The project budget** is EUR 30.0 million.

## 3. Financial accounting, management accounting and customer accounting (FAVAKA).

**The aim of the project:** to optimise the processes of financial accounting, management accounting, customer servicing and the provision of all services, as well as billing for services by acquiring a tool that will allow the activities to be organised more efficiently.

**The final project outcome:** introduction of a solution for financial accounting, management accounting, customer servicing and provision of services to customers.

In 2021, technical design, procurement documents for this project were drawn up, market consultation was conducted and procurement procedures were carried out.

**The project budget** is EUR 3.3 million.

## 4. Smart network management (2nd stage of 3): Installation of smart metering devices with remote reading function in consumer water supply inlets located in wells and basements of apartment buildings.

This project was finalised in 2021

**The aim of the project:** to remotely account for the amount of water supplied and consumed in segments, such as wells and water inlets located in basements of apartment buildings, in order for the Company to respond and eliminate accidents and losses in water supply mains, internal networks of apartment buildings in a timely manner, and to make effective use of human resources.

**The final project outcome:** introduction of remote reading of inlet water metering devices, which are installed in wells and basements of apartment buildings. The stage of manual reading recording has been eliminated from the process. Losses due to non-invoiced water reduced.

This project will be further implemented in 2021. During the reporting period, 2,603 units of remote reading meters were installed on cold water metering devices, located on water inlets in wells and basements of apartment buildings.

**The project budget** is EUR 2.6 million.

## 5. Project Management IT System Installation (PMIS)

**The aim of the project:** to strengthen the Company's project management by applying uniform project management principles.

**The final project outcome:** an installed project management information system consisting of a unified project information database, analysis tools, functional tools and integration tools. The Company sees a unified project management information system as a mean for improving the implementation of ongoing projects by reducing the administrative burden and increasing the accuracy, timeliness and quality of management information.

Public procurement took place in 2021 with contract being awarded and the installation of PMIS completed.

**The project budget** is EUR 150 thousand.

THE COMPANY'S KEY ONGOING/COMPLETED PROJECTS  
IN THE FIELD OF DIGITISATION AND RENEWABLE ENERGY  
(THE COMPANY HAS A TOTAL OF 16 SUCH PROJECTS):

### 1. Information system for the operation and management of infrastructure (AMS)

**The aim of the project:** to digitise the assets managed by the Company and to ensure single and unified management of the asset maintenance and work planning.

**The benefit of the project:** The Company set up a unified and standardised technology asset management system tailored to the activities of the water management company. The new system will help the Company to optimise operations, improve the quality of services provided and facilitate more efficient processes related to the operation, maintenance and repair of technological assets.

The development of the Information System for the Operation and Management of Infrastructure continued in 2021. The following new system modules were incorporated and used: account management; contract, inventory management; asset management; and entry centres.

### 2. Portable stand-alone wastewater flow meters for preventing unauthorised connections (theft).

**The aim of the project:** to reduce water theft and losses incurred by the Company by means of portable stand-alone wastewater flow meters.

**The benefit of the project:** flow meters are installed in case of suspicion that the wastewater metering data is incorrect. Water theft is prevented and the Company's losses are reduced.

In 2021, 13 flow meters were acquired to prevent incorrect wastewater metering data on a continuous basis

### 3. Installation of solar power plants

**The aim of the project:** to generate part of the electricity required for the needs of the Company by installing solar power plants on the roofs of the Company's stations and within its territories.

**The benefit of the project** is the use of natural resources for energy recovery, reduction of the Company's costs, storage of natural resources, reduction of fossil fuel and CO2 emissions.

A contract was signed with contractor in 2021, and 5 solar power plants were installed (on the roofs of the Company's buildings) and used to generate electricity for the Company's own needs.

### 4. Construction of water preparation plants in Žemieji Paneriai.

**The aim of the project:** to install water preparation plant to maintain high quality of supplied drinking water.

**The benefit of the project:** By upgrading the wellfield in Žemieji Paneriai and installing water improvement facilities, the Company will ensure a quality water supply to more than 5 thousand residents in Vilkpedė and Žemieji Paneriai, the prepared water will comply with the requirements of the Hygiene Norm of Lithuania HN 24:2003 "Safety and quality requirements for drinking water".

In 2021, the technical design was developed for construction of water preparation plants in Žemieji Paneriai, construction permit obtained and reconstruction works were launched. 11 existing wells and approx. 1.3 km of water supply pipelines were reconstructed, a partial reconstruction of clean water reservoir and wells was carried out, and a greywater reservoir was built. Networks have also been put in place for the transport of greywater, domestic wastewater, and surface wastewater, and drainage channelling to centralised domestic wastewater networks. 11 elevation pumps with pipelines were installed in the pumping station.

# Customer service





In 2021, the Company of Vilniaus Vandenys consistently maintained high indicators of customer experience and satisfaction with the quality of services provided. The Company continued to invest in key customer service areas: cutting red tape, shortening and streamlining processes, and implementing smart solutions that allowed customers to access the services they need faster, easier, and in line with “one-stop-shop” principle.

The findings suggest that the convenience of the contracting process, the level of detail of the information provided, the reliability of service provision, the clarity of billing information, the easy settlement of services and proper information on preventive works were well accepted by the Company’s customer in 2021.

The biggest positive developments in 2021 were noted by customers in the area of e-mail and telephone consultations, they appreciated the clarity of payment notices, the convenience of meter reading submission and payment for services, and the improved self-service system.

## CUSTOMER SURVEYS AND INTERVIEWS

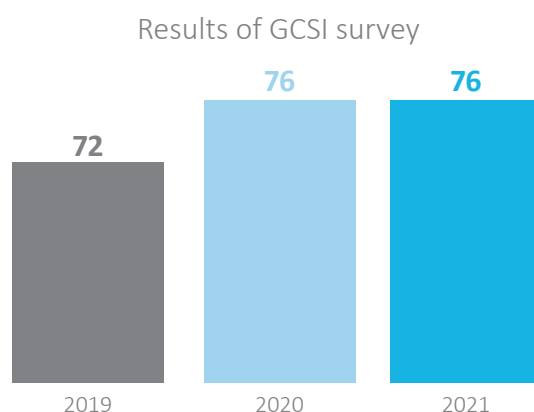
### Customer Satisfaction Survey (GCSI)

In 2021, the Company conducted a customer’s satisfaction survey for the fifth time. It was based on the GCSI (Global Customer Satisfaction Index) methodology, which is recognised globally and perfectly suits the public sector and monopolistic markets. More than 2,900 business and private customers were interviewed during the survey.

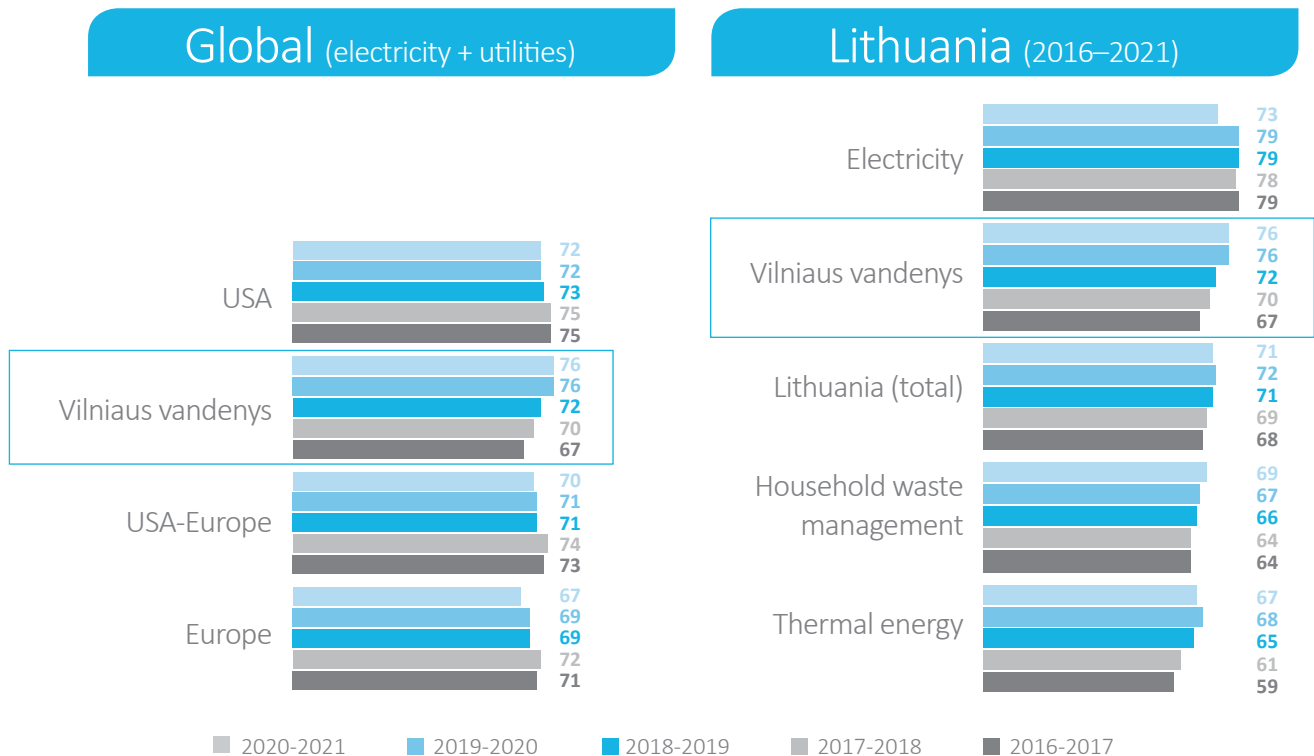
The results of the survey demonstrated a steady increase and stabilisation in the level of the Company’s customer satisfaction since 2017. In 2021, the overall GCSI satisfaction index for private and corporate customers was 76 points out of a possible 100 (unchanged compared to 2020, increased by 4 points compared to 2019 and 9 points – compared to 2017). The Company’s GCSI rating in 2021 was 5 points higher than the average rating (71) of utilities provided in Lithuania and 7 points higher than the European average (69). In 2021, business customers rated the Company by 75 points, private customers by 76 points, and satisfaction index for private customers remained stable compared to 2020 (76). The satisfaction index for business customers decreased by-1 point compared to 2020 (76).

The overall average of the quality and service aspects of the services (20 aspects) on the 10-point scale was 8.4. During the year, assessments of most aspects of private customer service have improved.

The survey showed that the Company’s customers feel and appreciate the actions and efforts to improve the quality of services and servicing. The change indicates a decreasing number of customers encountering problems with services or maintenance, and at the same time a rapidly improving level of service and maintenance.j.



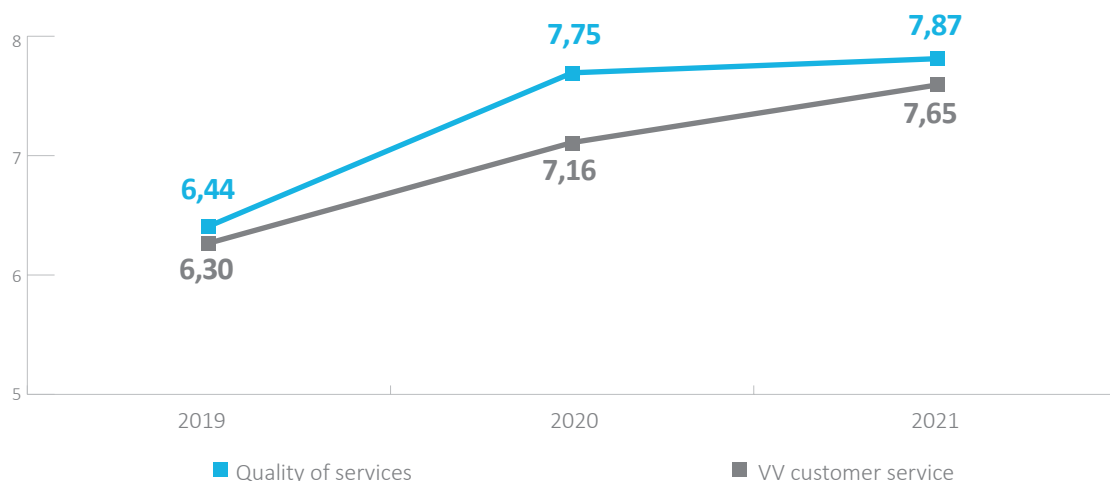
## Comparison of GCSI (Global customer satisfaction index) rates



## Vilnius City Municipality Survey

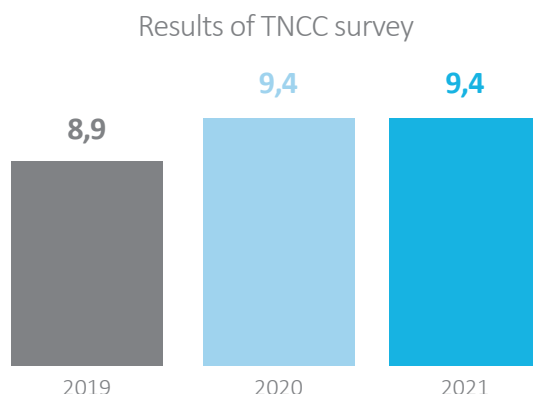
As from September 2017, the Company has also participated in the survey carried out by Vilnius City Municipality, which measures the rating of customer service and services of municipal companies. By actively encouraging customers to share their ratings and provide feedback (the survey tool is published on the Company's homepage, emails and payment notices to customers). In 2021, the average Company's service quality rating amounted to 7.87 points out of a possible 10 (+0.12 compared to 2020) and the service quality was 7.65 points (+0.49 compared to 2020).

### Company's results in the survey carried out by Vilnius City Municipality



## Transactional New Customer Connection Survey (TNCC)

In 2021, the Transactional New Customer Connection Survey (TNCC) was also carried out in the Company of Vilniaus Vandenys to assess the stages of new customer connection. The survey indicates, here and now, all vulnerabilities the customers face for the Company to respond quickly and to improve the processes of connecting new customers. New customer process evaluation is carried out by telephone canvassing. In 2021, the overall annual rating amounted to 9.4 points out of a possible 10, and maintained momentum compared to 2020.



The best aspects evaluated by customers in 2021 were as follows:

- Employees, who provided connection services, were helpful and demonstrates good manners – 9.8 points (9.8 in 2020).
- The connection work carried out by the employees at the site was well organised – 9.8 points (9.6 in 2020).
- The maintenance technicians inspected and accepted the work promptly, providing all the necessary information – 9.7 points (9.6 in 2020).
- The employees with whom customers were associated throughout the connection process were helpful, showing a willingness to help – 9.7 points (9.6 in 2020).

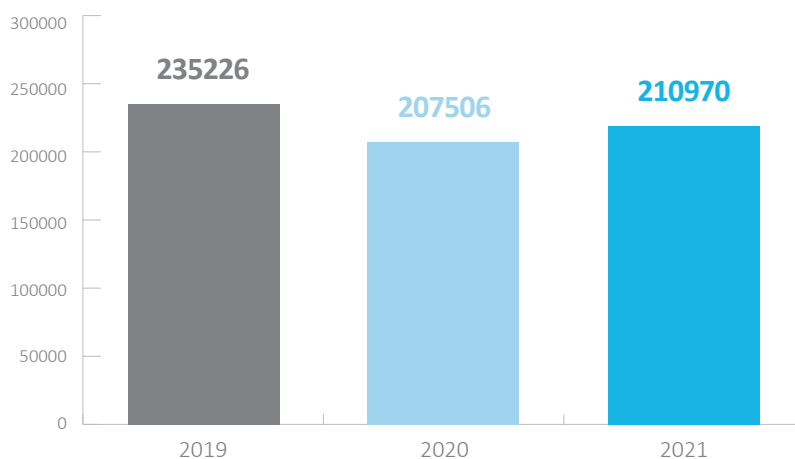
In order to improve customer experience and the Company's assessment from their point of view, a number of initiatives to increase customer satisfaction were implemented in 2021:

- The process of managing customer queries was further improved.
- Increased frequency of rewriting of contracts.
- Interim notifications to customers were introduced.
- Extensive and continuous communication on social platforms, informative videos about the Company's activities.
- LiveChat installation for immediate support.
- Renewal, simplification of memos for business and private builders, and additional promotion.
- Additional disclosure of the limits of liability between the Company and building administrators.
- There has been continuous active communication and customer information on relevant issues.

## CUSTOMER INQUIRIES

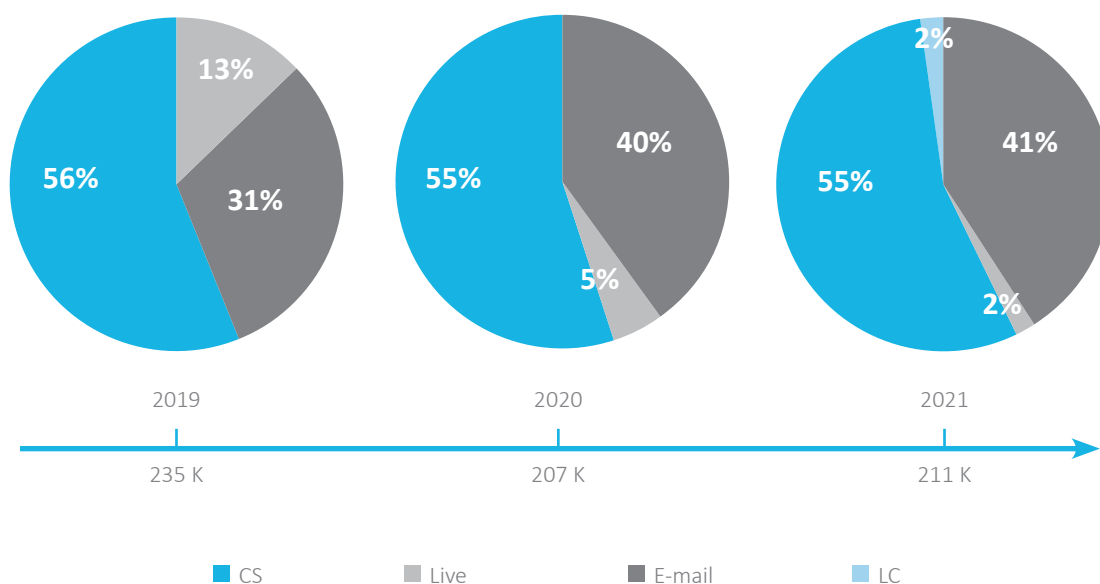
In 2021, the Company accepted 210,970 customer inquiries by phone, in writing, and in customer service centres regarding various issues.

Number of the Company's customer inquiries



Compared to 2020, the Company received 1% more inquiries in 2021, including through LiveChat and Facebook platforms launched in 2021.

Customer inquiries distribution by channels (number of inquiries and years)



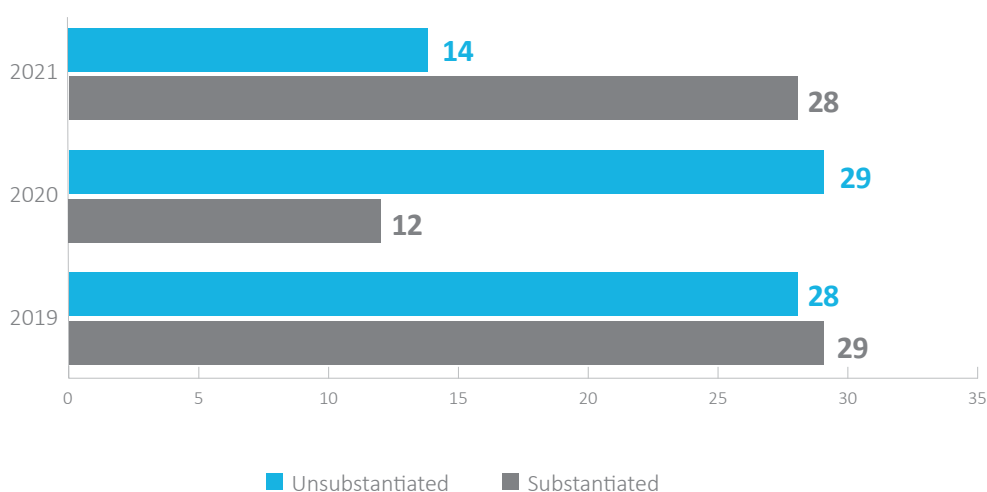
Major developments and trends in customer inquiries through different channels in 2021:

- The volume of live customer service decreased (-3%). This development was associated with quarantine declared in the country at the beginning of the year and changes in customers' habits after quarantine.
- Since July 2021, LiveChat, another channel of communication with the Company, was introduced to customers, which reached 2% of the total customer traffic until the end of the year and was on par with the live customer service indicator.
- Customer service provided through telephone remained at the same ratio and continues to be the preferred channel of communication among the Company's customers.
- The change in number of customer inquiries through e-mail was minimal (+1%).

## CUSTOMER COMPLAINTS

In 2021, the Company received 42 customer complaint in total. Compared to 2020, this indicator increased by 1%, however, the Company received as many as 14 unsubstantiated complaints during the reporting period (substantiated complaints accounted for 28 of total complaints received in 2021). In 2021, the average time taken to resolve complaints was 13 calendar days.

Customer complaint distribution

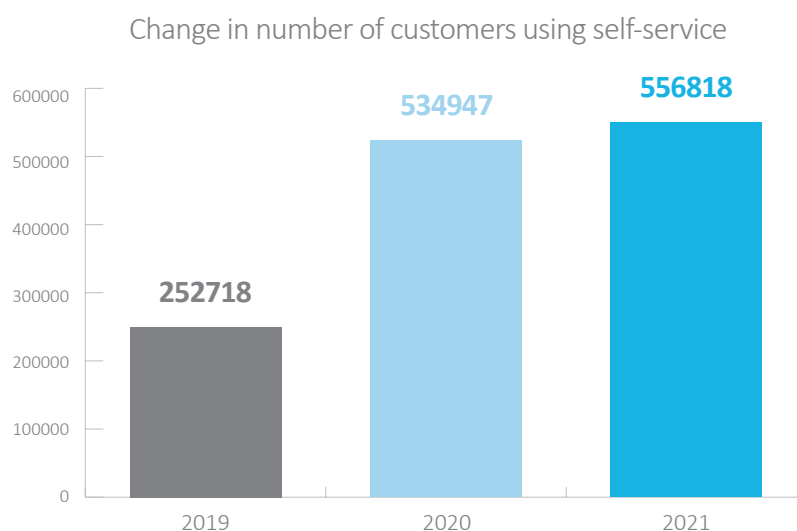


## SELF-SERVICE PLATFORM

In 2021, the Company placed major emphasis on installation of convenience features in customer self-service. Taking into account customer expectations, the following functionalities were introduced:

1. Customers have been given the opportunity to make payments through the most popular retail banks operating in Lithuania. This functionality helped the Company to reduce its annual costs by approx. 90% (compared to last year's budget) and enabled customers to choose the banking experience that feels most convenient.
2. Customers with a customer code have been provided with the possibility to register in the self-service portal using personal data. This functionality helps to increase labour-savings in call centre and Company and automation of the process. Compared to 2020, the number of call centre requests regarding the access to self-service has fallen by 22% in 2021.
3. Customers are provided with the ability to automatically store login data to reduce the number of erroneous logins. This functionality helped to reduce the number of erroneous logins by 27% compared to the previous year.
4. The contracting process was simplified.

In 2021, the number of the Company's customers using self-service platform to submit readings grew by 16% (compared to 2020), as the self-service is being constantly improved.



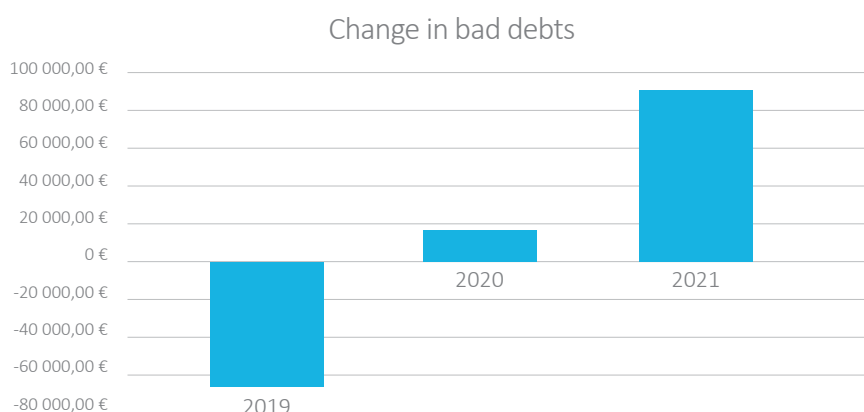
In 2022, the Company intends to further focus self-service on customer needs and implement new self-service functionalities, such as booking of additional services of the Company, etc.

## DEBTS

Movement in bad debts in 2021 was estimated at EUR 89.6 thousand. Until 2021, the Company successfully recovered bad debts from its debtors. This was particularly evident from the results of 2019 and earlier periods, when the number of debts recovered exceeded the number of new debts to be recovered, i.e. the overall debt portfolio decreased.

Already in 2021, the number of old debtors from whom the debts could be recovered came down considerably, resulting in an increase in the amount of debts. This was also influenced by the COVID-19 pandemic, which led to delays in payments by business customers for the services provided by the Company.

As from 2021, the change in earnings due from services sold is 0.2%. This is considered an extremely good result in the market of utilities sector.

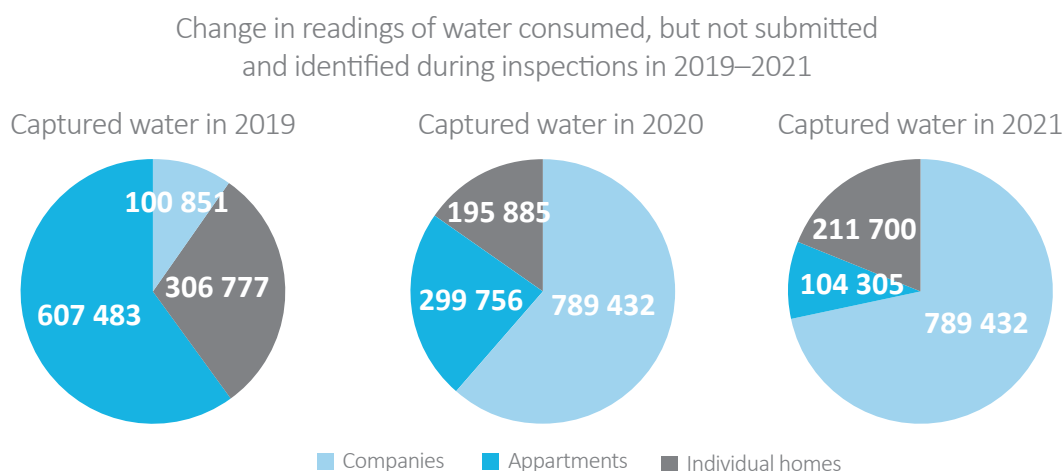


\* Bad debts is a monetary amount owed to a creditor that is unlikely to be paid.

## READINGS CONTROL

In 2021, the Company inspected 45,939 objects with the help of contractors (in 2020: 55,591 object). These inspections are aimed at identifying customers who do not submit the meter readings of water consumption.

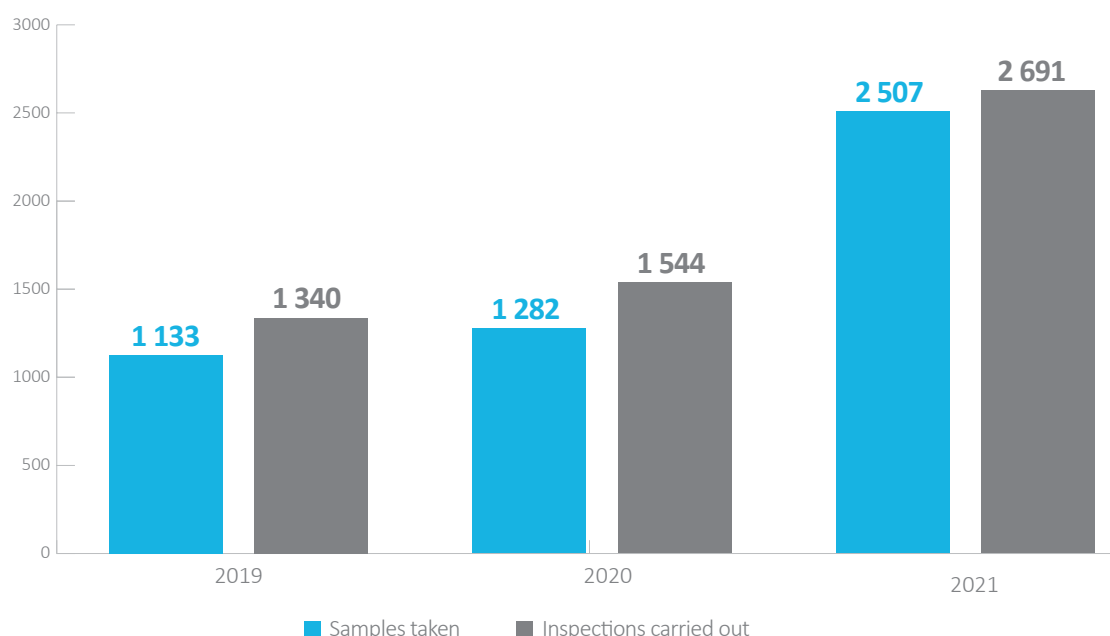
Customers who do not submit their meter readings are billed based on average consumption (average volume of consumed drinking water per capita per month). To calculate the average of the last 12 months readings estimated is used. The average number of customers who did not submit readings in 2021 was approx. 19% of all the private customers. The number of customers who did not submit readings in 2020 was 22%.



## WASTEWATER CONTAMINATION CONTROL

During 2021, 2,507 wastewater pollution inspections were carried out and 2,691 samples were collected by the Company's employees to determine the pollutants discharged into the Company's networks, of which 173 samples were received from wastewater carriers. In 2020, these numbers were much lower: 1,544 inspections were carried out and 1,282 samples were collected by the Company's employees, of which 201 samples were received from wastewater carriers. .

Comparison of wastewater pollution inspections carried out and samples collected



Additionally, the Company's employees carried out 1,226 non-routine wastewater pollution inspections in 2021, the great majority of which concerned the aim to reduce pollution in the Nemenčinė wastewater treatment plant.

In order to strengthen and ensure control of wastewater pollution, a separate Wastewater Control Unit was put into operation in 2021 with increased number of wastewater controllers.

In 2021, the Company has set itself the goal of ensuring the proper management of pollution of wastewater entering the Nemenčinė wastewater treatment plant based on BDS7 (biochemical oxygen consumption in seven days), which corresponds to the size of agglomeration with a population equivalent of between 2,000 and 10,000. The Company has taken the following steps to achieve this goal:

1. The wastewater reception facility located in Nemenčinė wastewater treatment plant was closed, wastewater carriers were redirected to Vilnius and Pabradė wastewater treatment plants.
2. Wastewater samples entering the Nemenčinė wastewater treatment plant, the Kabiškės and Pučkalaukis wastewater pumping stations are collected on a daily basis using automatic sample scoops.



3. The Company carried out inspection of 85 business customers draining wastewater to the Company's wastewater collection system in Nemenčinė.
4. Sludge stabiliser and primary settling tank were covered by ozone treatment to neutralise odours. The pre-treatment room was equipped with a ventilation system.

In 2021, the Working Group on Pollution Risk Management continued its work by carrying out legal regulation of the reception of wastewater into the Company's networks, developing and implementing preventive measures to reduce wastewater pollution, looking for potentially polluting objects and gradually reducing the entry of contamination into the Company's wastewater networks.

In 2021, the Company drawn up the list of TOP 500 pollution sites of the largest customers and a map of pollution discharged with their wastewater. In 2021, the Company prepared a more critical version of "Special terms and Conditions to the Drinking Water Supply and Wastewater Treatment Agreement", sent to 218 business customers.

Aiming at prevention of wastewater exceeding the permissible limit of pollution entry into wastewater treatment plants, the Company of Vilniaus Vandenys continued to exercise control over wastewater carriers in 2021. The limit values for pollutants in wastewater (mg / l) allowed to be discharged at wastewater collection facilities by wastewater carriers were reduced by 10%.

Once design of automated wastewater reception facilities was drawn up and construction permit obtained, the Company of Vilniaus Vandenys launched this project and will extend it into 2022. Throughout the project, seven wastewater reception facilities will be equipped with flow measurement devices, automatic sampling scoops for sampling of incoming wastewater, which will be controlled remotely. Additionally, emission measurement sensors are intended to be fitted to block the discharge of wastewater when unauthorised pollution is detected.

In 2021, the Company continued to exercise strict control over companies in the plastic industry with inspections carried out on weekly basis.

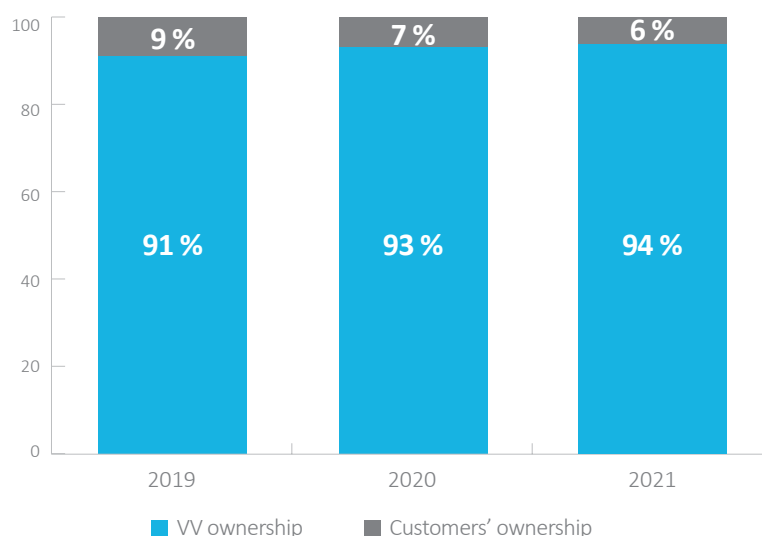
In 2021, wastewater samples were further collected from legal entities to determine concentrations of phthalate. The focus was on determining concentrations of heavy metals in waste water.

As part of the waste water pollution control activities, EUR 2.21 million of income were earned in 2021 (in 2020 – EUR 2.03 million, in 2019 – EUR 1.96 million) from the charge on the excess specific emission loads.

## WATER METERING DEVICES

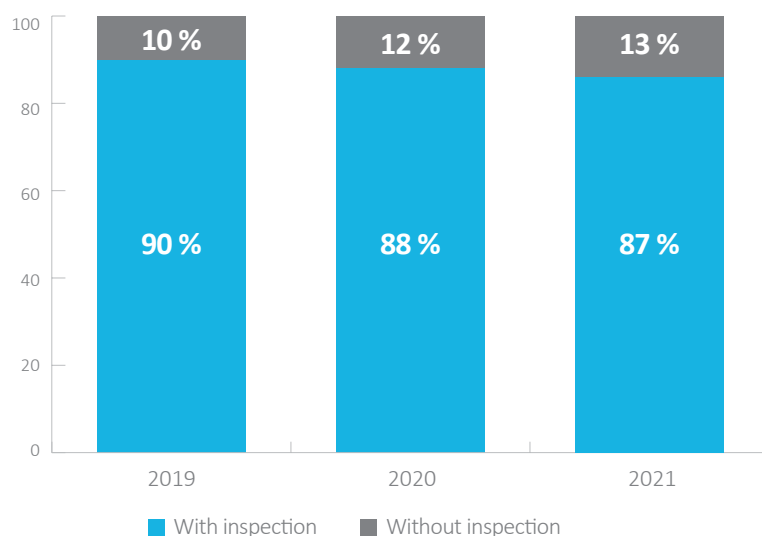
During 2021, the Company of Vilniaus Vandenys provided services using 349,421 unit of water metering devices. The service area for these devices comprised Vilnius, Nemenčinė, Pabradė, Švenčionys, Švenčionėliai, Šalčininkai ir Eišiškės. At the end of 2021, there were 94% of water meters owned by the water supplier, i.e. the Company of Vilniaus Vandenys, in the territory serviced by the Company.

Distribution of water metering devices by ownership



In 2021, the number of meters without metrological inspection was increased from 12% to 13%. This was influenced by the suspension of water metering devices replacement works in facilities where direct contact with the customer is possible due to quarantine declared in the country. In 2021, 50,184 units of water metering devices were replaced (in 2020: 44,964 units).

Metrologically certified metering devices



In 2021, as part of one of the most important strategic projects “Installation of Smart Water Supply Network”, the Company installed 2,603 units of remote reading from inlet water metering devices. A total of 8,271 units of devices were installed in the period from the project commencement date, which remotely sends data to the information system, where the data is collected and transmitted to the Company’s internal systems.

The purpose of remote reading of inlet metering data and installation of data transmission system is to reduce water loss, identify water users in apartment buildings disorderly submitting metering data, and localise emergency situations in internal networks and mains of apartment buildings. This is convenient for customers whose metering devices are installed in inlets of wells and buildings – they are billed based on the exact data of water consumption, when the Company scans the readings remotely.

The project for installation of ultrasonic metering devices with remote reading function was launched in 2021 by purchasing the connection support service.

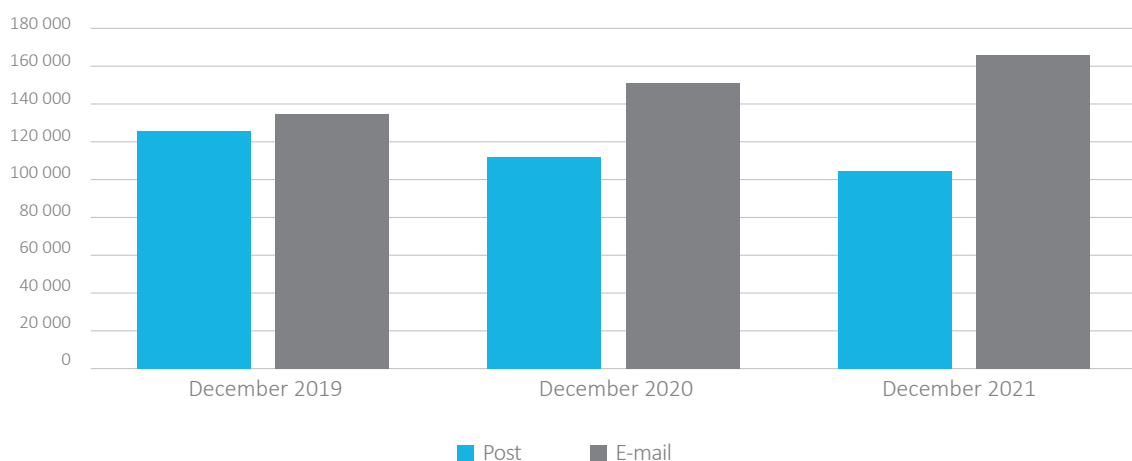
## BILLING

In 2021, payment documents sent to private customers in paper form decreased by 132.6 thousand compared to 2020. This get access for the Company to savings of costs arising from delivering paper letters to customers by mail and contribute to the promotion of sustainability.

In 2021, 16 thousand of the Company’s private customers opted to receive payment documents by email, thus responding to the Company’s constant call for nature-friendly solutions.

At the end of the reporting period, the Company had 169 thousand private customers (62% of all clients) receiving payment documents and other relevant information by e-mail.

Changes in invoice formats received by the Company’s customers



## SERVICE PRICE

On 1 August 2021, the price of drinking water supply and wastewater treatment services applied by the Company and the monthly fee for the acquisition, installation and operation of drinking water metering devices changed.

For private customers living in multi-family homes, the price drinking water supply and wastewater management services decreased by EUR 0.04 to EUR 1.32 (incl. VAT) per cubic meter in 2021. For residents of single homes, this price increased by EUR 0.01 to EUR 1.29 (incl. VAT) per cubic meter. For business customers (subscribers) purchasing drinking water supply and wastewater management services for commercial purpose and customers purchasing drinking water for hot water production and supply to subscribers, the price of services increased by EUR 0.04 to EUR 1.37 (incl. VAT) per cubic meter.

Additionally, new tariffs of wastewater treatment prices for the increased specific emission loads came into effect in the Company's reporting period and were applicable from August.

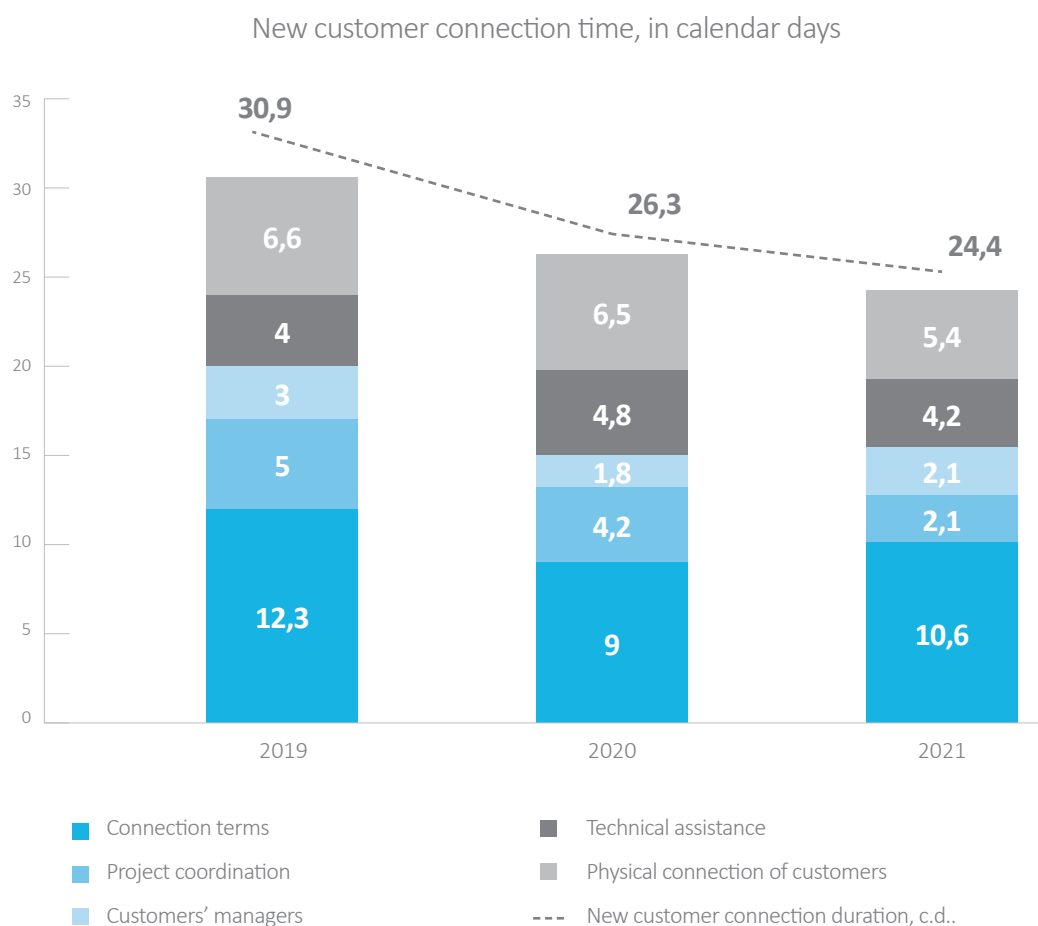
The monthly fee has changed since August 2021. Up until this point, the monthly sale price was applicable to all customers, regardless of whether or not the customers had a drinking water meter device and were its owner. As from 1 August 2021, the monthly fee, which consists of the cost of operating water metering devices, applies only to those customers whose service consumption is measured by metering devices owned by the Company. The monthly fee is not applicable if metering device is not installed at the customer end or is owned by a customer. As from August, the monthly fee applicable for metering devices in apartments decreased by EUR 0.29 to EUR 0.79 (incl. VAT), in individual homes – EUR 0.62 to EUR 0.64 (incl. VAT), the fee for operating water metering devices located on inlets of multi-family houses or single-house communities decreased by EUR 2.35 to EUR 2.15 (incl. VAT). Meanwhile, for business customers, this fee for operating water metering devices has fallen by 45%.

New monthly fee for the acquisition, installation and operation of drinking water metering devices was set by the Municipality Councils.

On 23 April 2021, the prices for drinking water supply and wastewater treatment services were approved by the State Energy Regulatory Council (No O3E-476) and together with monthly fee for the acquisition, installation and operation of drinking water metering devices were set by the Municipality Councils.

## CONNECTING NEW CUSTOMERS TO THE NETWORKS

In 2021, the Company continued to work in this direction to ensure higher quality of service and faster deadlines for the completion of works. In 2021, the total time of new customer connection, excluding the duration of the actions to be carried out by the customer himself, was 24.4 calendar days (1.9 calendar days shorter than in 2020).



Below are the Company's achievements during 2021 in improving new customer experience:

- Project coordination process reduced by 50% up to 2.1 calendar days compared to 2020 (4.2 calendar days).
- Waiting time for the maintenance technician reduced by 13% up to 4.2 calendar days compared to 2020 (4.8 calendar days).
- The time of physical connection reduced by 17% up to 5.4 calendar days compared to 2020 (6.5 calendar days).

## PARTIAL FUNDING

In 2021, continued to work with Vilnius City Municipality by implementing projects that contribute to the compliance with the Wastewater Management Regulation and provide residents with the opportunity to more easily connect to centralised wastewater networks.

The co-financing project continued in 2021 and gave customers the possibility to obtain reimbursement of the part of the amount paid for wastewater outlet installation. In order to reimburse part of the amount, the customers submitted applications to Vilnius City Municipality, which together with the Commission established by Vilniaus Vandenys assessed them against the criteria of the selection procedure.



In 2021, **86** applications for support were received from residents, **78** of which met the eligibility criteria, and therefore applicants were granted the funding from Vilnius City Municipality.

In 2020, 170 applications for support were received from residents, 138 of which satisfied the eligibility criteria.

## BASKET OF SERVICES

The Company constantly seeks to offer its customers appropriate and high-quality services, therefore, not only adds new options to its basket of services, but also pays great attention to the improvement of existing services.

In 2021, the Company implemented new functionalities on its website (an inquiry form, additional service descriptions), thus providing the Company's customers with direct and straightforward access to the Company's specialists in order to consult on the services of interest or to order the aforesaid services more easily and quickly.

Furthermore, with the objective of promoting the high level of service quality, the Company launched transactional survey of auxiliary services in 2021 to assess the customer experience after ordering services. The survey indicates real-time vulnerabilities the customers face for the Company to respond quickly. The assessment is carried out by telephone canvassing. The overall annual rating of the Company's auxiliary services offered in 2021 amounted to 9 points out of a possible 10.

A brief description of the Company's basket of auxiliary services as at the end of 2021:

**Drinking fountains (outdoor, portable, indoor, fog system).**

For some years now, one of the most important strategic directions of the Company has been responsibility to nature and its promotion. Drinking fountains are an environmentally friendly solution that contribute not only to human health, but also to the conservation of the environment (reduction of plastic and sustainable water consumption).

Drinking fountains are installed in public places of the city and schools with the aim to gradually change and shape the behaviour of residents of the capital: whether you are exercising, entertaining, learning, travelling or simply spending time in the city, always have a reusable bottle that can be filled with water when you're thirsty.

The drinking fountains are provided with QR codes to access an interactive map that allows to monitor a variety of indicators related to water consumption from the city's permanent drinking fountains installed outdoor. So far, more than 8 million glasses of water have been drunk from these fountains, more than 3 million plastic bottles (or more than 80 tonnes of plastic) and 145 tonnes of sugar have been renounced.

**Outdoor drinking fountains.** Currently, 19 outdoor drinking fountains are installed in Vilnius, which can be used during warm months, and their network is expanded every year. In 2022, these drinking fountains are scheduled to be installed near 11 school grounds and in several new places across the city of Vilnius.

**Portable drinking fountains.** Portable drinking fountains are convenient to transport and can be easily installed anywhere in the city. Moreover, instead of one, several drinking fountains or even a chain of drinking fountains can be located in one place. This is particularly true during mass events such as marathons, city celebrations, where there is a need to refresh for a large number of people.

**"Fog" system.** Portable "fog" system consists of easy-to-transport stands fitted with water spray equipment that produces water dust. Portable "fog" system, in conditions of still air (light wind), can spray water dust about 50 cm in both directions and cover an area of almost 10 sq. metres. This system helps not only to refresh during sport events, marathons, but also reduces the amount of dust in public spaces. Portable "fog" system is connected to the centralised water supply networks and, just as city's drinking fountains, uses clean drinking water, thus is environment and human-friendly.

Such "fog" systems are popular in many countries, especially in the south. During the heat, they are also used in outdoor cafes and public places in the city. Compared to other systems with a similar function, this system saves electricity, water and money, because it takes a very small amount of water to make the water dust, but covers a large area.

This "fog" system installed in the Town Hall Square brought the joy to residents and visitors of Vilnius city and became not only a great place to freshen up, but also entertainment for children during the summer of 2021..

**Indoor drinking fountains.** On the initiative of Vilnius City Municipality and the Company, a project for the installation of indoor drinking fountains in Vilnius schools launched in 2020. The aim of this project is not only to encourage pupils to consume more water, to shape their healthy lifestyle, but also to develop a responsible young generation that cares about reducing the use of plastics and environmental pollution.

Schools had 52 drinking fountains installed in 2020, and in 2021 this number doubled. In the course of this project, 103 drinking fountains were installed in schools of Vilnius City Municipality.

Furthermore, this type of drinking fountain was installed at Vilnius Airport, so that foreign visitors would see Vilnius as a city where the tap water is of high quality and safe to drink, and

water in bottles is deliberately renounced not only to contribute to the reduction of plastic waste, but also to raise tourist awareness.

**One-stop-shop services** The Company constantly expands and modernises water supply and wastewater management infrastructure and gives thousands of new users access to the centralized infrastructure system every year. To facilitate connection procedure, the Company started offering its customers all the services for the installation and connection of networks to centralised water supply and wastewater networks through “one-stop-shop”, and the possibility to use services immediately with payments for services settled in instalments. Users of water supply and wastewater networks do not themselves have to worry about the installation of networks or waste time finding suitable contractors to perform installation works. In the summer of 2020, a full package of services was offered to all private customers.

After applying for and receiving the design requirements, customers are able to order from the Company services for designing networks, installation of water inlets and wastewater outlets, dismantling and restoration of coatings and preparation of a control geodesic picture.

The customer is given the opportunity to pay for the services in instalments using a consumer credit. The conditions of the consumer credit service provided by the Company of Vilniaus Vandenys together with its partner SB Lizingas are among the best in the market.

Since launch of services in 2020, 273 customers have subscribed to the design service and over 50 customers have utilised contracting and geodesic picture services. In 2021, the number of customers using these services almost doubled: 531 customer subscribed to the design services, while more than 90 customers utilised contracting and geodesic picture services. Anyone who took advantage of this opportunity highlighted the convenience of not having to worry about anything and wasting time finding reliable contractors.

**Wastewater transport.** The Company of Vilniaus Vandenys offers the residents and companies the wastewater removal service to ensure the broadest possible involvement of customers who are not able or delayed the opportunity to connect to centralised wastewater networks in more responsible wastewater management. Wastewater is pumped by a vacuum truck from domestic wastewater treatment plants, outdoor toilets or other storage tanks and transported to Vilnius city wastewater treatment plant, where wastewater is safely disposed of and treated mechanically and biologically. This service ensures not only high-quality, alternative wastewater treatment for residents, when ordering a wastewater removal service from the Company, consumers can feel confident of proper, regulated treatment of wastewater and full transparency.

Access to the service can be provided not only to the Company’s customers, but to the residents or companies who are free from any contractual obligations with the Company. Customers willing to know if this service is provided at a preferred address may benefit from a special map (found on the Company’s website, in section Activities/Maps/Wastewater removal) displaying important information once the desired address is entered.

A larger-capacity vacuum truck is planned to be acquired in the next stage, and, thereby, to provide customers with a wider range of services.

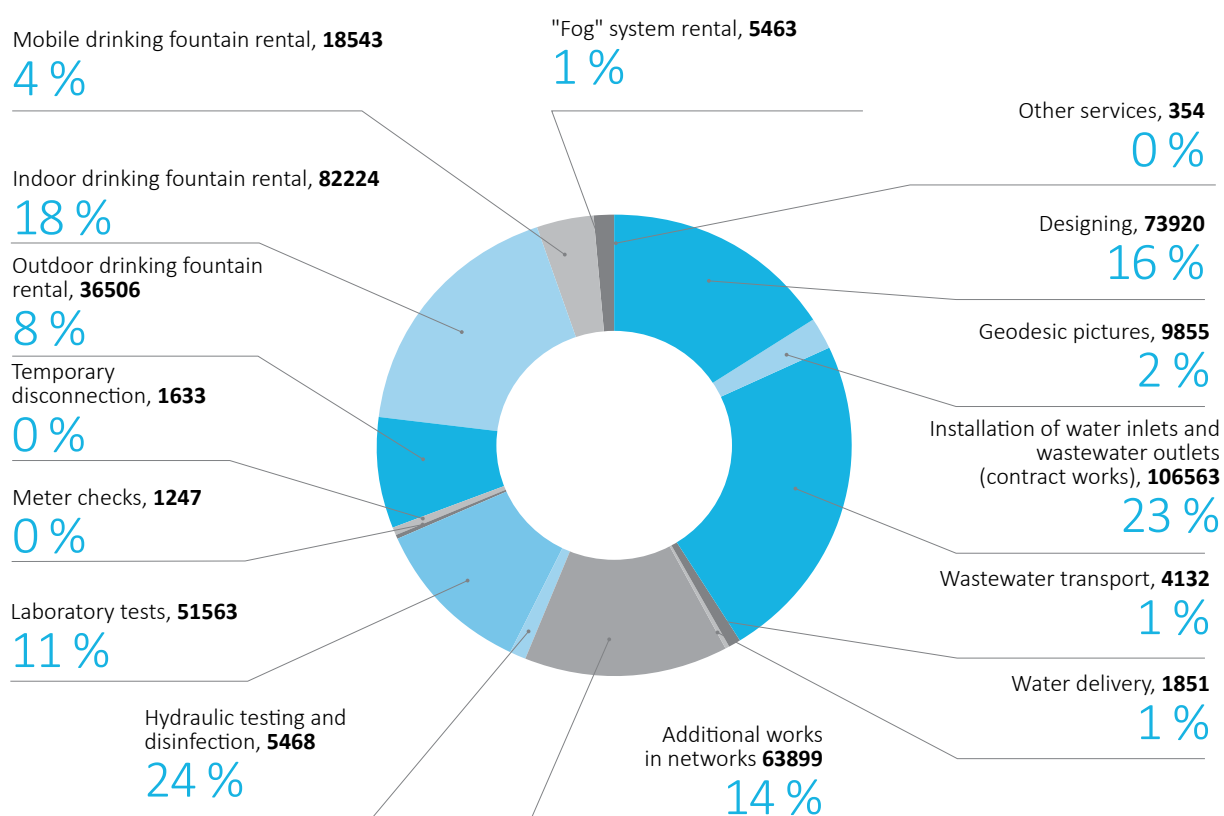


**Water delivery.** Having made a legal and economic analysis of water delivery service, the Company updated terms and conditions for providing the service. From now on, this service can be booked by anyone (both natural and legal persons), regardless of whether they are customers of the Company of Vilnius Vandenyys, as long as the key criteria for access to the service area and available tank for water (this may include pool, well, vat, etc.) is satisfied. The service provided under the renewed terms and conditions proved to be especially successful for customers when carrying out construction works, filling fire water tanks necessary for commissioning construction work, filling existing swimming pools or tanks with water for irrigation of plantations/garden goods in summer time, as well as for companies offering water-based recreation services at events.

It is important to stress that at the time of this service customers are provided with quality and proven drinking water, which is completely safe not only for thirst-quenching, but also for various household needs.

The availability of the service can be checked on a preferred address service delivery map drawn up by the Company.

Breakdown of the annual revenue from commercial services provided by the Company



### Dynamics of the Company's customers

Customer type	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	Change in 2021–2020, %
<b>Private</b>	<b>252,844</b>	<b>258,677</b>	<b>263,841</b>	<b>2%</b>
In apartment buildings (settlement based on meter readings)	231,244	235,322	239,282	<b>2%</b>
In apartment buildings (settlement based on the feed-in point)	391	391	392	<b>0%</b>
In single-family houses	21 209	22,964	24 167	<b>5%</b>
<b>Business</b>	<b>8 047</b>	<b>8,492</b>	<b>8 530</b>	<b>0%</b>
<b>TOTAL customers</b>	<b>260 891</b>	<b>267,169</b>	<b>272 371</b>	<b>2%</b>

### Breakdown of customers (natural persons) by service areas

Area	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	Change in 2021–2020, %
Vilnius city	243,634	249,400	254,504	<b>2%</b>
Vilnius District	2,249	2,272	2,283	<b>0%</b>
Šalčininkai district	3,031	3,038	3,074	<b>1%</b>
Švenčionys district	3,930	3,967	3,980	<b>0%</b>

# Corporate governance report

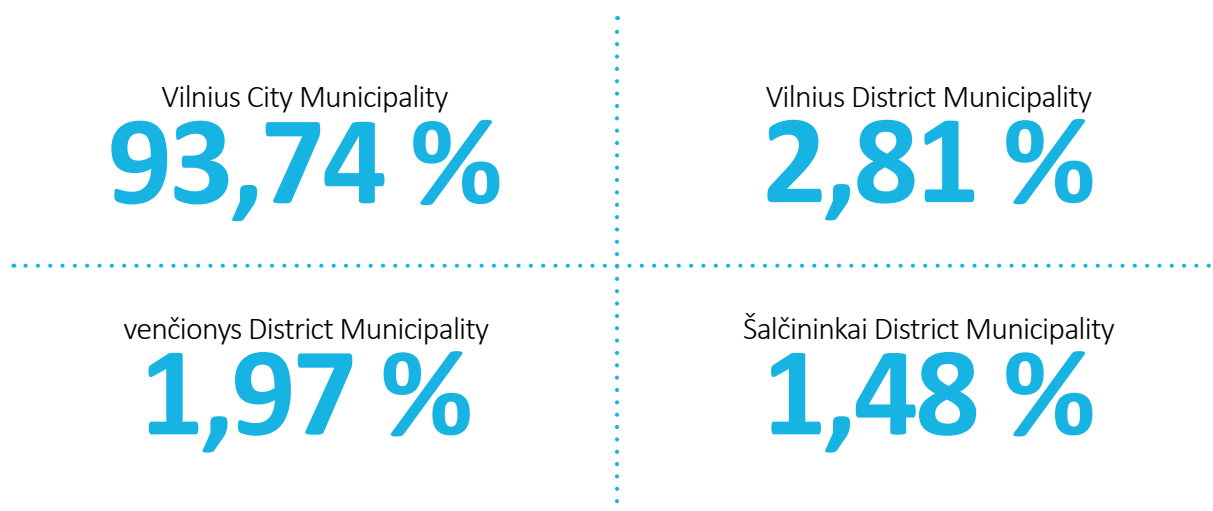


In accordance with the Company's Articles of Association, the bodies of the Company are the general meeting of shareholders, the collegial management body is the Board and the sole management body is the manager of the Company.

Vilnius City Municipality, Vilnius District Municipality, Švenčionys District Municipality and Šalčininkai District Municipality are the shareholders of the Company, who delegate their representatives to the Company's collective supervisory and management bodies.

## GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme management body of the Company. The General Meeting of Shareholders consists of representatives delegated by municipalities of Vilnius City (ownership interest –93.74% as at 31 December 2021), Vilnius District (2.81%), Švenčionys District (1.97%) and Šalčininkai District (1.48%).



The general meeting of shareholders has the exclusive right to elect members of the subsidiary body and to revoke its members. In 2021, 5 general meetings of shareholders were conveyed.

## BOARD OF THE COMPANY

The Board consists of 7 members elected by the General Meeting of Shareholders for a term of office of four years. The Board elects its Chairman from among its members.

The Board of the Company acts in accordance with the Rules of Procedure of the Board (document published on the Company's website [www.vv.lt](http://www.vv.lt)).

As at 31 December 2021, the Board consisted of the following members:



**Adomas Bužinskas**

Chairman of the Board, Deputy Director of Vilnius City Municipality Administration.



**Edvardas Varoneckas**

Member of the Board, Leader of Law group of Vilnius City Municipality Administration.



**Miroslav Romanovski**

Member of the Board, Head of Local Maintenance Department of Vilnius City Municipality Administration.



**Jurgita Petrauskienė**

Independent member of the Board, Practitioner of the Model of Decision Quality Management, the Lean Practitioner, environmental expert, member of the Supervisory Board of AS Eco Baltia.



**Laura Joffé**

independent Member of the Board, Finance Director at Apex Alliance Hotel Management.



**Rytis Ambrazevičius**

independent Member of the Board, president of Baltic Institute of Corporate Governance, Member of the Board of the European Confederation of Directors' Associations (ecoDa).



**Robertas Šerėnas**

independent Member of the Board, director and partner of consultancy company Leaners, international expert of International Centre for Migration Policy Development (ICMPD), Central Project international expert of Management Agency.

Members of the Board declare their interests in accordance with the procedure laid down by the Law on the Adjustment of Public and Private Interests of the Republic of Lithuania.

Candidates for independent board members meet the independence criteria established in the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipally-Owned Company or its Subsidiary approved under the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015.

By decision of the Board, Ramunė Purlienė, a lawyer of Legal Division, was appointed permanent secretary of the meetings, and in her absence – Julija Džiaugė, a lawyer of the Company.

## Summary of the Board's activity report for 2021

In 2021, 13 meetings of the Board took place. The Member of the Board Miroslav Romanovski missed three meetings (17/06/2021, 17/08/2021, 22/12/2021), all other meetings were held in full composition of the Board.

The Board has implemented all the measures provided for in the Preliminary Action Plan 2021:

1. Consideration and approval of the Company's operational objectives.
2. Consideration and approval of the Company's annual budget.
3. Monitoring the implementation of the Company's risk management plan.
4. Analysis and evaluation of the Company's annual report for the year 2020, profit/loss distribution project and submission to the General Meeting of Shareholders together with feedback and proposals thereon and the Company's annual report.
5. Monitoring the implementation of the Company's most important ongoing projects.
6. Supervision and control of implementation of policies approved by the Board, supervision and control of implementation of other documents approved by the Board. Approval of updated policies.
7. Review of the Company's organizational structure.
8. Procurement approval.
9. Monitoring of the procurement process parameters.
10. Monitoring of the Company's business strategy, performance plan and financial indicators.
11. Monitoring of the activities of the Audit Committee.
12. Monitoring the implementation of internal audit activities and recommendations.
13. Review and approval of the Description of Internal Audit Procedure.
14. Review and approval of the annual internal audit plan.

As from 06/09/2019, a remuneration for members of the Board has been established at EUR 1,200 per month (before taxes).

Remuneration paid to the members of the Board during 2021 for the performance  
of the duties of the members of the Board

Member of the Board*	Date of signature of the performance agreement by the member of the Board	End of term of office	Remuneration in 2021, EUR thousand
Edvardas Varoneckas*	06/09/2019		14,400.00
Adomas Bužinskas*	06/09/2019		14,400.00
Miroslav Romanovski*	06/09/2019		14,400.00
Rytis Ambrazevičius	06/12/2019		14,400.00
Jurgita Petrauskienė	06/12/2019		14,400.00
Robertas Šerėnas	06/12/2019		14,400.00
Laura Joffé	06/12/2019		14,400.00
			<b>100,800.00</b>

\* Public sector employees appointed to the Boards are not remunerated. The remuneration (before taxes) is paid to the relevant municipalities.

Agreed remuneration for a member of the Board – EUR 1,200 per month (before taxes).

The Company's Internal Audit Function is directly accountable to the Board. The Internal Audit Division plans and coordinates its activities with the Board of the Company and the Audit Committee.

## AUDIT COMMITTEE

In its work, the Company's Audit Committee is guided by The Rules of Procedure of the Audit Committee (published on the Company's website [www.vv.lt](http://www.vv.lt)) and is accountable to the Board of the Company. The term of the Members of the Audit Committee coincides with the term of the Members of the Board.

As at 31 December 2021, the Audit committee of Vilnius Vandenys was consisted of the following members:



**Rytis Ambrazevičius**

independent Member of the Board, president of Baltic Institute of Corporate Governance, Member of the Board of the European Confederation of Directors' Associations (ecoDa).



**Laura Joffé**

independent Member of the Board of the Company, Finance Director at Apex Alliance Hotel Management.



**Jurgita Petrauskienė**

independent member of the Board of the Company, Practitioner of the Model of Decision Quality Management, the Lean Practitioner, environmental expert, member of the Supervisory Board of AS Eco Baltia.

The Company's Audit Committee has developed guidelines for the evaluation of its activities on the basis of recommendations developed by the Public Enterprise Monitoring and Forecasting Agency in order to follow best governance practices and the highest standards of corporate governance. The guidelines aim to identify areas for improvement by organising the work of the Audit Committee and to identify actions for the efficiency of the work of the Audit Committee.



## Summary of the Audit Committee's activity report for 2021

The Audit Committee held 12 meetings in 2021, during one of which the activities of the Audit Committee for 2020 were evaluated. Two members of the Audit Committee attended the meeting on 31/08/2021, all three members of the Audit Committee were in attendance in other meetings. All of meetings had the quorum required. The notice of the meetings being convened and agendas are submitted to the members of the Audit Committee in writing. All meetings were convened by the decision of Rytis Ambrazevičius, the Chairman of the Audit Committee.

The Audit Committee has implemented all the measures provided for in the Action Plan 2021:

1. Assessment of monthly financial and operational reports.
2. Understanding principles for measuring Employee Engagement of the Company's strategic direction "Caring Organization and Engaged Employees".
3. Reading the documentation/understanding the process of drawing up a plan/budget cycle for 2021.
4. Evaluation of the Company's financial risk management (stability).
5. Reading the Budget and Accounting Guidelines.
6. Discussing the financial statements for the year ended 31 December 2020 and the audit thereof.
7. Discussing the procurement of audit of financial statements for 2022–2024.
8. Assessment of the compliance management process: Assessment of the compliance policy/the implementation of the compliance process.
9. Monitoring the effectiveness of the Company's business processes.
10. Reading reports on implementation of the Company's risk management measures plan and risk monitoring.
11. Reading the Description of the Risk Management Procedure.
12. Understanding the process for managing vehicles and equipment intended for use by personnel.
13. Understanding the process for arranging sale of unused assets.
14. Understanding the implementation of the Law on Municipal Infrastructure Development in the Company.
15. Understanding the White Zone methodology.
16. Understanding the approval, management and control process of strategic and investment projects.
17. Understanding the following policies: Operation of Infrastructure and Development Planning, Aid Granting, Information Confidentiality, Privacy, Cyber and Information Security, Environmental and Quality Management, Conflict of Interest Management, Public Procurement.
18. Reviewing of the Company's internal controls.
19. Monitoring the effectiveness of the Company's business processes.
20. Meeting with the Company's Internal Audit Manager, discussion of the business plan.
21. Understanding of internal audit reports and the corrective action plans.
22. Reading the quarterly reports of the Internal Audit Function.
23. Preparing, discussing and presenting to the Board of the half-yearly, annual report on the Committee activities.
24. Organising the Audit Committee's self-assessment session in January 2021 and anticipating of further steps to improve performance.
25. Discussing the internal audit plan for 2021 and providing recommendation to the Board of the Company.

## IN IMPLEMENTING ACTION PLAN 2021, THE AUDIT COMMITTEE ACHIEVED THE FOLLOWING OBJECTIVES:

### Monitoring of the Company's business planning and financial position.

During the monitoring of the Company's business planning and financial position, financial and operational reports were regularly consulted, the circumstances of revenue forecasting, deviations in the Company's income and profitability, the implementation of the investment plan, the results of the Company's achievement of annual goals for 2021 and other report data were discussed. At the initiative of the Audit Committee, the Description of the Procedure for Cost and Revenue Accrual was supplemented with provisions for accrual of variable remuneration (the principles of annual and quarterly accrual of variable remuneration) and indicators of return on equity (ROE) and return on assets (ROA) were added to the process of drawing a new annual plan/budget. Understanding of the Budget and Accounting Guidelines was obtained and proposed improvements were submitted. A proposal was made to supplement the financial and activity reports with key indicators to measure the Company's performance and progress in compliance with the occupational safety requirements.

### Monitoring the financial reporting and audit process.

During monitoring of the financial reporting and the audit process, the understanding of the results of the inspection of reports on the Company's regulated activities for 2020 was obtained. The understanding of the value of procurement of audit of financial statements for 2022–2024, the manner of procurement, the tender evaluation criteria, procurement under framework contracts, the scope of services, and the qualification requirements for suppliers was also obtained and discussed. Monitoring the effectiveness of the Company's internal control system.

In the course of monitoring the effectiveness of the Company's internal control system, the understanding of the Compliance Policy and the Non-compliance Register put into use from 2021, as well as the internal legislation governing the recording of non-conformities and their resolution was obtained. Furthermore, the Compliance Report 2020 was read, proposals for the improvement of the report were submitted, the understanding of the roles of participants involved in the Company's process management, process identification, modelling, implementation, monitoring and improvement management was obtained. A regular review of the quarterly reports on monitoring the implementation of the Company's risk management measures plan was carried out, and the analysis of the risks monitored by the Company and presented in the report, their importance and the monitoring process was carried out. The members of the Audit Committee provided recommendation to include in the reports on implementation of the Company's risk management measures plan and risk monitoring the disclosure of critical and high risks, and made proposals for the improvement of the Risk Management Procedure. The understanding of the process risk management of the Company's services and departments was obtained. The understanding of Operation of Infrastructure and Development Planning Policy, Aid Granting Policy, Information Confidentiality Policy, Privacy Policy, the Cyber and Information Security Policy, Environmental and Quality Management Policy, Conflict of Interest Management Policy, Public Procurement Policy was obtained and improvement proposals were submitted. The understanding of Methodology for Ranking Infrastructure Development Objects and White Zone methodology, their goals, scope and process was obtained.

## Assessment of the efficiency of the internal audit process.

The monitoring of the effectiveness of the internal audit process involved assessment of the Internal Audit Function's action plan for 2021 and its implementation, as well as recommendations to improve effectiveness. The internal audit management process was assessed and proposals for improvement and efficiency of the process were provided. Quarterly reports on internal audit activities were analysed, internal audit reports, observations and recommendations were taken into account and implementation of recommendations was assessed. The report on the assessment of the Internal Audit Function's performance in 2020 under the quality assurance and improvement programme (periodic self-assessment) was read. The budget of the Internal Audit Function for 2021 was evaluated and proposals for improvement were submitted. The annual objectives of the Head of the Internal Audit Function were evaluated and approved with adjustments to be made in accordance with the submitted proposals.

## Effectiveness of the Audit Committee activities.

In order to ensure the effective functioning of the Audit Committee, the action plan for improving the Audit Committee's performance was drawn up during its performance evaluation session on 26 February 2021 and was successfully implemented:

- The Board and the Audit Committee held a meeting with the Mayor of Vilnius City Municipality in Q1 2021 and discussed the new declaration of expectations, seeking to achieve a better understanding of the objectives set for the Company by the shareholders.
- In order to improve risk management awareness, risk management training was organised and attended by the Board and management members on 08/06/2021. Furthermore, in the meetings of the Audit Committee held on 02/03/2021, 24/03/2021, 27/04/2021, 31/08/2021, 04/11/2021, the understanding of the process risk management in Production, Operations and Accounting, Customer service and Organisation Development, Communication and Prevention Departments was obtained, the presentations of these services and departments were given.
- Meetings were held with representatives of the Estonian water treatment company to improve understanding of water management business.
- With the aim of placing greater emphasis on compliance management, the Compliance Policy, the Compliance Management Report for 2020 and the Compliance Management Plan for 2021 were evaluated at the meetings of the Audit Committee on 12/01/2021 and 02/03/2021, and proposals for the improvement of documents and process were submitted.
- The agreement was reached regarding enhancement of the efficiency at meetings, with more active management of the time devoted to discussing issues. The duration of meetings in 2021 did not exceed the time indicated in the notifications.

Remuneration paid to the members of the Audit Committee during 2021 for the performance of the duties of the members of the Audit Committee

Member of the Audit committee*	Date of signature of the performance agreement by the member of Audit Committee	End of term of office	Remuneration in 2021, EUR thousand
Laura Joffè	As at 13/12/2019		9,600.00
Rytis Ambrazevičius	As at 13/12/2019		9,600.00
Jurgita Petrauskienė	As at 13/12/2019		9,600.00
			<b>28,800.00</b>

\* Public sector employees appointed to the Audit Committee are not remunerated. The remuneration (before taxes) is paid to the relevant municipalities.

Agreed remuneration for a member of the Audit Committee – EUR 800 per month (before taxes).

## AUDIT OF THE FINANCIAL STATEMENTS

The General Meeting of Shareholders held on 29 April 2019 approved Ernst & Young Baltic UAB as the audit company and the terms of remuneration (company code 110878442, Aukštaičių st.7). A three-year contract worth EUR 96,000 (excluding VAT) has been signed.

The contract was concluded on the basis of a simplified contract notice (the contract notice published on 14 January 2019, reference No 417348). The contract entered into force upon its signing but not earlier than 31 May 2019.

The annual audit fee will amount to EUR 25,000 (excluding VAT) with additional EUR 7,000 (excluding VAT) for the inspection of the accounting system of regulated activities. The total fee for three-year audit will amount to EUR 75,000 (excluding VAT) with additional EUR 21,000 (excluding VAT) for three-year inspection of the accounting system of regulated activities. Additional costs (travel, accommodation and other related costs) are included in the total amount of EUR 96,000. Payment for 2019 and 2020 and the following year shall be made by signing the deed of acceptance of services and submitting the VAT invoice – within 30 calendar days from the date of its issuance, provided that all the services specified in the technical specification are rendered and all the obligations under the contract are fulfilled. The contract is valid until 31 May 2022.

On 7 February 2020, a letter from Ernst & Young Baltic UAB (hereinafter the “Service Provider”) “The proposed amendment to the audit agreement for 2019–2021” was received stating that the State Energy Regulatory Authority (hereinafter “NERC”) approved the Terms and Reference on Inspection of Reports on Regulated Activities (hereinafter the “Terms and Reference”) on 2 September 2019, according to which the requirements for the report have substantially changed compared to the legal framework in force at the time of conclusion of Agreement for Audit of Financial Statements and Inspection of the Accounting System of Regulated Activities And Inspection of the Reports on Regulated Activities No SUT19-P-219 (hereinafter “the Agreement”) of 17 May 2019. For this reason, it is proposed to amend the terms and conditions of the Agreement by indicating that the fee for the inspection of accounting system of regulated activities

The price for inspection and audit of financial statements is EUR 17,500.00, excl. VAT, rather than EUR 7,000.00, excl. VAT, which is stipulated in current version of the Agreement. The circumstances set out in the letter are not considered a sufficient basis for changing the fee of the Agreement, therefore, the proposal made in the letter to change the fee for inspection of accounting system of regulated activities was rejected and dismissed as unfounded. This proposal was also presented to the Audit Committee, which opposed the proposed amendment to the Agreement. The Audit Committee recommended to cease the service and to arrange a single procurement for this service. The Company promptly initiated the procurement of services of inspection of the accounting system of regulated activities and inspection of the reports on regulated activities. The contract was awarded to Tezaurus Auditas UAB and the Agreement No SUT20-P-95 of 31 March 2020 was signed for provision of the said services. The period for the provision of services is 29 (twenty-nine) months from the date of the Agreement. The agreement entered into force on the day of its signing. The maximum value of the agreement is EUR 15,000.00, excl. VAT.

No other services were acquired from the audit company Ernst & Young Baltic in 2021.

## HEAD OF THE COMPANY

The Head of the Company is the CEO, elected, recalled and dismissed by the Board of the Company

Based on the decision of the Company's Board, Marius Švaikauskas was elected as the Company's CEO on 20 July 2018, which he held until 23 December 2021. Based on the decision of the Company's Board, Egidijus Anulis, Director of Operations and Organisation Authority, was appointed as the acting CEO from 24 December 2021 to 2 January 2022. Saulius Savickas, Head of Production and Customer Service, has been holding the position of acting CEO of the Company since 3 January 2022.

The agreed monthly salary of the CEO consists of a principal remuneration component of EUR 5,414, including taxes. Additionally, the CEO receives a variable remuneration component – up to 50% of a principal remuneration component, its size of which depends on the implementation of approved annual goals of the Company and which is set for the upcoming year, having approved the financial statements for the previous reporting period.

## ORGANISATIONAL STRUCTURE OF THE COMPANY

The Company operates in all geographical territories indicated in the licence issued by the National Energy Regulatory Council, but it does not have any independent divisions and branches.

Structural units of the Company, namely, services, departments and divisions, are directly subordinate to the CEO.

As at 31 December 2021, the Company's management consisted of the following members:



**Egidijus Anulis,**  
Director of  
Operations and  
Organisation  
Authority, acting  
CEO.



**Tadas  
Kazlauskas,**  
Technical  
Director.



**Saulius  
Savickas,**  
Head of  
Production  
and Customer  
Service.



**Simonas  
Klimavičius**  
Director of  
Business  
Planning and  
Finance.

It must be noted that Vilniaus Vandenys is the first of the entities controlled by municipalities that expressed the will to cooperate with Governance Communication Centre (GCC) in order to improve corporate management and to be assessed based on the good management index method of the state-governed companies compiled by GCC.

## OPERATING POLICY

In carrying out its activities and implementing the objectives raised by the shareholders, the Company has established the basic operating principles and rules applicable in certain areas, which are defined in the Company's policies. All together they contribute to consistent and transparent operation of the Company, targeted and operational workforce and successful implementation of projects providing benefits to its customers and wider society.

Taking into account adopted policies in force, the Company constantly reviews and improves the Company's internal processes, monitors the implementation of policies, i.e. the Company's Board of Directors, Audit Committee and the Board are periodically made aware of matters relating to implementation of policies.

### SEVEN POLICIES WERE APPROVED BY THE BOARD IN 2021:

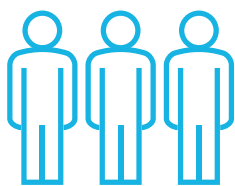


#### Compliance Policy of Vilniaus Vandenys UAB.

This Policy sets the Company's compliance guidelines and direction, defines and clarifies the compliance objectives, guiding principles, parts (components) and participants of the compliance system, and their functions and responsibilities.

The compliance is a fundamental and ongoing process of the Company, which underpins the Company's day-to-day activities and ensures the stability and continuity of the Company's operations. It is particularly important for the Company to ensure compliance, as the Company provides vital and necessary services of prime importance for the quality of life. Furthermore, in accordance with the Law on the Protection of Objects of Importance to Ensuring National Security of the Republic of Lithuania, the Company is considered to be category I enterprises of importance to ensuring national security, and the Company's infrastructure is of strategic importance to ensuring national security, therefore, adequate compliance with the Company's requirements is of strategic importance. In 2021, the Compliance Policy contributed to the Company employees' day-to-day activities by identifying key compliance objectives, actors, functions and duties of responsible persons, as well as critical components of compliance.





## Staff Policy of Vilniaus Vandenys UAB.

This Policy sets the Company's objectives and general principles guiding the Company in the field of people management by designing, maintaining and continuously improving the value and governance-based organization to ensure the implementation of strategic directions while maintaining sustainable key performance and efficiency indicators.

In line with the Staff Policy, an Action Plan was developed in 2021 to attract and retain existing staff, to improve the employer's image and ensure employee substitutability. Furthermore, by implementing the Staff Policy and seeking to improve the candidate attraction and selection management process, the Description of the Employee Referral Bonus Procedure was updated during the reporting period and an audit of the labour demand planning process was carried out to ensure compliance of the process with the policy provisions.



## Project Management Policy of Vilniaus Vandenys UAB.

This policy is aimed at standardising the Company's project management principles, ensuring effective monitoring and control of the projects implemented, timely decision-making and implementation of projects within the set time limits and budget, and achieving economic and other benefits.

In 2021, reference was made this project management policy to ensure systematic and standardised project management, involving management structure, roles of participants, phases, decision-making points and documentation.



## Personal Data Processing and Security Policy of Vilniaus Vandenys UAB

and its implementing rules This policy and its implementing rules are intended to ensure the Company's compliance with the provisions of the General Data Protection Regulation, the law and other regulations laying down the requirements for personal data processing and security, and the implementation of and compliance with these provisions in the Company.

In 2021, the personal data of the Company's employees was processed in compliance with this policy. Furthermore, responses to data subjects (the Company's customers, service providers, other interested persons), as well as explanations to the State Data Protection Inspectorate were based on the provisions of this policy.



## Operation of Infrastructure and Development Planning Policy of Vilniaus Vandenys UAB

is designed to develop guidelines for the efficient management of infrastructure in order to ensure the safe and uninterrupted provision of services.

This policy helped to implement ratings of infrastructure reconstruction and development projects in 2021, by preparing the ranking list of objects that need reconstruction or objects where development of infrastructure will take place. Furthermore, infrastructure monitoring in the Company and development of existing technological information systems (Asset Management System, Geoinformation System, Hydraulic Modelling Information System) was implemented based on the principles of the Policy. The scheduled infrastructure maintenance was carried out in the Company and annual work plans of infrastructure were drawn up in line with the principles of the Policy.



## Confidential Information Management Policy of Vilniaus Vandenys UAB.

The Policy is designed to establish a system for the identification, use and protection of confidential information, ensure the protection of information by establishing principles of confidential information protection, concepts used in the Policy and other documents ensuring the protection of confidential information, the system of management of information protection.

The Policy helped to provide the Company with a unified and well-established information protection and proper management of this information in 2021.



## Supplier Code of Conduct of Vilniaus Vandenys UAB.

The Code lays down the general conduct of suppliers of Vilniaus Vandenys UAB, the observance of which creates the preconditions and conditions for the implementation of the highest standards of responsible business conduct in the socially responsible supply chain (from raw materials to settlement).

In 2021, each supplier and subsupplier of the Company was subject to the Code. By the way of implementing the Supplier Code of Conduct, Vilniaus Vandenys has established its position to ensure sustainable business practices outside the Company, in so far both Vilniaus Vandenys and suppliers must be held accountable for their own actions affecting economic growth, social welfare and environmental quality. By reading this Code, suppliers and sub-suppliers undertake to promote legitimate, professional and fair practices that include respect for human rights, business ethics and environmental objectives.

The most important policies for the Company's activities are publicly available on website of Vilniaus Vandenys [www.vv.lt](http://www.vv.lt) (in section About Us/Operational plans, reports, salary/Operational plans and reports).

## PREVENTION OF CORRUPTION IN THE COMPANY



In carrying out its activities and providing public services to the population, the Company strives for high standards of honesty, morality and transparency, and, therefore, maintains zero tolerance for any manifestations of corruption.

In its activities, the Company follows the Corruption Prevention Policy (hereinafter the “Policy”) approved by the Board of the company (this document was approved on 23/12/2020, No VTA-I20-263, and is publicly available on [www.vv.lt](http://www.vv.lt)). The Policy sets out the basic principles and requirements to be followed in carrying out the activity. This creates the preconditions and conditions for the implementation of the highest standards of responsible and transparent conduct. The Policy also describes which gifts are tolerated in the Company, and which are prohibited, and how they can be accepted. In 2022, the Company plans to amend and improve the Corruption Prevention Policy and the Code of Ethics, as well as to update and approve the Description of the Procedure on Offering and Accepting Gifts.

The following prevention measures were implemented by the Company in FY2021:

1. An assessment of the likelihood of corruption in the customer-produced wastewater contamination control process of Vilniaus Vandenys UAB has been carried out.
2. The Confidential Information Management Policy and a list of confidential information were submitted to and approved to the Board. Once approved, the Confidential Information Management Rules were revised.
3. Verification was carried out to whether every head of structural divisions of the Company specified in the Order of the Chief Executive Officer No VTA-I21-61 10/03/2021 have submitted declarations of private interests to the Chief Official Ethics Commission. All employees (who have an obligation to declare private interests in accordance with the Company’s Rules of Employee Conflict of Interest Management) were also verified for the submission of declarations.
4. The Conflict of Interest Management Policy was submitted to the Audit Committee for approval.
5. Physical safety response, compliance with confidentiality requirements, control of purchased goods and services, fraud risk mitigation, occupational safety checks were carried out at the Company’s facilities.
6. The check revealed a fraud committed at the wastewater collection station on Kalvarijų st. 161 B, Vilnius, over a prolonged period (from 2020) by the employees of wastewater treatment companies, who by circumventing meters unlawfully discharged wastewater, resulting in losses for the Company.
7. A survey was conducted in the Company on the tolerance for corruption, and the Company’s employees have been provided with training on corruption prevention, reference material was developed to be used for improvement of employee awareness about corruption prevention.

8. Checks were carried out to identify illegal connections to the water and wastewater networks.
9. The objects underwent the assessment for physical security compliance risks.
10. To enhance competencies in anti-corruption, the Company's Prevention Division employees participated in the "Business Transparency Forum" in 2021 aimed at increasing understanding of the change in level of businesses transparency in recent years, the anti-corruption practices used by different companies in their activities by discussing the latest data, research results and measures to promote business transparency.
11. In 2021, the Prevention Division attended the remote event "New Law on Corruption Prevention: Assurance of Security of Personnel" hosted by the "Transparency" Academy.
12. The Prevention Division attended the remote two-day transparency hackathon hosted by Ignitis Group AB together with the Special Investigation Service. Participants, grouped into 24 teams, competed for two days to find the most innovative and effective means to ensure an anti-corruption environment. The team of four members, including a member of the Prevention Division of the Company, submitted a proposal which was best rated by the event commission as the solution providing "Maximum Benefit".

# Changes in regulatory environemnt



## SETTING SERVICE PRICES

The prices of drinking water supply and wastewater treatment services are set in accordance with the Methodology for Setting Prices of Drinking Water Supply and Wastewater Treatment Services approved by the State Energy Regulatory Authority (NERC), and the principles of non-discrimination, cost recovery and the “polluter pays” principle. The prices of drinking water supply and wastewater treatment services are calculated on the basis of costs for separate parts of the drinking water supply and wastewater treatment activities, in accordance with approved drinking water supply and wastewater management infrastructure development plans and plans of operations of drinking water suppliers and wastewater managers. The calculation of prices considers the estimated necessary service provisions costs, the value of the assets used in the licensed activity, the return on investment that corresponds to the criterion of reasonableness, the necessary costs of implementation of the plan of operations and the influence thereof on price increase. Service provision efficiency indicators are set. Municipality councils approve the base prices of drinking water supply and wastewater treatment services coordinated with NERC. Base prices are set for a three-year regulatory period and are recalculated each year. The prices equal to base prices are applied in the first year of validity of base prices. Municipality councils approve recalculated base prices of drinking water supply and wastewater treatment services coordinated with by the NERC. The prices not approved by the Municipality Councils are set unilaterally by NERC. NERC controls the setting of the prices of drinking water supply and wastewater treatment services set by Municipality Councils and applied by drinking water suppliers and wastewater managers in accordance with the Methodology for Setting Prices of Drinking Water Supply and Wastewater Treatment Services and the pricing principles laid down in the Law on Drinking Water Supply and Wastewater Treatment, and makes sure that the prices cover the necessary costs of supply of drinking water and wastewater treatment services as well as other related necessary expenses.

## NERC RESOLUTIONS AND PUBLIC CONSULTATIONS

*Prepared on the basis of information published on NERC website*

The Methodology for Calculating Fees for the Acquisition, Installation and Operation of Drinking Water Metering Devices was amended under the Resolution of NERC No O3E-400 of 26 March 2021 and the Resolution No O3E-613 of 21 May 2021.

Principal changes in new version of 26 November 2021: there is a need to differentiate the meter maintenance fee by the data reading technique, the principles of fee differentiation are coordinated with the municipal authority, municipal councils, in their determination of the fee for acquisition, installation and operation of drinking water metering devices fitted before the hot water preparation plant and the fee for maintenance of hot water metering devices will have to ensure that the data reading technique does not affect the amount of maintenance fee.

Principal changes in new version of 21 May 2021: if the number of employees of an entity is lower than the benchmarking indicators of the relevant group of economic entities, the average remuneration of employees cannot be higher than the remuneration of the last average remuneration published by the Department of Statistics of Lithuania for public sector water supply, wastewater treatment, waste management and regeneration activities, and quarterly remuneration for electricity, gas, steam supply and air conditioning activities.

*The Terms and Reference on Inspection of Reports on Regulated Activities* were amended by the Resolution of NERC No O3E-411 on 31 March 2021. Principal changes: setting the materiality for changes in revenue and cost when auditors are required to obtain explanations from entities (a change of more than 20%, but not less than EUR 1,000, is considered material), attribution of

non-current assets to business units and services will be subject to a verification – it is prohibited to attribute the value of non-current assets (or part thereof) acquired after the implementation of investment projects, which have not been coordinated with NERC, to regulated price services and relevant business units that include regulated price services, cost allocation will be subject to a verification – it is prohibited to attribute bad debts to regulated price services and relevant business units that include regulated price services, unless subscribers are included in the list of entities affected by the COVID-19 pandemic. Amendments to the Terms and Reference on Inspection of Reports on Regulated Activities are effective for inspections of reports of regulated entities carried out in 2021.

*The Methodology for Setting the Prices of Drinking Water Supply and Wastewater Treatment and Surface Wastewater Treatment Services* (hereinafter “the Methodology for Setting the Prices”) was amended under the Resolution of NERC No O3E-737 of 21 June 2021 and Resolution No O3E-922 of 29 July 2021.

Principal changes in version of 21 June 2021: the provision concerning the maximum value of the return on investment was amended. The maximum value of the return on investment (rate of return), which does not exceed 10% of the required costs (net of tax), embedded in the reference price of the business unit and service, will apply only when more than 50% of the return on investment determined for the entity after the reporting period is allocated for payment of dividends. Amendments have been made to the effect that the part of the return on investments of drinking water suppliers and wastewater management companies, and surface wastewater management companies that was not estimated at the last adjustment to the reference prices is estimated in the prices of drinking water supply and wastewater management, surface wastewater management services as one third of the reference prices at the time of adjustment until the next period of the reference prices.

Principal changes in version of 29 July 2021: amendments were implemented in reference to Return on Investment Methodology, which states that NERC may allocate an additional 1% return on investment to projects that contribute to environmental protection and climate change mitigation objectives.

*The Description of the Procedure for Evaluation and Adjustment of Investments of Heat Suppliers, Independent Heat Producers, Drinking Water Suppliers and Wastewater Managers, Surface Wastewater Managers* with the State Energy Regulatory Council was amended under the resolution No O3E-928 of 29 July 2021. Principal changes: The amendments stipulate that eligible companies qualify for the return on investment of 1% for their projects.

*The Description of the Accounting Separation and Related Requirements of Drinking Water Supply And Wastewater Treatment, Surface Water Treatment Companies* was amended under the Resolution of NERC No O3E-937 of 29 July 2021. Principal changes: the amendments were made that allow the entity implementing cost allocation to attribute the remuneration of the members of the board of directors of public-interest entities to business units and services/products of regulated prices; the amendment was made stipulating that the errors in the annual reports on regulated activities referred to in the Audit Report must be corrected and the set of annual reports on regulated activities restated in accordance with the auditors’ findings must be submitted to NERC.

*The Rules for the Provision of Information by Energy, Drinking Water Supply And Wastewater Treatment, Surface Water Treatment Companies* were amended under the Resolutions of NERC No O3E-5 of 8 January 2021, No O3E-935 of 1 August 2021 and No O3E-1737 of 23 December 2021. The amendments do not affect the information provided by drinking water supply and wastewater management, and surface wastewater management companies.



# Investments



21657920	414264	32664	323698540	32
21215720	5498216	58742	221233	1
326225				
32255021	32154316	3322144	3221	
1245755	1245755	32366987	21258	
2154756	2154756			
320659	32659			
221233				
214334	32147711	121554	32186664	
5231		323150	232312	
		221550	12789457	



In order to ensure availability of water supply and wastewater treatment services to residents as well as their compliance with quality, environmental and health requirements, the Company constantly invests in the development and modernisation of infrastructure.

The objects to be modernized are selected in accordance with the Company's Methodology for Rating Objects of Reconstruction of Water Supply, Wastewater Networks and Stations. The development of block networks/mains is carried out in accordance with the Methodology for Ranking Infrastructure Development Objects approved by the Company's CEO.

The Company's shareholders have approved the updated Operational and Development Plan for 2020–2022, under which the total investment over three years will amount to EUR 98,297 million. In 2021, the Company's investments in infrastructure development and modernisation totalled EUR 30,583 million: EUR 7.2 million was invested in development of water supply and wastewater network; EUR 6.1 million in reconstruction of networks and emergency response; EUR 8.6 million in reconstruction of wastewater treatment plants in Vilnius; EUR 1.1 in improvement of the efficiency of the wastewater treatment plants; more than EUR 2 million in construction/reconstruction of water improvement plants, EUR 1.08 million in installation and replacement of metering devices; EUR 0.5 million in acquisition of remote reading devices in inlets and wells; the remaining investments of EUR 4 million were drifted towards the renewal of water/wastewater stations, electrical equipment, information systems and vehicle fleet.

In 2021, the Company implemented network development projects selected in 2018, 2019 and 2020 based on the Methodology for Ranking Infrastructure Development Objects and other projects provided for in the VPP.

All network development projects carried out and initiated in 2021

Project name	Total project value, EUR thousand	Investments in 2021, EUR thousand	Project implementation period	Length of water supply networks planned/constructed, m*	Length of wastewater networks planned/constructed, m*	Number of customers connected/ will be connected to water supply networks*	Number of customers connected/ will be connected to wastewater networks*
Block networks of SB "Statyba" water supply and wastewater networks	733	506	August 2020 – December 2021, completed	4,667	4,460	201	201
Block networks of SB "Jurginas" water supply networks	139	28	August 2020 – July 2021, completed	2,150	-	99	-
Block networks of SB "Veteranas" wastewater networks	575	373	September 2020 – November 2021, completed	-	4,004	-	160
Block wastewater networks SB "Statybininkas" and group of natural persons	819	698	September 2020 – December 2021, completed	407	6,135	10	263
Block wastewater networks in Kaimelio st., Juzeliūno st., group of natural persons	147	4	May 2020 – March 2021, completed	-	516	-	24
Development of block networks by connecting the water supply zones in Kalnėnai and N. Vilnia	863	440	May 2020 – January 2023, ongoing	9,365	-	-	-

Development of water supply and domestic wastewater networks in Bendoriai vlg. Vilnius District	87	80	April 2020 – May 2021, completed	49	223	15	25
Block networks of IGNSB “Šaulio ženklas” water supply and wastewater networks	145	34	April 2020 – May 2021, completed	20	427	22	22
Development of wastewater collection networks in Šalčininkai agglomeration	278	181	June 2020 – July 2021, completed	-	2,237	-	82
Development of drinking water supply and wastewater collection networks in Šalčininkai agglomeration	630	280	June 2020 – August 2021, completed	3,123	3,226	147	146
Development of drinking water supply and wastewater collection networks in Eišiškės agglomeration	594	593	August 2020 – January 2022, completed	2,924	3,684	108	119
The project of design and construction of water supply and wastewater networks in community gardens in Vilnius city: “Šermukšnėlė”, “Ridikas”, “Paežerys 1” and “Žalieji ežerai”.	3,523	1,748	July 2020 – April 2023, ongoing	16,979	16,809	615	619
project of design and construction of water supply and wastewater networks in community gardens in SB “Gintaras”, SB “Tėvynė” and for group of natural persons in Liepiškių st., Vilnius city	1,750	931	February 2020 – August 2022, ongoing	6,136	5,974	241	243
The project of construction of water supply and wastewater networks in K. Bizausko ir V. Čarneckio st., Vilnius	134	23	September 2020 – October 2021, completed	66	26	-	-
Development of water supply network in Grigaičių st., B. Grigo st., Smurgainių st., Rimdžiūnų st., Vilnius	54	54	December 2020 – September 2021, completed	597	-	25	-
Development of wastewater network in Kauno st.	50	2	May 2021 – February 2022, ongoing	43	96	1	9
Development of water supply and wastewater networks in SB “Aronija”, Vilnius	723	350	July 2021 – October 2022, ongoing	2,730	3,272	146	149
Development of water supply and wastewater networks in SB “Beržynas”, Vilnius City and Vilnius District	415	408	December 2020 – April 2022, ongoing	2,232	1,845	79	79

Development of water supply and wastewater networks in Sembų st., Buivydiškių vlg., Zujūnų eldership, Vilnius District	174	174	December 2020 – December 2021, completed	495	955	23	23
Construction of domestic wastewater networks in Kazbėjų st. ir Senojo Gardino rd., Vilnius city	436	0	January 2022 – March 2023, ongoing	-	1,959	-	66
Development of networks in Vilnius agglomeration (SB "Sveikatos Apsauga", SB "Krantas", SB "Vitaminas", SB "Viktorija", SB "Tulpė")	3,700	0	September 2021 – October 2023, ongoing	10,998	10,160	446	446
Development of networks in Šalčininkai agglomeration	745	0	September 2021 – July 2023, ongoing	3,417	3,181	90	89
Development of networks in Vilnius agglomeration III (Neskučiai)	350	5	October 2021 – December 2022, ongoing	1,242	949	42	42
Development of water supply and wastewater networks in Švenčionys agglomeration	1,703	0	October 2021 – October 2023, ongoing	5,940	7,510	105	142
Development of water supply and wastewater networks in Švenčionėliai agglomeration (phase I)	1,783	0	October 2021 – September 2023, ongoing	5,192	6,128	94	107
Development of water supply and wastewater networks in Švenčionėliai agglomeration (phase II)	1,901	0	October 2021 – September 2023, ongoing	5,155	6,655	65	187
Development of networks in Vilnius agglomeration, Grigaičiai vlg., Vilnius District	328	0	November 2021 – October 2023, ongoing	9,116	9,924	188	190
Development of networks in Eišišės agglomeration	1,020	8	September 2021 – September 2023, ongoing	2,236	5,065	140	180
Development of water supply and wastewater networks in Nemenčinė, Vilnius District (phase I)	1,316	3	November 2021 – December 2023, ongoing	3,052	4,102	44	49
Development of water supply and wastewater networks in Nemenčinė, Vilnius District (phase II)	1,607	0	November 2021 – December 2023, ongoing	5,472	4,581	67	72
Development of block water supply networks in A. Naruševičiaus st., Nemenčinė	42	42	June 2021 – December 2021, completed	271	-	12	-
Development of block water supply networks in SB "Veteranas"	711	28	June 2021 – December 2022, ongoing	3,575	-	170	-

Design and construction of block water supply and wastewater networks SB "Renetas", SB "Kalkakasyba" in Vilnius	900	0	September 2021 – September 2023, ongoing	3,499	3,937	172	172
Development of block water supply and wastewater networks in SB "Komprojektas"	371	16	August 2021 – January 2023, ongoing	986	841	61	58
Development of water supply and wastewater networks in Gardino st. 12 (White zones)	44	0	March 2022 – August 2023, planned	51	62	6	6
Development of water supply and wastewater networks in Kalvarijų st. 44 (White zones)	40	0	March 2022 – August 2023, planned	70	68	4	4
Reconstruction of wastewater pumping station in Tuščiūlių st. Construction of new pressure line up to wastewater networks in Nemenčinė	193	181	April 2021 – January 2022, ongoing	-	2,683	-	-

\* If the object is finished, the actual data is reported. \* If the object is ongoing, the scheduled data is reported.

Most network development projects ran for several years due to the complexity and scale of the projects. In 2021, the Company completed projects with a total network length (introduced into operation) of 11.8 km of water supply and 22.2 km of wastewater collection, allowing 554 households to connect to the water supply network and 946 – to the wastewater network, respectively.

In 2022, further investment will be made in ongoing development projects of block networks/ mains and selected new infrastructure development objects based on the Methodology for Ranking Infrastructure Development Objects.

For the modernisation of the existing water supply and wastewater networks in 2021, the Company allocated EUR 6.1 million of the Company's investments. The reconstruction projects completed in 2020 with the following outcome: 14.4 km of water supply, 2 km of wastewater networks, the implementation of other projects presented in the table below will continue over the period 2022-2023. In addition, the Company carried out repair of networks damaged due to accidents.

Project name	Total project value, EUR thousand	Investments in 2022, EUR thousand	Project implementation period	Length of water supply networks planned/ reconstructed, m*	Length of wastewater networks planned/ reconstructed, m*
Reconstruction of block water supply networks in Elniakampio st.	151	151	November 2020 – December 2021, completed	1,672	-
Refurbishment of water supply networks located in collectors: Papilėnų st., S. Stanevičiaus st., Gedvydžių st.	415	386	October 2020 – September 2021, completed	4,113	-

Reconstruction of water supply mains in Vingis park – Gerosios Vilties st.	119	119	January 2021 – December 2021, completed	673	-
Reconstruction of water supply mains in Eišiškių rd. Design and reconstruction works in Vilnius City	463	463	January 2021 – December 2021, completed	1,468	-
Design and reconstruction water supply mains in Žirmūnų st.- Vileišio st.	135	61	February 2021 – April 2023, ongoing	374	-
Reconstruction water supply mains in Goštauto st. – Jasinskio st.	137	137	February 2021 – November 2021, completed	389	-
Reconstruction of block water supply networks in Olandų st. (Polocko st.), Balstogės st. (Pelesos), Rasų st.	160	151	February 2021 – February 2022, ongoing	427	-
Reconstruction of block water supply network at the Maironis/Užupis bridge	15	0	June 2021 – December 2022, ongoing	40	-
Reconstruction water supply mains in Paneriškių st.	148	147	February 2021 – March 2022, ongoing	1,567	-
Reconstruction of block water supply networks: D. Kabiškės st.	34	8	August 2020 – April 2021, completed	526	-
Refurbishment of water supply networks located in collectors (Part I: Žirmūnų st., Giros st.; Part II: Vydūno st., Kanto st.)	296	82	July 2020 – September 2021, completed	3,222	-
Refurbishment of water supply networks located in collectors: Sausio 13 st. , Vaitkaus st.	266	134	October 2020 – January 2022, ongoing	1,283	-
Refurbishment of water supply networks located in collectors: Architektų st.	43	0	October 2020 – September 2021, completed	245	-
Reconstruction of water supply mains: Antaviliai (Nemenčinė) – Baronai village	584	50	September 2020 – December 2022, ongoing	1,810	-
Reconstruction of water supply mains: Rytų st.- Linksmoji st.	167	167	September 2020 – September 2020, completed	924	-
Reconstruction of water supply mains: Tūkstantmečio st.- Prūsų st.	77	0	July 2020 – February 2020, completed	464	-
Reconstruction of water supply mains: Karoliniškių VS3-0015- Laisvės ave.	98	98	September 2020 – November 2021, completed	429	-
Refurbishment of water supply networks located in collectors. Medeinos st., Viršuliškių st.	142	115	June 2021 – June 2022, ongoing	850	-
Reconstruction of self-drainage wastewater networks in Pašaminės st. until NS-0076	194	194	February 2021 – December 2021, completed	-	756
Reconstruction of self-drainage wastewater networks in Vilnius	267	267	January 2021 – October 2021, completed	-	947

Design and reconstruction of pressure line in wastewater network from pumping station from Upės st. 15 to Latvių st., Vilnius (Part II)	1,586	1,258	June 2020 – June 2022, ongoing	-	1,585
Reconstruction of wastewater collector in Karoliniškės	413	412	April 2021 – February 2022, ongoing	-	960
Reconstruction of self-drainage wastewater networks (blocks, street, courtyard) Justiniškių st., Šviesos st. (Grigiškės), Lazdynų st., Vasario 16-osios st., Tauro / Pamėnkalnio st.	151	151	August 2020 – January 2022, ongoing	-	599
Reconstruction of wastewater collectors: Jasinskio st./Geležinio Vilko st. to Gynėjų st.	219	0	June 2020 – January 2021, completed	-	298
Repair of wastewater culvert in Malūnų st. /Maironio st.	276	0	October 2021 – May 2023, ongoing	-	92
Repair of wastewater culvert in Zarasų st. /Paupio st.	236	0	October 2021 – May 2023, ongoing	-	70
Repair of wastewater culvert in T. Kosciuškos st.	316	0	October 2021 – May 2023, ongoing	-	74

In addition to expanding and modernizing networks, the Company also invests in water improvement facilities to provide high-quality water to consumers, as well as investing in wastewater treatment plants focused on international environmental requirements.

In 2021, the Company carried out reconstruction of wellfield in Žemieji Paneriai (the investments amounted to EUR 2 million in 2021). Water of a better quality is expected to be supplied to 5000 customers. Since the project for the reconstruction of Vilnius wastewater treatment plant was launched in 2020, the progress gained pace in 2021 with more than EUR 8 million spent on the project works. In addition, following the completion of the procurement of Švenčionys wastewater treatment plant reconstruction works, the design phase was completed in 2021 and the works are expected to start in 2022.

In order to implement as many projects as possible, the Company is applying to public authorities for EU structural funds.

Currently, the Company has signed 11 agreements with the Environmental Projects Management Agency and Public Investment Development Agency UAB regarding the implementation of the following projects, part of which will be financed through the European Union Structural Funds for 2014–2020:

1. No 05.3.2-APVA-R-014-01-0001 “Provision of Drinking Water and Wastewater Treatment System Renovation and Development in Vilnius City”; the funding agreement was signed on 27 December 2016. The total funding of project is EUR 15,546 thousand, of which EUR 7,773 is allocated from the EU funds. End of the project – 28/02/2022.
2. No 05.3.2-APVA-R-014-01-0009 “Provision of Drinking Water and Wastewater Treatment System Renovation and Development in Švenčionys District”; the funding agreement was signed on 14 December 2017. The total funding of project is EUR 1,480 thousand, of which EUR 740.1 thousand is allocated from the EU funds. Švenčionys District Municipality acts as the partner of the projects. End of the project – 30/09/2022.

3. No 05.3.2-APVA-V-013-04-0007 "Reconstruction of Švenčionys Wastewater Treatment Plant"; the funding agreement was signed on 31 July 2019. The total funding of project is EUR 4,184.5 thousand, of which EUR 3,347.6 thousand is allocated from the EU funds. End of the project – 30/08/2023.
4. No 05.3.2-APVA-V-013-04-0010 "Reconstruction of Vilnius City Wastewater Treatment Plant"; the funding agreement was signed on 20 October 2020. The total funding of project is EUR 33,407.8 thousand, of which EUR 19,200.0 thousand is allocated from the EU funds. End of the project – 31 August 2023.
5. No 05.3.2-VIPA-T-024-01-0001 "Development of Drinking Water Supply and Wastewater Collection Networks in Antakalnio, Fabijoniškių, Naujosios Vilnios ir Verkių elderships (Vilnius city)"; the funding agreement was signed on 22 January 2020. The total funding of project is EUR 4,229 thousand, of which EUR 1,729 thousand is allocated from the EU funds. End of the project – 31/01/2022.
6. No 05.3.2-VIPA-T-024-01-0002 "Development of Drinking Water Supply and Wastewater Collection Networks in Eišiškės Agglomeration"; the funding agreement was signed on 22 January 2020. The total funding of project is EUR 678 thousand, of which EUR 234.8 thousand is allocated from the EU funds. End of the project – 31/01/2022.
7. No 05.3.2-VIPA-T-024-01-0003 "Development of Drinking Water Supply and Wastewater Collection Networks in Šalčininkai agglomeration"; the funding agreement was signed on 22 January 2020. The total funding of project is EUR 700 thousand, of which EUR 250 thousand is allocated from the EU funds. End of the project – 31/01/2022.
8. No 05.3.2-VIPA-T-024-01-0004 "Development of Wastewater Collection Networks in Švenčionėliai"; the funding agreement was signed on 22 January 2020. The total funding of project is EUR 299 thousand, of which EUR 149.5 thousand is allocated from the EU funds. End of the project – 31/01/2022.
9. No 05.3.2-VIPA-T-024-02-0001 "Development of Drinking Water Supply and Wastewater Collection Networks in Vilnius Agglomeration", the funding agreement was signed on 29 December 2020. Total project funding amounted to EUR 8,688 thousand, of which EUR 2,511.3 was funded from EU funds. End of the project – 29/12/2022.
10. No 05.3.2-VIPA-T-024-03-0002 "Development of Drinking Water Supply and Wastewater Collection Networks in Vilnius, Eišiškės and Šalčininkai agglomeration". The funding agreement was signed on 29 November 2021. The total project funding amounted to EUR 6,468.9 thousand, of which EUR 3,492.8 was funded from EU funds. End of the project – 01/09/2023.
11. No 05.3.2-VIPA-T-024-03-0003 "Development of Drinking Water Supply and Wastewater Collection Networks in Vilnius County Agglomerations". The funding agreement was signed on 29 November 2021. The total project funding amounted to EUR 12,428.6 thousand, of which EUR 4,306.9 was funded from EU funds. End of the project – 01/09/2023.

In order to ensure the smooth implementation of Vilnius WWTP reconstruction project and the required scope, the Company initiated the actions of the Ministry of Environment of the Republic of Lithuania for the second time to increase the funding for Vilnius WWTP reconstruction object. The additional funding of EUR 7.34 million was approved by the Order of the Minister of Environment of the Republic of Lithuania No D1-773 on 27 December 2021 and the amendment to the funding agreement was signed with the Environmental Project Management Agency on 3 January 2022. The total investment in the project (reconstruction phase I) is EUR 33.2 million. The remaining part of the project, which is not covered by the subsidy, is financed through own funds of Vilniaus Vandenys UAB and loans.

In 2021, the Company submitted applications seeking to obtain funding for projects of network infrastructure development under the third calls published by the Public Investment Development Agency (two measures are coordinated: to obtain repayable grant under the Measure No 05.3.2-VIPA-T-024 Development of wastewater collection networks” and soft loan under the Measure No 05.3.2-FM-F-015 „“Water Management Fund”). Funding was received for two submitted applications and two project contracts were signed in 2021. The total amount of applications is as high as EUR 18.9 million with subsidy of EUR – 7.8 million, and up to EUR 11.1 million will be financed through loans and the Company’s own funds (of shareholders – municipalities).

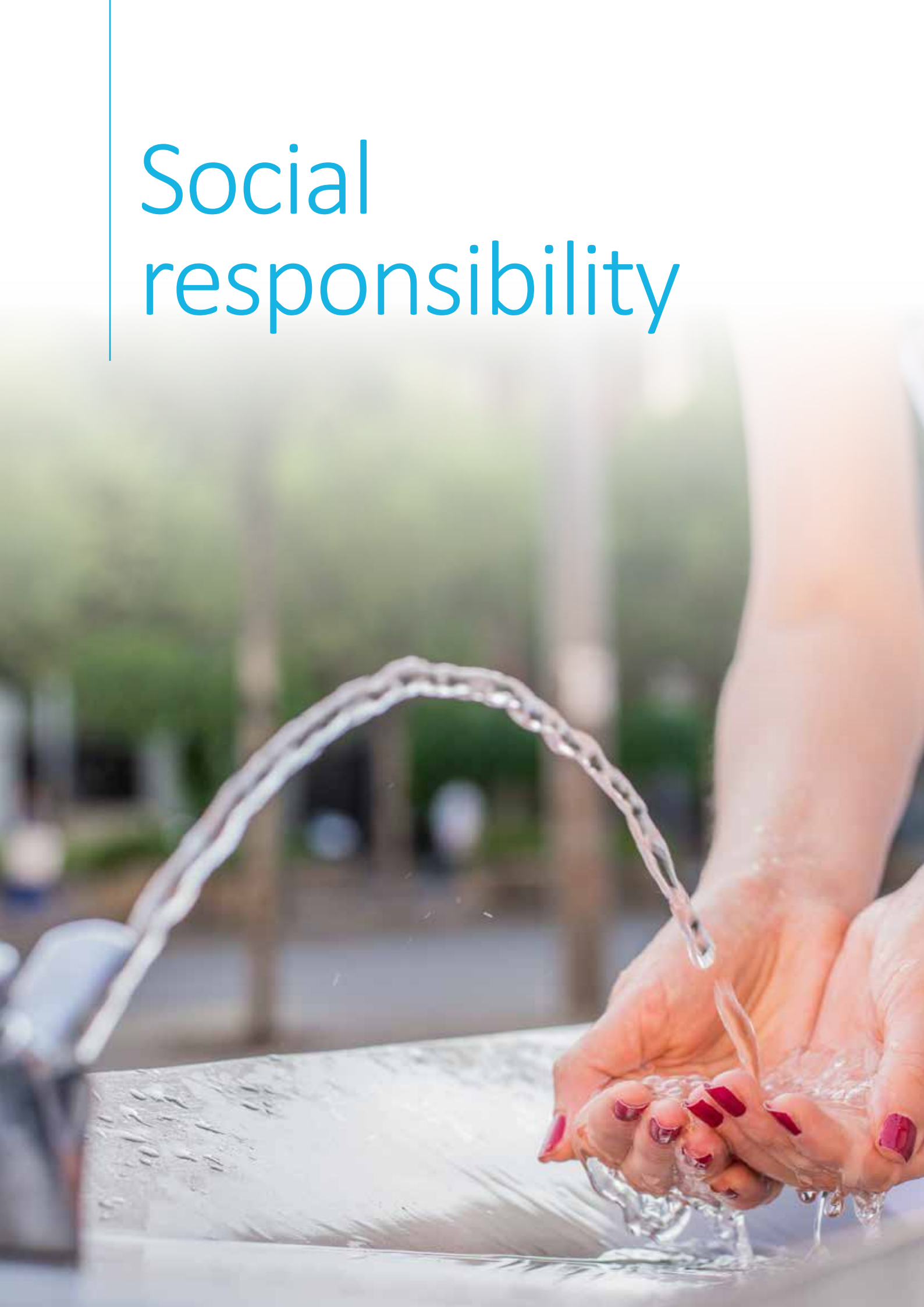
The Company is willing to make its contribution to the solution of the climate change and upgrades the vehicle fleet by purchasing electric cars. In 2021, the Company purchased a total of 6 cars (category 2 N1 and category 4 M1), and in 2020, the Company purchased 8 electric cars of category M1, for which the subsidy of EUR 32 thousand was granted on 13 September 2021 under the agreement No KKS-S-79 (2021) for funding the electric car project “Acquisition of cars and light electric vehicles to reduce GHG emissions”.

Additionally, the Company installed 5 solar power plants on the roofs in 2021, a total generation capacity of 692 kW. Vilniaus Vandenys UAB seeks (has submitted an application) to obtain a subsidy under the Climate Change Programme to compensate for this project.

In addition to the EU funding, the Company also invokes other sources of financing for the smooth implementation of the investments provided for in the Action and Development Plan 2020–2022. The European Investment Bank (EIB) granted a loan of EUR 50 million for the improvement of infrastructure: development and reconstruction of networks, renovation of waste water treatment plants, construction and modernisation of water improvement facilities, etc. On 31 March 2021, the loan agreement was signed for EUR 20 million. The loan agreement for the outstanding balance of EUR 30 million is scheduled to be signed in 2022.



# Social responsibility



Activities of the Company of Vilniaus Vandenys are indissociable from nature: The Company extracts a vital resource – water – from the natural sources and supplies it to the society, and discharges treated wastewater back the natural environment. By supplying water or treating wastewater, the Company aims to act in harmony with the surrounding environment, therefore it is implementing technologies that reduce pollution and conserve natural resources, consistently increases the use of renewable resources in its activities, applies modern human resource management, supports or initiates transparent, ethical and responsible business initiatives.

## SOCIAL RESPONSIBILITY POLICY AND ITS SCOPE

In 2020, the Company for the first time prepared and provided to the Board for approval the Social Responsibility Policy (publicly available on [www.vv.lt](http://www.vv.lt), in section About us / Operational plans, reports, salary/Operational plans and reports), which is a public commitment to contribute consistently and purposefully to the achievement of the Sustainable Development Goals, to create added value for the most important social groups, and to measure progress in the defined areas and to present progress to the public in the Company's annual Progress Report on Social Responsibility. In 2021, the Company also grounded its activities on the adopted and approved Social Responsibility Policy, which was used to develop a sustainable business culture and practice of Vilniaus Vandenys.

The Company perceives socially responsible, sustainable and environmentally friendly activities as a set of purposeful economic, social and environmental actions. It is a commitment to operate in a transparent, ethical, environmentally friendly manner, to foster a values-based organizational culture, to be open, to implement anti-corruption measures and to support responsible business initiatives.

Vilniaus Vandenys applies the principles of social responsibility in the following areas: transparent and sustainable business, environmentally friendly activities, a value-based organisational culture, and an active member of society.



## BUSINESS

- Transparency, responsibility, anti-corruption, open data
- Quality of services
- Customer expectations management
- Binding partnership (contractors, business partners)
- Business digitalisation



## ENVIRONMENT

- Pollution prevention and control
- Energy saving
- Energy production from renewable energy sources
- Sustainable development of water supply and sewage networks for cities and the environment
- Implementing future technologies
- Circular economy

## SOCIAL RESPONSIBILITY



## ORGANISATION

- Safe work environment
- Good working condition and fair remuneration
- Value-based organisational culture
- Engagament and involvement of employees
- Development opportunities
- Right to join trade unions



## SOCIETY

- Involvement and cooperation of communities through ongoing projects and associations
- Education of separate society groups
- Periodic accountability against society
- Proactive information and speed of reaction during accidents and disturbances



## Transparent and sustainable business

This is the Company's commitment to operate in a transparent manner and to be accountable for the performance not only to shareholders, but also to the public. To make performance data open and accessible to anyone interested in the Company's activities. To obligate its business partners and contractors to apply the principles of business transparency. In order to achieve sustainability, the Company is committed to consistently improving the quality of services provided, digitizing operations, and managing customer expectations.

In 2021, the main achievements in the scope of social responsibility – TRANSPARENT AND SUSTAINABLE BUSINESS:

1. In 2021, the Company continued with the approach of disclosing as much of its data, projects, reports, etc. as possible to the public. The Company has made available all policies, remuneration information, activity reports and other open data approved by the Board on the Company's website easily accessible for the entire population [www.vv.lt](http://www.vv.lt) (in sections Activities, About us, Social Responsibility, News).
2. The Company hosted 3 conferences on different topics for its partners in 2021, in order to educate them on environmental issues and pollution prevention, transparent participation in procurement and occupational safety issues: "How to Participate in the Company's Public Procurement", "Green Course and Zero Wastewater Pollution"; "Simple at First".
3. In 2021, Vilniaus Vandenys started the year with a social responsibility commitment to itself, to its partners, customers – Zero excuses. This commitment defines the Company's ambition for more sustainability, transparency and accountability without any excuses. In 2021, the Company started calculating Green Index and Social Responsibility indices, the score of which was 6.98 and 7.2 points, respectively, at the end of 2021. In all areas of application of the principles of social responsibility, the Company relies on the principle of Zero Tolerance or the so-called Ambition of Zero, which it plans to achieve until 2030 by means of targeted actions:
  - Zero electricity purchased in technological activities
  - Zero fresh water wastage
  - Zero customers without centralized water supply and wastewater treatment services, using the rate of 98% set by the European Union Directive as benchmark.
  - Zero disruptions unresolved for more than 24 hours
  - Zero paper invoices
  - Zero treated wastewater contamination
  - Zero water tests non-conforming with hygiene standards

- Zero reasoned complaint concerning water quality
- Zero customers dissatisfied with the services provided
- Zero unanswered customer questions and inquiries for more than 24 hours
- Zero customers dissatisfied with the Company's services
- Zero corruption
- Zero accidents at work
- Zero non-involved employees



## Sustainable activities.

This is the Company's commitment to prevent pollution in the natural environment. These include rapid and sustainable emergency response, the implementation of long-term water management and infrastructure solutions serving the well-being of the city, the development of water supply and wastewater networks, and the strengthening of controls in working with polluter companies.

In 2021, the main achievements in the scope of social responsibility – SUSTAINABLE ACTIVITIES:

1. In 2021, the Company encouraged residents and visitors of the capital refrain from buying water in plastic bottles and offered an alternative instead: to refresh oneself with water from drinking fountains installed in 19 different places in the city (map of drinking fountains – <https://bit.ly/3q20F5H>). By the end of the outdoor drinking fountains season, almost 140,000 litres of water were drunk from outdoor drinking fountains. Thus more than 278,000 plastic bottles were renounced and GHG emission reductions of 9 million tonnes was achieved.
2. Having analysed the pollution of wastewater entering its networks, the Company developed and periodically updates the Vilnius city pollution map and the ranking of the most polluting business sectors, thus encouraging businesses to take their activities and environment seriously. In order to address the problem of increasing waste water pollution, Vilniaus Vandenys has developed a guide on recommendations for business, initiates amendments to laws, applies fee for increased emission loads to companies and takes other measures.
3. In 2021, Vilniaus Vandenys also adopted innovative solutions to tackle problems. In Nemenčinė residents complained of bad odours, therefore the Company installed an odour-capturing “electronic nose”, a nano-system developed by Austrian scientists to help improve wastewater treatment rates, and covered part of the treatment plant and enhanced air filtration.
4. In the autumn, Vilniaus Vandenys launched one of its “green projects” and started the installation of solar panels on its territory. So far, there are 5 solar power plants and assembled 5 solar panel plants on the roofs of the Company's buildings with a total capacity of 692 kW. One 100 kW solar power plant will generate for the Company 100,000 kWh of green energy per year.
5. The Company also uses biogas derived in wastewater treatment processes of Vilnius wastewater treatment plant to generate electricity. In this way, the Company not only reduces costs by using renewable sources for electricity generation, but also contributes to environmental safety and CO<sub>2</sub> reduction (up to 5000 t less CO<sub>2</sub> per year).
6. In 2021, six new electric vehicles (two cars and four vans) were added to Vilniaus Vandenys vehicle fleet, thus, at the end of the year, the fleet consisted of 14 fully electric cars, which not only helped the Company to make savings, but also to contribute to the conservation of the environment. In 2021 alone, the use of electric vehicles resulted in fuel savings of EUR 6,500 and operational costs of EUR 400 for the Company. Most importantly, by using electric cars, the Company's CO<sub>2</sub> emissions avoided in 12 tons.

7. At the year end, the Company established a cooperation with the company offering solutions for disinfection using UV radiation. In its search for a scientific and technological solution for the removal of phthalates and phenols from wastewater, the Company is constantly on the lookout for innovations. During this cooperation, the Company is expected to find a way to remove plastic softeners from wastewater.

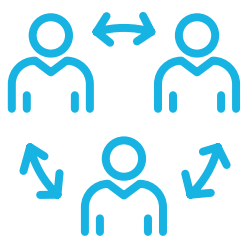


## A value-based organizational culture

It is the Company's commitment to ensure a safe working environment for employees, to provide them with all the measures guaranteeing safety, to foster the Company's values – Cooperation, Professionalism, Responsibility, and to base the most important decisions on them. The Company also provides employees with the tools to express their opinions freely, involve them in decision-making and the Company's communication in the social space.

In 2021, the main achievements in the scope of social responsibility – A VALUE-BASED ORGANIZATIONAL CULTURE:

1. Upholding the values of responsibility and cooperation, the community of Vilniaus Vandenys contributed to the idea of Going Green in Vilnius and, together with Vilnius City Municipality, planted a part of the wellfield in Belmontas (Tuputiškės) with pine seedlings in 2021. 100 pcs. of pine tree seedlings were planted on the plot. This is the first wellfield, the part of which is open to the public – the operating wellfield is planted with plants, and signs are placed in its territory encouraging responsible behaviour.
2. Taking into account the objectives and strategy set by the Company, and the promotion of professionalism in the Company, Vilniaus Vandenys became a member of LAVA, the Sustainable Business Association of Lithuania, in 2021. The Company maintains close relations with this organization, shares good business practices and examples of sustainability.
3. At the end of the year, the Company, together with its employees, made a decision to refuse Christmas gifts, thus emphasizing transparency and bribe prevention to its partners.
4. In 2021, the Company launched the "Protect yourself" campaign, the main goal of which is to encourage employees to comply with occupational safety requirements and promote this behaviour in co-workers.
5. In 2021, the Company also launched the Threat Register, where employees can individually record situations, where occupational safety can be improved.



## Active Member of Society

Vilniaus Vandenys is an open, cooperative and active company, the activities of which are interesting for many groups of society. The Company maintains a sustainable business relationship with all of them. In order to establish a strong relationship with the communities, the Company implements educational initiatives, focusing on raising the awareness of schoolchildren and students about water resources and their proper use, as well as using individual groups of society in search of innovative ideas.

In 2021, the main achievements in the scope of social responsibility – ACTIVE MEMBER OF SOCIETY:

1. In 2021, Vilniaus Vandenys offered educational excursions, as it did every year, to school pupils, students and other members of the public at different objects of the Company: Vilnius wastewater treatment plant, laboratory of Vilniaus Vandenys, the Company's museum and Antaviliai wellfield. During these excursions, the Company's employees introduced visitors to the process of water extraction, water testing, wastewater treatment route and the history of water management. Although the Company did not carry out excursions in the autumn and winter due to the pandemic situation, visitors were much more active in spring and summer. In 2021, the Company's employees held about 20 excursions.
2. In spring 2021, being responsive to the pandemic situation, the Company installed mobile drinking fountains in Litexpo, the largest vaccination centre in Lithuania, thus providing the opportunity not only to residents arriving for vaccination to refresh themselves with water, but also to volunteers working there.
3. 11 September 2021, the Company joined the unique "Mechanisms" educational weekend, initiated by Vilnius City Municipality and supported by the energy companies. During this weekend, residents and visitors of the capital were able to visit places that are rarely open to the public. Vilniaus Vandenys organized four different excursions in one day involving not only the knowledge of its employees, but also historians who offered interesting stories. During this initiative, more than 60 people visited the Company's facilities in one day.
4. In commemoration of the World Water Day, the Company introduced an interactive map of the wellfields to check the quality of water supplied by the Company. This interactive water quality map allows each consumer, based on home address, to determine the wellfield from which drinking water is supplied to him/her and to check microbiological, chemical and sensory characteristics.
5. In summer 2021, the Company initiated a campaign to promote tap water consumption. The main initiative of the campaign was "Drink clean water of Vilnius", to which representatives from different business areas were invited to join and offer their customers and guests to choose free tap water over bottled water in restaurants, cafes, hotels, sports clubs, offices or supermarkets. Nearly 30 different businesses have joined the initiative, offering more than 700,000 glasses of free water to their customers and guests during the summer tap water campaign, thus giving up over 240,000 plastic bottles.



6. During the campaign, the Company organized and hosted a mass tap water tasting in the different the most visited places of the capital. With this step, the Company sought to show Vilnius visitors that the capital of Lithuania is a city where tap water is healthy and of high quality.
7. In the summer of 2021, as a record heat wave blistered, the “fog” system installed in the Town Hall Square by Vilniaus Vandenys helped the residents of the capital to freshen up. This equipment also served well during the Vilnius Marathon and the Olympic Day.
8. In 2021, the Company together with Vilnius City Municipality continued with the project of installing stationary drinking fountains in schools. More than 50 schools were equipped with drinking fountains during the reporting period, bringing the total number of drinking fountains in schools to 102. In the autumn, the Company invited schools and their communities to participate in a water drink competition to encourage school pupils to use drinking fountains installed in their schools. During the announced competition, students and teachers were invited to drink water from drinking fountains installed by Vilnius Vandenys in schools or at home and to record the amount of the water consumed by scanning a unique QR code specifically created for each school. A total of nearly 20 schools expressed their interest in participating in the competition, and more than 34,000 glasses of water were drunk in the schools during the week of the competition. The winner of this competition was St. John Paul II Gymnasium, who drank 12,487 glasses of water in one week, and was awarded by the Company a lesson by Jonas Nainis, a youth influencer and performer, during which representatives of Vilniaus Vandenys also briefly touched on the importance of water to humans, of reducing plastics and making sustainable choices.
9. At the end of the reporting year, the Company announced the launch of a new education initiative, during which representatives of the Company will travel to Vilnius kindergartens and primary schools, where they will teach on three different topics in an attractive format for children: where water comes from, where wastewater disappears and what sustainability is. At the end of 2021, the Company issued a public appeal to representatives of kindergartens and schools inviting them to contact the Company and participate in this voluntary project. This initiative of the Company is sponsored by the Ministry of the Environment, with funding provided by the National Education Agency.

# Environmental protection





## QUALITY AND ENVIRONMENTAL POLICY

Performing its activity, the Company complies with Quality and Environmental Protection Policies, which is applicable to all the employees of the Company. It defines the key directions in the area of quality and environmental management that are closely linked to the directions and initiatives identified in the Company's strategy. The Company aims to use the most advanced tools, technologies and processes in its activities, promote the rational use and management of resources and thus reduce adverse impact of its activities on the environment.

The Company has implemented and applied an integrated quality and environmental management system that meets the requirements of ISO 9001 and ISO 14001 standards, which shows that the environmental impact of the Company's activities is identified and managed, the Company's activities comply with legal and other environmental requirements. The quality management and environmental protection system is integrated into all business processes that are defined by the specifics of the work of divisions to ensure their effective operation, monitoring and management. Each process is planned and controlled continuously in light of customer needs.

ISO certificate is a certificate from an independent organisation having carried out an assessment of a third party confirming that the Company's quality management system complies with ISO standard requirements. The latest ISO certificate certifying the compliance of Vilniaus Vandenys integrated management system with ISO 9001: 2015 and ISO 14001: 2015 standards was obtained on 2 February 2021.

A re-certification audit carried out in 2021 identified the following strengths of the Company's management system:

- Improved risk management framework.
- Effective internal audits designed to review the compliance of the selected elements with the requirements of the quality and environmental management system standards.
- Non-compliance management has been implemented.
- The procurement process is well structured with respect to environmental requirements.
- The processes of the Infrastructure Planning and Technical Strategy Division are structured in an orderly, systematic and clear manner.



## RESPONSIBLE USE OF NATURAL RESOURCES

Activities of the Company of Vilniaus Vandenys are inseparable from nature and its resources. The Company supplies water from deep wells, which are the state property. Therefore, the Company assumes the responsibility for preservation of these natural resources, cleanliness and responsible use thereof in the long run.

Wells used for water extraction are installed and maintained in accordance with all technical and environmental requirements: their technological and structural solutions protect the subsoil and groundwater from contamination or depletion of resources, unused wells are properly preserved and marked.

### Network development for protecting nature

Each newly constructed or renovated meter of the pipeline is not only a benefit to the Company, but also care for the environment, preserving its assets and ensuring cleanliness. The Company plans to invest in network upgrades, renovation of treatment plants and other areas in order to maximize not only the fulfilment of mandatory environmental requirements, but also much more than that. Technology is evolving, therefore, environmental challenges can be overcome much more effectively.

Every newly connected single-family home that has so far used its own local well and wastewater network or has no such services at all is also a step forward in protecting the environment. The Company allocates funds for the connection of the population to the centralized water supply and wastewater networks, ranks the projects, identifies the areas where the services provided by the Company are most needed.

### Drinking fountains: promoting tap-water consumption

Drinking fountains were installed in public spaces of the city, sports grounds and parks also contribute to sustainability and protection of nature: the Company encourages residents to drink tap water using reusable containers instead of buying water bottled in disposable plastic containers.

By expanding a network of permanent and portable drinking fountains in the city, the Company promotes healthy lifestyles, reduces the use of plastics and overall CO<sub>2</sub> emission rate. Remote reading devices in each drinking fountain allow residents to monitor water consumption on their mobile phones and contribution to a cleaner environment.

### Responsible wastewater treatment activities and pollution prevention

Environmental threats also arise in the field of wastewater collection and treatment, and here the Company's efforts to protect nature are at their maximum. After the wastewater is cleaned, water that meets strictly regulated requirements gets back into the environment – mainly into the rivers next to the wastewater treatment facilities. Therefore, a high degree of importance is attached to the used technologies and the results from this activity.



An important event in this area was the reconstruction of the largest wastewater treatment plant in Vilnius, which was announced in 2020 and launched in 2021.

By implementing this project, the Company seeks to increase the quality of the wastewater treatment services provided to Vilnius City and Vilnius District by ensuring that the average annual concentrations of pollutants in discharged treated wastewater meet the requirements of legal acts.

The Company constantly monitors the fulfilment of the liabilities made under the Integrated Pollution Prevention and Control (IPPC) permission/Emission Allowances. Having recorded an incompliance with IPPC permission/Emission Allowance requirements, respective decisions are made in order to eliminate the recorded incompliance and ensuring the provision of high quality wastewater management services to customers.



In 2021, the Company took the following actions to reduce CO2 emissions:

- Instead of being incinerated, the sludge resulting from the wastewater treatment process is dried and used for the fertilisation of energy plantations – the Company, together with its partners, continued its activities in the circular economy project NutriBiomass4Life during the reporting period.
- In 2021, the dried sludge resulting from the wastewater treatment process was started to be supplied to Akmenė Cement AB and used as alternative fuels in the cement industry instead of non-renewable fuels (coal). In addition, the combustion of dried sludge creates less CO2 emissions into the atmosphere compared to coal combustion.
- In the autumn, Vilniaus Vandenys launched one of its Green projects and started the installation of solar panels on its territory. So far, four solar panels were installed and additional four are underway. One 100 kW solar power plant will generate for the Company 100,000 kWh of green energy per year.
- In 2021, the Company's car fleet was topped with six electric cars, which will contribute to a cleaner environment and reduced CO2 emissions.



Renewable energy projects launched or continued by the Company in 2021:

- Treatment of sludge – based on the principles of the circular economy;
- Waste edible fats' reception and processing point – fats are converted into biogas
- Generation of electricity for own consumption using solar power plants installed on roofs
- Tertiary treatment plants for better phosphorus, nitrogen removal, plastic capture
- Hydropower plant in wastewater network and hydro-turbine in water supply network

# Personnel management



In 2021, the Board of the Company approved a new Personnel Management Policy (published on the Company's website [www.vv.lt](http://www.vv.lt), in section About us / Operational plans, reports, salary/ Operational plans and reports), the primary purpose of which is to set objectives and general principles guiding the Company in the field of people management by designing, maintaining and continuously improving the value and governance-based organization to ensure the implementation of strategic directions while maintaining sustainable key performance and efficiency indicators.

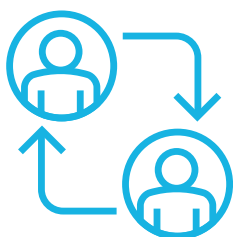
## PERSONNEL



As at 31 December 2021, the Company had

**659**  
employees

(in 2020: 695). The change in the number of employees in the Company was caused by the increasing efficiency of the Company's processes and their automation.



In 2021, the employee turnover rate was **18%**

(in 2020: 7.52%)



In 2021, **51** employee changed position and moved up the internal career ladder



## Distribution of employees by function

At the end of 2021, 56% of the Company's employees worked in the Production Service and carried out functions related to core activities of the Company, 26% worked in the customer service area, and the remaining 18% engaged in support activities of the Company.

## Distribution of employees by employee groups

At the end of 2021, the Company employed 7% of administrative and middle managers, 52% of specialists and senior specialists, and 40% of workers.

## Distribution of employees by education

In 2021, 48% of the Company's employees had a university degree, 23% – a vocational training degree, and 29% – degree in secondary education.

## Distribution of employees by length of service

The average length of service of employees in the Company was 13 years in 2021. As many as 200 employees had worked for the company for 20 years or more.

## Employee involvement and empowerment

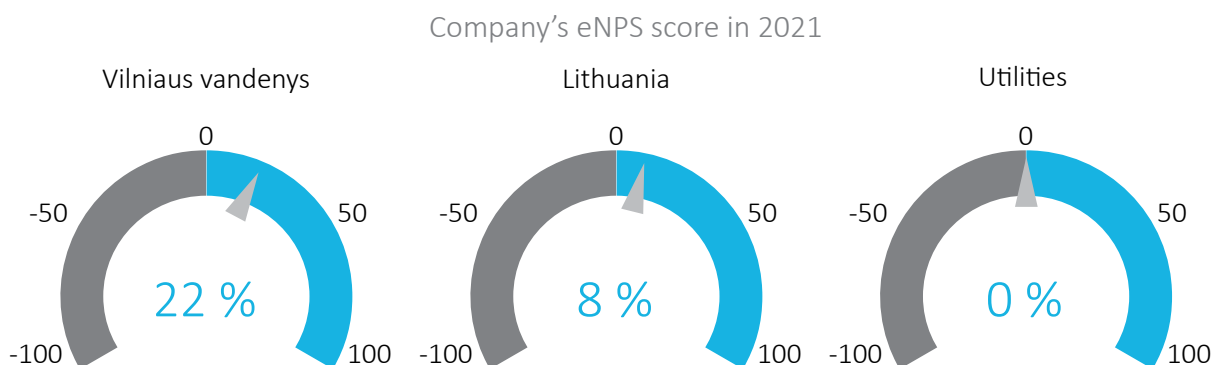
In 2021, the Employee Engagement and Empowerment Survey was carried out in the Company. 81% of the Company's employees enrolled in this survey. The results of the Survey showed a 65% achievement of employee engagement (3% lower than in 2020) and a 73% achievement of empowerment in the Company.

A high employee engagement rate shows that the Company's employees are motivated, positive and loyal to the organisation, engaging with enthusiasm and involving a high level of responsibility. These are the employees who are unlikely to change the organisation they work for in the near future.

The 73% achievement of employee empowerment shows that work and the working environment encourage workers to turn their enthusiasm for into productive action.

The Company's employees who are both engaged and empowered demonstrate the best performance – the total percentage of such employees in the Company was 61% (other organisations operating in Lithuania demonstrate a lower rate – approx. 58%).

Also, eNPS (Employee Net Promoter Score) was used in the Employee Engagement and Empowerment Survey conducted in 2021 to measure the loyalty by asking employees if they would recommend the organisation as an employer to others. In this case, the eNPS score achieved was 22%, which is well above the average score for all companies in Lithuania.





## REMUNERATION AND ADDITIONAL BENEFITS

To ensure the continuity of quality operations, the Company must attract and retain employees with the necessary competencies. This is what allows the Company to operate efficiently, ensuring predictable, relevant and sustainable performance.

Therefore, the Company implements and improves the remuneration system that complies with the principles of external competitiveness and internal justice, linked to the employee performance management system, which promotes the pursuit of the best performance and the development of the necessary competencies.

The position matrix and information about the Company's remuneration intervals are accessible to all Company employees in the document management system on a permanent basis.

### Components of remuneration package

Remuneration structure		
Principal remuneration component (PRC)	Variable remuneration component (VRC)	Additional benefits
Description of the procedure for determining and revising the principal remuneration component of employees	<p>Description of the procedure for applying, determining and paying the annual variable remuneration of employees</p> <p>Description of the procedure for applying, determining and paying the quarterly variable remuneration of employees</p>	Description of the procedure for rewarding additional benefits

Principal remuneration component (PRC) paid to the Company's employees is reviewed on annual basis. The results of the PAD review depend on the financial capabilities of the Company, the individual performance of the employee, the position of the employee's remuneration within the remuneration interval of the position.

### Variable remuneration component (VRC) paid by the Company

Amount of PRC	% of the annual estimated remuneration		% of the quarterly estimated remuneration
	For the fulfilment of the Company's goals	For the fulfilment of individual annual goals	For the fulfilment of individual quarterly goals
Directors of Units	20	10	
The heads of departments and divisions subordinate to the CEO, the head- the chief accountant	10	10	
Mid-level executives	5	10	
(Senior) specialists		10	
Workers			10

Average monthly salary by employee categories:

Job title	2019		2020		2021	
	Number of employees	Average remuneration	Number of employees	Average remuneration	Number of employees	Average remuneration
Top management	5	5,775	5	6,669	4	6,445
Mid-level executives	37	3,166	38	3,584	43	3,515
Senior specialists	77	2 191	80	2,327	89	2,334
Specialists	260	1,463	265	1,612	257	1,657
Workers	310	1,168	307	1,300	266	1,329

\* The number of employees on the last day of the year.

Top management – the CEO and directors of units.

Middle management – heads of departments, divisions and groups.

Senior specialists – employee category consisting of highly qualified employees with excellent knowledge of their job specifics appointed to be in charge of a group of employees (specialists or workers).

Specialists – employee category consisting of employees who know their job well and have a certain profession.

Workers – category of employees who perform work assigned by others, making decisions exclusively in relation to the work that they do.

## ADDITIONAL BENEFITS

Being interested in the welfare of its employees, the Company has an additional benefit package that applies to all employees of the Company. The Company's employees receive two additional rest days per year (under administrative authorisation), as well as additional rest days for attendance of weddings, or in the event of an accident, and the first two days of sick leave are paid at 100% by the employer.

Under the Collective Agreement, the Company ensures benefits in respect of accidents at work, as well as bereavement allowance (the death of a close family member).

The Company organises celebrations, cultural and sporting events, which are open to all employees of the Company. In 2021, both the Company's employees and their children (under the age of 12) were given holiday gifts on the occasion of the major holidays.

## EMPLOYEE EDUCATION AND COMMUNICATION

The required competencies of employees – professional, basic, leadership and management – allow the Company to achieve the highest performance results.

The Company supports the educational process by providing opportunities for employees to learn and grow through:

- Working practices (e.g., appointment to lead a complex project, involvement in non-standard situations, implementation of systems, assignment to another area or higher responsibility position, etc.)
- Internal and external formal training;
- Self-learning by means of distance and virtual training, various sources of information, publications, etc.

Professionalism plays a key role in the Company, therefore, job candidates must have the appropriate professional and core competencies, openness to continuous learning and development and relevant know-how.

The employee education plan is drafted annually based on the competence needs. In 2021, particular attention was paid to developing leadership competencies.

Trainings held in the Company in 2021 and number of participants

Training area	Number of employees
Optional professional training	1,074
Basic competence development	275
Leadership and managerial competence development	110
<b>TOTAL:</b>	<b>1,594</b>

*\* The "Training" section represents the total number of participants, i.e. some employees may have taken part in trainings more than once.*

Trainings in 2021

Title of a training course	Number of participants	Purpose of a training
Conflict Management Training Course	122	To help employees understand the principles of conflict management, to strengthen employees' preparedness for professional management, to learn how to respond to emotions, to manage situations of providing negative information to customers and their dissatisfaction, and to develop smooth communication skill. On completion of this training cycle, one of the actions having impact on the customer satisfaction index (GCSI) and ensuring high quality customer service was implemented.
Advanced Excel Training and Basic Excel Power Query and Power Pivot Training	92	To improve knowledge and practical skills on effective processing of data, calculations, graphical representation of data, and analysis of results using different MS Excel functions.

Personal Data Protection Training Course	326	To make the Company's employees aware of the EU General Data Protection Regulation (GDPR), the main requirements of GDPR, to develop deeper learning competencies and enhance the ability to comply with the rules and procedures for processing personal data set out in the GDPR and apply the GDPR requirements in practice. As well as to raise awareness about existing cyber threats to personal data protection, which affect a large number of people and/or companies each year.
Kaizen Training	282	To introduce employees to the Kaizen method of improving the Company's business processes in order to engage employees and enable them to submit proposals aimed at improving processes, increasing workplace productivity, and improving safety and quality.
Leadership Development Program	65	To enhance leadership knowledge and gain a practical foundation; to raise awareness of management and leadership, and the importance of management and leadership to the operational efficiency, the employee performance and development; to develop management and leadership skills of participants. Topics of the Leadership Development Program: <ul style="list-style-type: none"> <li>• Focus on Target, Planning and Delegation</li> <li>• Conflict management</li> <li>• Managing people (leadership qualities) and persuasive communication</li> <li>• Self-management</li> </ul>

In 2021, the Value Game, another employee-oriented initiative, was launched at the Company. During the Value Game session in the form of a board game, the Company's employees address the situations related to the Company's activities, services provided, activities of employees of different specializations, occupational safety and Company's values. At the beginning of the year, the Company made a plan to engage all employees in the Values Game throughout the year, however, it was temporarily suspended in the autumn due to the pandemic situation. In 2021, 524 employees of Vilnius Vandenys participated in the Values Game, which was held 14 times. Whereas the results of the Employee Satisfaction and Empowerment Survey conducted in the Company showed that the Values Game was rated by employees as the Company's best initiatives, the Company intends to extend it in 2022.

In 2021, the Company also launched another new initiative for its employees – the Colleague Days, during which the employees of different divisions of the Company have the opportunity to participate in tours led by their own colleagues in different divisions and departments, and increase awareness, ask questions, and delve into the specifics of the roles of their colleagues. In 2021, the Colleague Days were held in the Company's divisions at Savanorių ave. and Titnago st.

The Company also hosted Newcomer Days, which became a tradition in 2021, offering employees the possibility to obtain understanding of the Company's main activities, values and organizational culture. A total of 40 new employees, who joined the Company during the year, took part in the Newcomer Days.

## COLLECTIVE AGREEMENT

On 30 December 2021, a Collective Agreement was signed in the Company (by the employer and the chairman of the trade union). The entry into force of this Agreement is foreseen by the end of the reporting period on 1 January 2022 (for a maximum period of 2 years). The purpose of the collective agreement is to ensure an adequate mutual balance between rights and obligations, to specify the legal rules established by the state, to promote value-based employee behaviour, and to maintain the best employees by promoting additional benefits.

The agreement provides for various benefits, paid additional leave days and similar benefits for employees.



During 2021, **69** employees were granted benefits under the Collective Agreement, amounting to a total of **EUR 24,351**.



During 2021, **641** employees took additional paid leave, a total of **1,265 rest days** were granted.

## LABOUR COUNCIL

Implementing the requirements of the Labour Code, the Labour Council of 11 members operates in the Company as from February 2018. A new Works Council was elected in September 2021. In 2021, 8 meetings of the Works Council with the representatives of employer took place to discuss issues important to employees and 2 meetings were held with the employees.



# Occupational safety and health



Having assessed the Company's culture of occupational safety and health, the Company assigns the highest priority to ensuring proper work organisation and work safety. Vilniaus Vandenys announced the year 2021 as the Year of Occupational Safety and Health, and the motto is zero tolerance for violations of occupational safety and health and accidents. Each employee is expected to take a responsible approach to his/her own and his/her colleagues work, environment and instruments.

The Company consistently strives to establish a culture of occupational safety and health based on risk management and prevention. Injuries, incidents, accidents and occupational diseases can be avoided by analysing work processes and identifying risks and by anticipating measures to prevent or reduce them.

Key directions for 2021, designed to increase compliance with safety requirements and to promote employee engagement:

## 1. Work organization and control

- Refining the process of organising hazardous works and the obligations, rights and responsibilities of the participants of the process.
- Involving managers in the on-site inspection of crew (261 inspections have been carried out by managers during the reporting period from May).
- Installing an electronic form (system) for recording inspection results.
- Developing a mechanism for control and motivation (in 2021, 21 occupational safety violations were recorded, presenting a risk to the safety and health of workers).

## 2. Training, briefing

- Practical staff training, workshops (in 2021: 583 employees attended trainings).
- Launching installation of training guides in electronic format (4 guides were installed during the reporting period).
- Regulated testing of employees after periodic briefing.
- Suppliers train employees to work safely with the tools, equipment and equipment they sell.
- Process visualisation. Creating visualisations in addition to existing instructions (7 thematic posters were designed).

## 3. Protective measures

- Involving employees in the selection and expert evaluation of procurement of personal and collective protective equipment.
- Drawing up of a basic configuration list of the safety and rescue measures (for vehicles).
- Monitoring market innovations in the field of safety measures, arranging introductions for employees to assess the relevance and convenience of the measure.
- Updating personal protective equipment given the most recent trends and technologies (modern helmets were acquired).

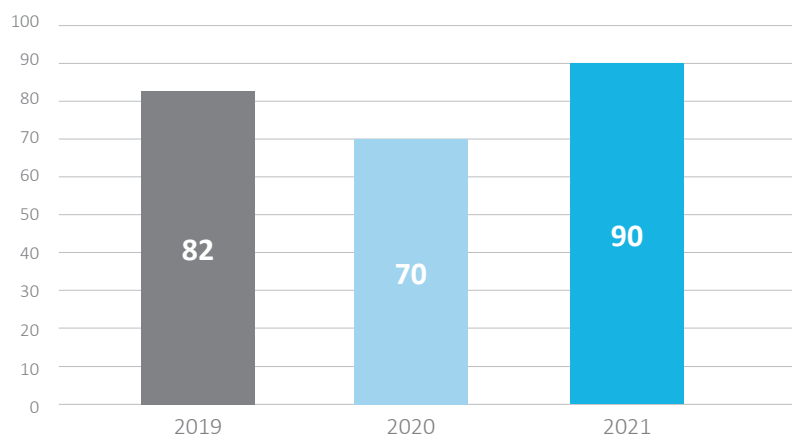
Also in 2021, the Company installed "Safety at Work", the system of occupational safety and health planning and control.

### Compulsory trainings for employees on occupational safety and health, fire and civil protection

Trainings	Number of employees who participated in training		
	2021	2020	2019
Interactive OHS training for new employees	51	42	95
Mandatory trainings/regular knowledge tests (external)	376	568	544
Mandatory trainings (internal)	700	709	775
Regular knowledge tests (internal)	119	173	81
<b>TOTAL:</b>	<b>1,246</b>	<b>1,492</b>	<b>1,495</b>

By setting itself and its employees high safety and health standards, with a particular focus on ensuring safe and healthy working conditions, the Company seeks to cooperate only with reliable and socially responsible partners who regard occupational safety as a priority. Vilniaus Vandenyys also constantly cooperates with its partners, with whom it signs works contracts and defines the limits of mutual responsibilities regarding safety at work.

### Number of the deeds of the mutual responsibilities regarding safety at work, signed with the contractors



The Company investigates all incidents and accidents at work and on the way to/from work. The Company set the target of zero accidents at work for 2021. At the end of 2021, 1 accident in the course of work was recorded per year at the Company, which is classified as a minor according to the type of consequence.



Distribution of accidents at work and on the way to/from work by consequences

Distribution of accidents by their consequences	2021		2020		2019	
	Accident at work	On the way*	Accident at work	On the way*	Accident at work	On the way*
Minor	1		1		2	1
Major			1			1
Lethal			3			
Total:			5		2	2
<b>Overall</b>	<b>1</b>		<b>5</b>		<b>4</b>	

\* On the way – accident on the way to/from work.



In 2021, a strong focus was placed on measures to prevent the spread of COVID-19 within the Company:

- Ensuring the coordination of unified measures and actions.
- Providing employees with personal protective equipment and disinfectants.
- Ongoing monitoring of the situation in Lithuania and changes in legislation.
- Internal communication and education of employees.

# Hares and capital management



On 31 December 2021, issued capital of the Company comprised of 4,239,732 ordinary shares with the par value of EUR 28.96 each.

The issued capital of the Company was fully paid as at 31 December 2021. The Company did not hold its own shares.

The primary objective of the capital management is to ensure that the Company maintains a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value.

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

The Dividend Policy (publicly available on the Company's website [www.vv.lt](http://www.vv.lt), in section About us / Operational plans, reports, salary/Operational plans and reports) is one of capital risk management tools. Based on this policy, the Company plans the distribution of dividends in view of the ratio of return on equity and net profit earned.

No dividend for shareholders was declared in 2021 and 2020.

The Company is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company meets the requirements of equity by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

The Company monitors capital using capital concentration ratio, which is calculated as ratio between equity and total assets (after eliminating advances received) of the Company. Equity includes ordinary shares, reserves, retained earnings or accumulated losses. The Company's management seeks the capital concentration ratio to be no lower than 40%:

#### Breakdown of the Company's shares by shareholder

Company's shareholders	As at 31/12/2021	
	Number of shares held	Ownership interest, %
Vilnius City Municipality	3,974,484	93.74
Vilnius District Municipality	119,009	2.81
Švenčionys District Municipality	83,450	1.97
Šalčininkai District Municipality	62,789	1.48
	<b>4,239,732</b>	<b>100.00</b>



# Material events in 2021



## 1 February 2021

Average volume of consumed drinking water per capita per month (2.44 m<sup>3</sup>) was changed for customers who do not have individual meters in the territory served by the Company.

## 25 March 2021

The National Energy Regulatory Council approved the Company's investments for 2019.

## 25 March 2021

The National Energy Regulatory Council renewed the drinking water supply and wastewater management licence of the Company.

## 31 March 2020

The European Investment Bank (EIB) granted a loan of EUR 50 million for the improvement of infrastructure. On 31 March 2021, loan agreement for the first tranche of EUR 20 million was signed.

## 22 April 2021

The National Energy Regulatory Council approved the base prices of drinking water supply and wastewater treatment services.

## 26 May 2021

The National Energy Regulatory Council renewed the drinking water supply and wastewater management licence of the Company.

## 1 August 2021

New base prices of drinking water supply and wastewater treatment services, fee for the acquisition, installation and operation of drinking water metering devices applicable to customers in Vilnius City, Vilnius District, Šalčininkai and Švenčionys coordinated by the State Energy Regulatory Council on 22 April 2021 and approved by the Board of Švenčionys District Municipality on 27 May 2021, the Board of Vilnius District Municipality on 28 May 2021, the Board of Vilnius City Municipality on 2 June 2021 and the Board of Šalčininkai District Municipality on 16 June 2021.

## 10 September 2021

The Company's issued capital was increased by in kind contribution of Vilnius City Municipality in the value of EUR 289,657.92.

## 29 November 2021

The agreements for funding the projects "Development of Drinking Water Supply and Wastewater Collection Networks in Vilnius, Eišiškės and Šalčininkai agglomerations" and "Development of Wastewater Collection Networks in Vilnius County Agglomerations" were signed in accordance with Priority Axis 5 "Environment, Sustainable Use of Natural Resources and Adaptation to Climate Change" of the Operational Programme for EU Structural Funds Investments for 2014–2020, measure No 05.3.2-VIPA-T-024 "Improvement of the Wastewater Treatment Networks". A repayable assistance of EUR 3,492,801.00 was awarded for the project "Development of Drinking Water Supply and Wastewater Collection Networks in Vilnius, Eišiškės and Šalčininkai agglomerations" and a repayable assistance of EUR 4,306,851.36 was awarded for the project "Development of Wastewater Collection Networks in Vilnius County Agglomerations". Development of drinking water supply networks will be carried out in addition to the development of wastewater collection networks. The remaining amount necessary for the implementation of the projects will be funded through the loans granted by VIPA

and municipal funding. Loans are granted with fixed annual interest rate of 2%, the loan maturity term is 240 months following the date of entry into force of the loan agreements. The deadline for the implementation of project activities is 1 September 2023.

### 16 December 2021

The National Energy Regulatory Council renewed the drinking water supply and wastewater management licence of the Company.

### 15 December 2021

The Company's issued capital was increased by cash contribution from Vilnius City Municipality in the value of EUR 199,997.76.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### 3 January 2022

The Company and the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania (AVA) signed an amendment to the agreement for funding project No 05.3.2-APVA-V-013-04-0010 "Reconstruction of Vilnius City Wastewater Treatment Plant". Under the order of the Minister of Environment of the Republic of Lithuania No D1-773 of 27 December 2021, the project No 05.3.2-APVA-V-013-04-0010 was granted the outright grant under Priority Axis 5 "Environment, Sustainable Use of Natural Resources and Adaptation to Climate Change" of the Operational Programme for EU Structural Funds Investments for 05.3–2020, Implementing Measure No 05.3.2-APVA-V-013 "Improvement of the Drinking Water Supply and Waste-Water Treatment Sector"; the other part of the project is financed with Vilniaus Vandenys UAB own funds and loans.

### 1 February 2022

Average volume of consumed drinking water per capita per month (2.48 m<sup>3</sup>) was changed for customers who do not have individual meters in the territory served by the Company.

### 7 February 2022

The Company's issued capital was increased by in kind contribution of Vilnius City Municipality in the value of EUR 237,095.52.

### 15 February 2022

A finance lease agreement was signed with Švenčionys District Municipality. Movable and immovable property was sold and delivered at inception date. Settlement of the property sold will be carried out in accordance with the schedule by the Administration of Švenčionys District Municipality. The property was sold under the agreement in relation to the operations discontinued in December 2021 in the town of Pabradė, where the Company operated wastewater networks and a wastewater treatment plant.

### 8 March 2022

The Company's issued capital was increased by cash contribution of Vilnius City Municipality in the value of EUR 1,599,982.08.

## IMPACT OF THE RUSSIAN MILITARY INVASION OF THE REPUBLIC OF UKRAINE

On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. The EU and rest of the world, including global bodies, are taking measures to respond to the military aggression of the Russian Federation against the Republic of Ukraine. The management of the Company has assessed that these sanctions will not have a significant impact on the Company's ability to continue as a going concern, since the sanctions imposed are currently not having an adverse effect on the Company.

At the date of authorisation of these financial statements, the management is not yet able to reasonably quantify the extent of potential changes in accounting estimates in 2022 due to the rapidly changing situation, great level of uncertainty and the possible overall negative economic effect.

# Details and contact data of the company

Company name	Private limited liability company Vilniaus Vandenys
Legal form	Limited liability company
Registration date	27 March 1991
Name of Register of Legal Entities	State Enterprise Centre of Registers
Company code:	120545849
Registered address:	Spaudos st. 8-1, LT-01517, Vilnius, Lithuania
Telephone	19118, 1889
E-mail	Info@vv.lt
Website:	www.vv.lt



# Customer service divisions of the company

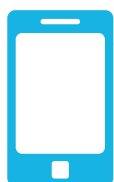
## Vilnius

Spaudos st. 8-1, Vilnius  
I–IV 8.00 a.m. – 5.00 p.m.  
V 8.00 a.m. – 3.45 p.m.

## Šalčininkai

Lydos st. 34, Milvydų village, Šalčininkų civil parish,  
Šalčininkų District Municipality  
I–V 7.30 a.m. – 4.00 p.m.  
(lunch break 11.30–12.00)

Customer service lines open 24/7



# 19118

a general service centre for customers of Vilnius City

# 1889

a service centre for customers of Vilniaus Vandenys

Calls are charged based on the rates or the payment plan of the communication operator. It must be noted that operators charge calls to short numbers at different rates, thus it is recommended to check the call price on the operator's website (Bitė, Tele2, Telia).

## +370 5 266 4455

You can call this number both from Lithuania and abroad. Calls are charged based on the rates or the payment plan of the communication operator.

## 8 800 10880

Toll-free telephone for registering accidents.

Vilniaus Vandenys UAB

Independent Auditor's Report and  
Financial Statements for the Year  
Ended on 31 December 2021

*This version of financial statements is a translation from the original, which was prepared in the Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.*

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## INDEPENDENT AUDITOR'S REPORT



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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

To the management of UAB Vilniaus vandenys

Ernst & Young Baltic UAB has performed an audit of the financial statements of UAB Vilniaus vandenys (hereinafter the Company) for the year ended 31 December 2021 prepared in the Lithuanian language. The accompanying set of financial statements is the translation into the English language and below is presented a translation of our auditor's report from the original, which was issued in the Lithuanian language. The Management of the Company is responsible for the translation of the financial statements. All possible care has been taken to ensure that the translation of the auditor's report and the accompanying financial statements is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over this translation.

## “INDEPENDENT AUDITOR'S REPORT

To the shareholders of Vilniaus Vandenys UAB

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Vilniaus Vandenys UAB (hereinafter “the Company”), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

## **Key audit matters**

### **1. Contingent liabilities and provisions relating to legal matters**

As it is disclosed in Note 28 of these financial statements, the Company is involved in legal proceedings and is exposed to potential claims, including a material claim, regarding which a provision has been recorded in amount of EUR 3.5 million as at 31 December. This matter is significant to our audit because an adverse outcome of these claims and litigations could have a material adverse effect on the financial position, results of operations and cash flows of the Company and it involves significant management's judgement to assess the probable outcomes of the uncertainties and consequently the amount of provisions to be recorded and/or contingent liabilities to be disclosed in the financial statements.

## **How the matter was addressed in the audit**

Our audit procedures included, among others, the following:

- we have obtained understanding of the process how management perform assessment of legal matters, measurement of provisions and/or disclosures of potential obligations for each of the material contingencies;
- discussions with the management and the Company's internal legal counsel of the basis underlying the management's assessment of the potential outcome of the claims and litigations;
- we also obtained a letter from the external legal counsel of the Company outlining the material contingencies and key fact pattern of the legal proceedings in order to evaluate the judgement made by the management;
- we inspected relevant legal correspondence, meeting minutes of the Board and Shareholders and other relevant information to support individual facts and circumstances underlying the management's judgement on provisions and contingent liabilities, as per criteria set in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Furthermore, we have reviewed the adequacy of the disclosure in the financial statements on this matter (Note 28).

### **2. Impairment assessment of property, plant and equipment**

Property, plant and equipment amounts to EUR 154,111 thousand in the statement of financial position of the Company as at 31 December 2021. As disclosed in Note 3.23 to the financial statements, the Company performed an annual impairment test of these assets as at 31 December 2021 based on the value in use estimates. Based on the outcome of this impairment test, the Company has not recognized any impairment charge in 2021.

The annual impairment test was significant to our audit as it involves management judgement regarding the assumptions used in the underlying cash flows forecasts and discount rate. Furthermore, the property, plant and equipment represent more than 89% of the total assets of the Company as at 31 December 2021.

Our audit procedures included, among others, the following:

- we have obtained understanding of the process (including assumptions and methods) how management perform property, plant and equipment impairment assessment;
- we involved a valuation specialist to assist us with the assessment of the impairment model's structure and composition as well as the discount rate used by the management in the impairment test;
- we also considered other key assumptions used by the management in the estimation of cash flows forecasts for revenue, costs, level of capital expenditure by comparing them to historical performance levels and management's expectations of their development in the future. We tested the sensitivity in the available headroom of the impairment test by considering if a reasonably possible change in assumptions could cause the carrying amount of property, plant and equipment to exceed its recoverable amount;
- we have also assessed the historical accuracy of the management's estimates.

### 3. Impairment assessment of trade receivables

As at 31 December 2021, the Company had current trade receivables balance amounting to EUR 6,962 thousand reported in the statement of financial position, part of which was overdue as disclosed in Note 12 of the financial statements.

The determination as to whether a trade receivable is collectible involves management's judgement. Specific factors management considers include the age of the various receivable balances, recent historical payment patterns as well as forward looking information. This matter is significant to our audit due to materiality of the amounts as these receivables constitute over 44% of the total current assets of the Company in the statement of financial position as at 31 December 2021 and high level of management judgement involved in impairment allowance calculation.

Finally, we have reviewed the adequacy of the Company's disclosures included in Note 3.23 about the assumptions used in the impairment test and the outcome of the test.

Our audit procedures included, among others, the following:

- we have obtained understanding of the process (including assumptions and methods) how management perform impairment assessment of trade receivables;
- we reviewed the management's assumptions used in the impairment assessment of trade receivables, including the historical default rate information used, by agreeing on a sample basis information used by the management with the supporting evidence;
- we also considered forward-looking information used in the impairment estimation by comparing the management's estimate with the publicly available reputable sources of information (e.g. Bank of Lithuania);
- additionally, we tested the correctness of aging of the receivables data by obtaining sale documents for a selected sample and comparing that with the information included in the ageing report. In addition we reviewed clerical accuracy of the calculation of impairment recorded for the customer groups based on their ageing.

Furthermore, we have reviewed the adequacy of the disclosure in the financial statements on this matter (Note 12).

### Other information

Other information consists of the information included in the 2021 Company's Annual Report, including Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

*Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.*

#### **Appointment and approval of the auditor**

In accordance with the decision made by the shareholders, we have been chosen to carry out the audit of the Company's financial statements for the first time on 14 November 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for six years.

#### **Adaptation to the audit report submitted to the audit committee**

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report, which we have submitted to the Company and its Audit Committee

#### **Non-audit services**

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have provided to the Company non-audit services disclosed in the Company's financial statements (Note 7).

The partner in charge of the audit resulting in this independent auditor's report is Inga Gudinaite.

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

Inga Gudinaite  
Auditor's licence  
No 000366

25 March 2022"

Inga Gudinaite  
Partner  
29 April 2022

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
<b>Revenue</b>			
Revenue from contracts with customers	4	38,779	36,984
Other income	4	3 621	284
<b>Total revenue:</b>		<b>42,400</b>	<b>37,268</b>
Payroll and related expenses	5	(14,384)	(14,216)
Depreciation and amortisation	10,11	(8,817)	(7,371)
Repair and maintenance expenses	6	(2,535)	(2,406)
Sludge treatment expenses		(1,116)	(1,382)
Electricity expenses		(3,307)	(3,350)
Transportation expenses		(654)	(580)
Telecommunication and IT services		(1,109)	(926)
Tax expenses (excl. Income tax)		(3,023)	(2,320)
Impairment (losses) and reversal of impairment losses from contracts with customers	12	359	(270)
Impairment/(reversal of impairment) of non-current assets		-	36
Non-current assets write-off expenses		(63)	(595)
Other expenses	7	(4,512)	(5,912)
<b>Total expenses:</b>		<b>(39,161)</b>	<b>(39,292)</b>
<b>Operating profit (loss)</b>		<b>3,239</b>	<b>(2,024)</b>
Finance income	8	194	138
Finance costs	8	(203)	(218)
<b>Net financial result</b>		<b>(9)</b>	<b>(80)</b>
<b>Profit (loss) before tax</b>		<b>3,230</b>	<b>(2,104)</b>
Income tax benefit (expenses)	9	(110)	112
<b>NET PROFIT (LOSS)</b>		<b>3,120</b>	<b>(1,992)</b>
<b>Other comprehensive income (expenses)</b>			
Items that will be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
<b>Total other comprehensive income (expenses)</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSES)</b>		<b>3,120</b>	<b>(1,992)</b>

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.  
These financial statements were approved and signed on 25 March 2022.

Saulius Savickas  
Acting Director- General

Simonas Klimavičius  
Business Planning and  
Director of Finance

Zina Chmieliauskienė  
Head of the Accounting  
Department

## STATEMENT OF FINANCIAL POSITION

	Note	31/12/2021	31/12/2020
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	10	154,111	140,095
Intangible assets	11	1,243	758
Right-of-use assets	10	1,910	2,070
Total non-current assets		157,264	142,923
<i>Current assets</i>			
Inventories		290	301
Trade and other receivables	12	6,962	6,372
Prepayments and deferred expenses	13	611	505
Accrued income	14	523	494
Cash and cash equivalents	15	7,348	6,043
Total current assets		15,734	13,715
<i>Assets held-for-sale</i>		305	25
<b>TOTAL ASSETS</b>		<b>173,303</b>	<b>156,663</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Issued capital	16	122,783	122,293
Legal reserves	17	1,054	1,054
Retained earnings (deficit)		9,380	6,260
Total equity		133,217	129,607
<i>Non-current liabilities</i>			
Loans	18	15,559	7,833
Lease Liabilities	19	1,732	1,884
Deferred tax liabilities	9	486	376
Employee benefits		341	353
Grants		174	44
Other non-current liabilities		507	512
Total non-current liabilities		18,799	11,002
<i>Current payables and liabilities</i>			
Loans	18	513	427
Current portion of lease liabilities	19	242	234
Trade and other payables	20	6,642	6,035
Contract liabilities – advances received		872	717
Provisions	28	4,590	3,013
Other current liabilities	21	8,428	5,628
Total current liabilities		21,287	16,054
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>173,303</b>	<b>156,663</b>

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.  
These financial statements were approved and signed on 25 March 2022.

Saulius Savickas  
Acting Director- General

Simonas Klimavičius  
Business Planning and  
Director of Finance

Zina Chmieliauskienė  
Head of the Accounting  
Department

**STATEMENT OF CHANGES IN EQUITY**

	Notes	Issued capital	Legal reserve	Retained earnings	Total equity
<b>Balance as at 01 January 2020</b>		<b>118,847</b>	<b>1,054</b>	<b>8,252</b>	<b>128,153</b>
<b>Comprehensive income</b>					
Net profit (loss)		-	-	(1,992)	(1,992)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(1,992)</b>	<b>(1,992)</b>
Increase in issued share capital by in-kind contributions		3,446	-	-	3,446
<b>Balance as at 31 December 2020</b>		<b>122,293</b>	<b>1,054</b>	<b>6,260</b>	<b>129,607</b>
<b>Balance as at 1 January 2021</b>		<b>122,293</b>	<b>1,054</b>	<b>6,260</b>	<b>129,607</b>
<b>Comprehensive income (expenses)</b>					
Net profit (loss)		-	-	3,120	3,120
<b>Total comprehensive income (expenses)</b>		<b>-</b>	<b>-</b>	<b>3,120</b>	<b>3,120</b>
Increase in issued share capital by in-kind and cash contributions	16	490	-	-	490
<b>Balance as at 31 December 2021</b>		<b>122,783</b>	<b>1,054</b>	<b>9,380</b>	<b>133,217</b>

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.  
These financial statements were approved and signed on 25 March 2022.

Saulius Savickas  
Acting Director- General

Simonas Klimavičius  
Business Planning and  
Director of Finance

Zina Chmieliauskienė  
Head of the Accounting  
Department

## STATEMENT OF CASH FLOWS

	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
<b>Cash flows from operating activities</b>			
Net profit (loss)		3,120	(1,992)
<b>Adjustments to non-cash items:</b>			
Depreciation and amortisation	10.11	12,483	11,762
Change in deferred income tax	9	110	(112)
Grants (amortisation)	10	(3,666)	(4,391)
(Gain)/loss on disposal/write off of property, plant and equipment and assets held for sale		(3,439)	350
Impairment/(reversal of impairment) of non-current assets		-	(36)
Change in impairment arising from contracts with customers	12	(359)	270
Change in allowance for inventories		(21)	23
Change in provisions		924	2,349
Interest expenses	8	190	160
Financial income recognised in the statement of profit or loss and other comprehensive income	8	(181)	(80)
		9,161	8,303
<b>Working capital adjustment:</b>			
Decrease/(increase) in inventories, prepayments, deferred expenses and accrued income		(30)	(41)
(Increase)/decrease in trade and other receivables	12	(231)	(587)
Increase/(decrease) in trade and other payables		3,668	1,866
<b>Net cash flows from operating activities</b>		<b>12,568</b>	<b>9,541</b>
<b>Cash flows used in investing activities</b>			
(Purchase) of property, plant and equipment and intangible assets		(33,873)	(17,550)
Proceeds from disposal of property, plant and equipment and assets held for sale		3,784	575
Interest received		105	13
<b>Net cash flows used in investing activities</b>		<b>(29,984)</b>	<b>(16,962)</b>
<b>Cash flows from/used in financing activities</b>			
Proceeds from borrowings	18	8,239	7,833
(Repayment) of loans	18	(427)	(857)
Repayment of lease liabilities		(234)	(232)
Payment of interest and similar expenses		(178)	(150)
Grants received		11,103	2,414
Contributions to issued capital received	16	200	-
Penalties and default interest received		31	58
Penalties and default interest (paid)		(13)	(58)
<b>Net cash flows from/(used in) financing activities</b>		<b>18,721</b>	<b>9,008</b>
<b>Net (decrease) increase in cash flows</b>		<b>1,305</b>	<b>1,587</b>
<b>Cash and cash equivalents at the beginning of the year</b>	15	<b>6,043</b>	<b>4,456</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>7,348</b>	<b>6,043</b>

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.

These financial statements were approved and signed on 25 March 2022.

Saulius Savickas	Simonas Klimavičius	Zina Chmieliauskienė
Acting Director- General	Business Planning and Director of Finance	Head of the Accounting Department

## SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND OTHER NOTES

### 1. General

Vilniaus Vandenys UAB (hereinafter "the Company") was registered on 27 March 1991, the company code is 120545849. The registered office address is Spaudos st. 8-1, LT-01517, Vilnius, Lithuania. The principal activities of the Company are the supply of water and wastewater treatment services. Vilniaus Vandenys, UAB is the largest water supply company in Lithuania. It operates water supply and waste water assets in Vilnius City, Šalčininkai, Švenčionys and Vilnius District. As at 31 December 2021, the number of private customers of the Company was 263.8 thousand (as at 31 December 2020 – 258.7 thousand), legal entities amounted to 8.5 thousand (as at 31 December 2020 – 8.5 thousand). Private customers and legal entities are treated as defined in the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania and the Methodology for Calculating Water Supply and Wastewater Management Prices. Based on the unaudited data for 2020, the Company supplied approx. 91 thousand m<sup>3</sup> of water per day and collected approx. 115 thousand m<sup>3</sup> and treated approx. 115 thousand m<sup>3</sup> of waste water per day, whereas in 2020, the Company supplied approx. 89 thousand m<sup>3</sup> of water and collected approx. 104 thousand m<sup>3</sup> of water and treated approx. 107 thousand m<sup>3</sup> of waste water per day. The mission of the Company is a pure water and clean environment. The main focus areas of the Company are sustainable and environmentally-friendly activities, efficient management of the customer experience, sustainable development and innovation, caring organization and involved employees.

As at 31 December 2021 and 2020, the shareholders of the Company were as follows:

	As at 31/12/2021		As at 31/12/2020	
	Number of shares held	Ownership interest, %	Number of shares held	Ownership interest, %
Vilnius City Municipality	3,974,484	93.74	3,974,484	94.12
Vilnius District Municipality	119,009	2.81	109,007	2.58
Švenčionys District Municipality	83,450	1.97	83,450	1.98
Šalčininkai District Municipality	62,789	1.48	55,883	1.32
	<b>4,239,732</b>	<b>100.00</b>	<b>4,222,824</b>	<b>100.00</b>

During 2021, the Company's issued capital was increased by in-kind contributions from Vilnius District Municipality in the amount of EUR 289.7 thousand and Šalčininkai District Municipality in the amount of EUR 200 thousand (Note 16).

During 2020, the Company's issued capital was increased by in-kind contributions from Vilnius City Municipality in the amount of EUR 3,016 thousand and Vilnius District Municipality in the amount of EUR 430 thousand (Note 16).

As at 31 December 2021, the number of employees of the Company was 659 (as at 31 December 2020 – 695), an average list number of employees during 2021 was 671 (during 2020: 688).

In accordance with the Law on Companies of the Republic of Lithuania, the annual financial statements are prepared by the Management and should be approved by the General Shareholders' meeting. The shareholders hold the right to approve the annual financial statements or not to approve the annual financial statements and request new financial statements to be prepared.

## 2. Application of new and amended International Financial Reporting Standards

### *Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations*

Accounting policies adopted by the Company are consistent with those of the previous financial year, except for the following amendments to IFRSs, which have been adopted by the Company as of 1 January 2021:

#### • 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 (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. These Amendments had no impact on the Company's financial statements.

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

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

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

The amendment had no impact on the financial statements of the Company.

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

New standards, amendments and interpretations that are not yet effective in the reporting period beginning on or after 1 January 2021 and have not been early adopted when preparing these financial statements are presented below:



## 2 Application of New and Amended International Financial Reporting Standards (continued)

- **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 recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management of the Company has assessed that these amendments will have no impact on the financial statements.

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

The amendments were initially 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 Board 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.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. The Company's management has not yet evaluated the impact of the implementation of these amendments on the financial statements.

## 2 Application of New and Amended International Financial Reporting Standards (continued)

- **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.
- 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 Company's management has not yet evaluated the impact of the implementation of these amendments 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 Company's management is currently assessing the impact of this amendment on its 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 Company expects these amendments will have no impact on the the financial statements.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12,

## 2 Application of New and Amended International Financial Reporting Standards (continued)

which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments have not yet been endorsed by the EU. The Company's management has not yet evaluated the impact of the implementation of these amendments on the financial statements.

### 3. Accounting Policies

#### 3.1. Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), interpretations approved by the International Financial Reporting Interpretations Committee as adopted by the EU, and in accordance with accounting and financial reporting legislation of the Republic of Lithuania.

#### 3.2. Basis of Preparation

These financial statements have been prepared on a historical cost basis.

Financial statements are presented in euros and all values are rounded to the nearest thousand (EUR'000), unless stated otherwise.

#### 3.3. Property, plant and equipment

Property, plant and equipment acquired or constructed by the Company is recognised at acquisition (construction) cost and subsequently carried at cost method. By selecting the acquisition cost method, property, plant and equipment is recorded in accounting at cost and reported in the financial statements at acquisition cost less accumulated depreciation and accumulated impairment loss.

If the property, plant and equipment is received in the form of in kind contributions (increasing the share capital), the acquisition cost includes assets value set by real estate appraisers and all of its registration and preparation related costs.

The acquisition cost of property, plant and equipment received (donated) free of charge comprises the value of the asset confirmed in the contract of gift or other similar document, which may not exceed the fair value, and the costs related to the acquisition and preparation for use. The value of networks reconstructed, newly built and registered on behalf of the Company at the expense of real estate builders, when these networks are reconstructed/constructed after obtaining the Company's consent to relocate/dismantle old networks owned by the Company and issuing new terms for connection, is determined based the real estate registry central database.

Assets received from shareholders free of charge and not transferred as in kind contribution are accounted as a grant related to an asset in the statement of financial position.

The acquisition value includes the cost of replacing a part of property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Replaced parts of property, plant and equipment are written-off. All other repair and maintenance costs are recognised in profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When property is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gain or loss is included in the statement of profit (loss) and other comprehensive income. Gain or loss on disposal of property, plant and equipment is calculated on the basis of the income received less the carrying amount of the assets sold.

### 3 Accounting Policies (continued)

#### Depreciation rates of financial year

Depreciation is calculated on a straight-line basis over the useful life of the assets as follows:

Buildings	50	years
Structures	35–50	years
Transmission devices	10–50	years
Plant and equipment	3–30	years
Vehicles	8–20	years
Other property, plant and equipment	5–25	years

The useful lives of assets are reviewed and adjusted prospectively if appropriate during or at the end of each reporting period.

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

Borrowing costs directly attributable to the acquisition, construction, reconstruction or production of a qualifying asset (at least 6 months) over the period of investment project and incurred before the start of the use/commissioning of the asset, are capitalised in the cost of the asset (Note 3.17).

#### 3.4. Intangible assets

##### Software and acquired rights

The costs of acquisition of new software are capitalised and recognised as an intangible asset if these costs are not an integral part of the hardware. Software is amortised within 3–8 years.

##### Servitudes and protection zones

The category of the Company's intangible assets "Servitudes and protection zones" includes the Company's rights to use the land plots owned by third persons on the basis of contractual servitudes and/or special conditions on land use. Statutory servitudes on water and/or waste water networks are not established by the Law on Drinking Water Supply and Wastewater Management of the Republic of Lithuania and other regulations, therefore the Company's servitudes comprise contractual servitudes and, in particular cases, servitudes established by administrative acts. Contractual servitudes are recognised initially at the amount of the liability. The useful life of an intangible asset is indefinite, therefore, these assets are not subject to amortisation. Useful life of intangible assets are indefinite since the right to use the land is granted for an indefinite period of time according to the conditions of agreements for compensation for servitudes as well as provisions of the Civil code. It implies that, irrespective of the condition of the Company's property, plant and equipment, the right to use designated land plot is retained and (after the physical condition of the property is restored or a new property is developed), the land plot will continue to be used for indefinite time.

Provision for protection zone registration is established in accordance with IAS 37 (Note 3.14). The accounting policies applied for protection zones are similar to those applied for servitudes.

### 3 Accounting Policies (continued)

The amounts of servitudes and protection zones are disclosed in Note 11.

Gain or loss on disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the statement of profit or loss and other comprehensive income when the asset is disposed.

Costs incurred in order to restore or maintain the Company's intangible assets are recognised as an expense when the restoration or maintenance work is carried out.

#### 3.5. Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets, and right-of-use assets to determine whether there is any indication that those assets may be impaired. 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). For the purpose of impairment testing, assets are grouped together into the smallest group of assets for which there are separately identifiable cash flows (cash-generating units).

At the end of each reporting period, and whenever there is an indication that the asset may be impaired, the Company reviews the carrying amounts of its intangible assets with indefinite useful lives and intangible assets not yet available for use.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

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

#### 3.6. Financial instruments: initial and subsequent measurement

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

### 3 Accounting Policies (continued)

#### 3.6.1. Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (PL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Trade receivables that do not have a significant financing component are measured at the transaction price identified under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This measurement is referred to as the SPPI test and is performed at a financial instrument level.

The Company's financial asset management model indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

A regular way purchases or sales of financial assets are accounted for at trade date, i.e., the date that the Company commits to purchase or sell the financial asset.

##### Subsequent measurement

After initial recognition, the Company measures a financial asset at:

- Amortised cost (debt instruments);
- Fair value through OCI with recycling of cumulative gains and losses upon derecognition into profit or loss (debt instruments). The Company did not have such items as at 31 December 2021 and 2020;
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition into profit or loss (equity instruments). As at 31 December 2021 and 2020, the Company did not have such financial instruments;
- Fair value through profit or loss. The Company did not have such items as at 31 December 2021 and 2020;

##### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost, if the two conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



### 3 Accounting Policies (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method, less impairment loss. Gain or loss is recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade, other current and non-current receivables, loans granted and contract assets.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the financial asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement with a third party, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes the associated liability. The transferred asset and associated liability are measured based on the rights and obligations retained by the Company.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower amount of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay (the amount of the guarantee).

#### Impairment of financial assets

Other disclosures related to impairment of financial assets are also presented in the following Notes:

- Disclosures on significant assessments and used assumptions are disclosed in Note 3.23;
- Trade receivables, including contract assets, are disclosed in Notes 12 and 14.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs).

### 3 Accounting Policies (continued)

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the impairment loss is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises an impairment loss based on lifetime ECLs at each reporting date. The Company builds the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment.

The Company considers a financial asset in default when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is derecognised when there is no reasonable expectation to recover contractual cash flows.

#### 3.6.2. Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans received and other payables. All financial liabilities are recognised initially at fair value and, in the case of loans received and other payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans received, including bank overdrafts and lease liabilities.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities classified as measured at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held for trading if they are incurred principally for the purpose of repurchasing them in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gain or loss arising from financial liabilities held for trade is recognised in the statements of profit or loss and other comprehensive income. As at 31 December 2021 and 2020, the Company did not attribute any financial liabilities to liabilities measured at fair value through profit or loss.

### 3 Accounting Policies (continued)

#### Loans received and other payables

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

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

For more information please refer to Notes 18, 19 and 20.

#### Derecognition

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

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

### 3.7. Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. Unrealisable inventories are fully written-off.

The 100% allowance is established based on the list of inventories no longer suitable for use prepared during the inventory counting process. In addition, a 100% allowance for slow moving inventories that have not been consumed for more than 1 year from acquisition date was established as at 31 December of the reporting period.

### 3.8. Assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount will mainly be recovered from the sale transaction and a sale is considered highly probable in their current condition and under the conditions that are usual for sale of such assets. A sale is considered probable when the appropriate level of management has committed to the sale of the asset, the sale plan/search for a buyer has been initiated and the asset is expected to be sold within one year from the date of classification as held for sale. Non-current assets held for sale are stated at the lower of carrying amount or fair value less costs to sell. The decisions on the disposal/winding up of redundant and non-operating non-current assets are taken by the top-level management, when the value of the

assets is less than 1/20 of the Company's issued capital, and by the Board, when the carrying amount of the assets

### 3 Accounting Policies (continued)

Is higher than 1/20 of the Company's issued capital. The sale plan is approved at the time of such decisions. Following the approval of the decisions, the assets are reclassified to available-for-sale assets if all the above conditions for an expected sale are satisfied. If due to circumstances or events beyond the control of the Company the sale of assets extends beyond a year, but the Company remains committed to its obligations and continues with the sale plan, such assets continue to be classified as held-for-sale.

#### 3.9. Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Such investments mature in less than three months and are subject to insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposits in bank with original term of three months or less.

#### 3.10. Lease

##### The Company as lessee

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are subject to the same methods of useful life identification and useful life that apply to the Company's property, plant and equipment (Note 3.3).

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.5 "Impairment of non-financial assets".

### 3 Accounting Policies (continued)

#### ***Lease liabilities***

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if 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 estimates 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.

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

The Company applies the short-term lease recognition exemption (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). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### **The Company is a lessor**

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### **3.11. Grants**

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as grants related to assets. Grants related to assets reduce cost of acquisition associated tangible assets and recognised as income (respectively reducing related expenses – depreciation of property plant and equipment) in the periods and in the proportions, which correspond the Company assets' useful life.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The grants related to income are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

As an associated receiver of support, the Company participated in a project funded by the European Union

### 3 Accounting Policies (continued)

“Nutrient Recycling Circular Economy Model for Large Cities – Water Treatment Sludge and Ashes to Biomass to Bio-Energy” (NutriBiomass4LIFE). During the project period (2018–2022), received funds are accounted for as grants related to income.

#### 3.12. Employee benefits

##### Social security contributions

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements.

Defined contribution plan is a plan under which the Company pays fixed contributions to the Fund and have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees all benefits related to their work in the current and previous periods. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses. As from 1 January 2021, the Company pays social security contributions at a rate amounting to 1.77%.

##### Accrued employee benefit obligations

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gain or loss appearing as a result of curtailment and/or settlement is recognised in the statement of profit or loss and other comprehensive income as incurred. The past service costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

The above-mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. The obligation is recognised in the statement of financial position in non-current payables and liabilities and current payables and liabilities, and reflects the present value of these benefits on the date of the statement of financial position.

Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in the statement of profit or loss and other comprehensive income.

#### 3.13. Contingencies

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

A contingent asset is not recognised in the financial statements.

#### 3.14. Provisions

### 3 Accounting Policies (continued)

Provision is recognised when the Company has a present obligation (legal or constructive) 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

The Lithuanian Republic Law on Special Conditions on Land Use came into effect on 1 January 2020 introducing obligation for the Company to register special protection conditions (protection zones) of a land owned or near the Company's infrastructure in the state real estate registry and pay compensations to land owners for the land covered by the protection zones. The Company recorded a provision for protection zone establishment and registration costs as at 31 December 2021 (Note 28).

#### 3.15. Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period. The standard income tax rate in Lithuania for the Company in the years ended 31 December 2021 and 2020 was 15%.

For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivatives. As from 1 January 2014, tax loss carry forward that is deducted cannot exceed 70% of the taxable profit of the current financial year. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The loss from disposal of securities and/or derivatives not designated for hedge can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. As at 31 December 2021 and 2020, the Company did not have any tax losses carried forward.

##### Deferred tax

Deferred tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities



### 3 Accounting Policies (continued)

are recognised for all temporary differences, whereas deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise these assets up to an amount that is likely to reduce taxable profit in the future.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity. In which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 3.16. Revenue Recognition

#### Revenue from contracts with customers

The principal activities of the Company are the supply of water and wastewater treatment services.

Revenue from contracts with customers is recognised when control of the services or goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or goods. The Company controls goods or services before it transfers them to the customer, therefore, the Company acts as a principal.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.23.

The Company provides its services that are either sold separately (only water supply or wastewater services) or bundled together. Contracts for bundled services are comprised of several performance obligations because the promises to transfer different services are capable of being distinct and separately identifiable.

### 3 Accounting Policies (continued)

Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the separate services (including selling (fixed subscription) price).

The Company recognises revenue from water supply and waste water management services over time, using a delivery method (used cubic meters by the customer) to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company. Other incidental revenue from the sale of buildings, plant, equipment or inventory is recognised at a point in time, generally when the rewards and risks of ownership are transferred to the customer.

In-kind income from equipment relocation/restoration from third parties are recognised at cost determined in accordance with the real estate registry central database and accounted for as a revenue at a point in time in the statement of profit or loss and other comprehensive income in the period, when the asset has been received, because the performance obligation is satisfied when customer is connected to the network.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). The Company typically provides maintenance services for general repairs of defects as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, however, the Company did not provide any warranties that would comply with IAS 37 as at 31 December 2021 and 2020. No other promises in the contracts exist that could be treated as a separate performance obligation.

In determining the transaction price, the Company considers the effects of variable consideration. Accrued revenue is recorded and recognised based on variable units of output used by the consumer. In order to fully account for the Company's income for services provided, at the end of reporting period on 31 December, income for the last month of the reporting year that was received for providing water and/or wastewater management and maintenance services is accrued, but the meter readings for these services have not been submitted by customers and, therefore, these services are unbilled.

In addition, the management considers the effect of other matters to the revenue recognition such as the existence of significant financing components, non-cash consideration, and consideration payable to the customer. None of these are present in the Company's contracts with the costumers.

Transaction price allocated to the remaining performance obligation is not disclosed because the Company has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

#### Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the Company performs services or transfers goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional, except for any amounts that are recognised as receivables in accordance with the definition below.

#### Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets (Note 3.6).

### 3 Accounting Policies (continued)

#### Contract liabilities: prepayments received

A contract liability is the obligation to transfer goods or services to a customer for which the Company has already received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs under the contract.

#### Cost of obtaining and fulfilling contracts

The costs incurred by the Company that meet capitalization criteria are within the scope of the accounting rules as for property, plant and equipment. The Company did not incur such expenses as of 31 December 2021 and 2020. Other costs are expensed as incurred because these costs are not expected to be recovered.

#### 3.17. Borrowing costs

The Company capitalises borrowing costs that are directly attributable to the acquisition, construction, reconstruction or production of a qualifying asset (at least 6 months) over the period of investment project and are incurred before the start of the use/commissioning of the asset. These costs are included in the cost of the asset (Note 3.3). Interest on loans granted for specific investment projects referred to in loan contracts are capitalised if the value of the specific investment project is not less than EUR 100,000. Interest on loans granted for investment projects provided for in the operating and development plans are capitalised if the value of the investment project foreseen in the plans is not less than EUR 300,000. In such a case, the capitalisation rate is the weighted average of the borrowing costs related to the Company's debts that remain outstanding during that period, excluding borrowing for specific investment projects. All other borrowing costs are expensed in the period they occur.

#### 3.18. Foreign currencies

The presentation and functional currency is the euro (EUR). All transactions denominated in currency other than euro are translated into euro at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Gains or losses arising on exchange are included in the statement of profit or loss and other comprehensive income for the period. Exchange gains and losses from the translation of monetary assets or liabilities into euros are recognized in the statement of profit or loss and other comprehensive income

Exchange gains and losses are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

#### 3.19. Related parties

A related party is a person or company related to the reporting company.

A person or close member of the family is related to the reporting company, if the person:

- has control or common control of the reporting company;
- has a significant influence on the reporting company; or

### 3 Accounting Policies (continued)

- is one of the key management personnel of the reporting company or parent company.

The Company is related to the reporting company if they meet any of the conditions below:

- The company and the reporting company are the members of the same group (it means that every parent, subsidiary or sister company is affiliated with each other).
- One company is in associate or joint venture of the other company (or an associate or joint venture of the other member of the group, of which another company is a member).
- Both companies are joint ventures of a third party.
- One party is a joint venture of a third party and the other company is associated with third party.
- The Company is managing the retirement benefits plan for the benefit of employees of reporting company or company that is related with reporting company. If the reporting company is the manager of this plan, the financing employers are also related with reporting company.
- The Company is controlled or jointly controlled by the person related with reporting company.
- A person or a close member of the family has a significant influence on the company or is one of the key management personnel of reporting company (or its parent company).

#### 3.20. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the 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 a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

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

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

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

### 3 Accounting Policies (continued)

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Valuations are performed by the Company's management at each reporting date. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

#### 3.21. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable by the entity or the counterparty in the normal course of business and in the event of default, insolvency or bankruptcy.

#### 3.22. Regulated activity

Profitability of the Company's regulated services is regulated by the National Energy Regulatory Council under the approved Methodology for Calculating Water Supply and Wastewater Management Prices (hereinafter "the Pricing methodology"). Prices valid in 2021 were determined in accordance with the Pricing methodology effective at that date, based on which the prices were included to necessary costs and normative profit. Necessary costs are determined based on the actual costs of the basic year, long-term operating and development plan and other reasons influencing change in the level of service and costs, and water suppliers benchmarking indicators. Having regard to the efficiency coefficient, amount of services sold, completed investments, electricity, heat, prices of technological materials, tax tariffs and changes in salaries, actual return of investments and other factors beyond the Company's control, base prices were recalculated in 2019 in accordance with the applicable Pricing methodology and came into force on 1 February 2020. In 2020, the Company submitted a draft of new base prices to the National Energy Regulatory Council, which was agreed in April 2021 and came into effect on 1 August 2021 following approval by the councils of the Vilnius City Municipality, Vilnius District Municipality, Švenčionys District Municipality and Šalčininkai District Municipality.

The Company does not recognise regulatory assets and liabilities, which purpose would be to equalize current year profit until regulated level if this difference will be recovered/returned through the provision of services in the future.

### 3 Accounting Policies (continued)

#### 3.23. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management of the Company to make judgements, estimates and assumptions that affects the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The significant areas of estimation used in the preparation of these financial statements are discussed below.

##### Useful life of property, plant and equipment

The key assumptions concerning determination the useful life of property, plant and equipment are as follows: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in the services, legal or similar limits on the use of the asset, such as the expiry dates of related leases.

##### Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of different services

The Company provides water supply and waste water management services that are either sold separately or bundled together. The Company determined that both the water supply and waste water management are capable of being distinct. These services are not highly interdependent or highly interrelated, because the Company would be able to provide waste water management if the customer declined water supply and vice versa. Consequently, the Company allocated a portion of the transaction price (including selling (fixed subscription) price) to the different services based on relative stand-alone selling prices.

Determining the timing of operational obligations for water supply and wastewater management services\_

The Company recognises revenue from water supply and waste water management services over time, using a delivery method (used cubic meters by the customer) to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company. The consumption made by the customer can be reliably measured by the Company. In order to fully account for the Company's income for services provided, at the end of reporting period on 31 December, income for the last month of the reporting year that was received for providing water and/or wastewater management and maintenance services is accrued, but the meter readings for these services have not been submitted by customers and, therefore, these services are unbilled.

##### Accounted revenue based on average consumption

The Company provides services to existing customers uninterruptedly, regardless of whether they submit meter readings or not. In order to represent the Company's revenue as accurately as possible for the services provided and the water consumed, an average consumption for the customers that do not submit meter readings for the ongoing month is calculated on the basis of water and/or wastewater volumes calculated in previous reporting periods.

##### Impairment allowance for trade receivables

### 3 Accounting Policies (continued)

The Company uses a provision matrix to calculate the expected credit loss (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (by the type of customer).

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (GDP and unemployment rate) are expected to deteriorate/slow down, which can lead to an increased number of defaults, the historical default rates are adjusted to reflect forward-looking estimates. At every reporting date, the historical observed default rates and changes in the forward-looking estimates are reviewed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant judgement and estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The information about the ECLs on the Company's trade receivables is disclosed in Note 12.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 22. The Company does not hold collateral from customers as security to mitigate credit risk.

For the purpose of the estimation of doubtful amounts receivable, private customers' (PC) and legal entities' (LE) debts are grouped by overdue period. The expected credit loss rates used to calculate the ECLs as at 31 December 2021 and 2020 are provided below:

Overdue period	2021		2020	
	Expected credit loss rates PC, %	Expected credit loss rates LE, %	Expected credit loss rates PC, %	Expected credit loss rates LE, %
Less than 1 month	2.00%	0.40%	2.00%	0.40%
1–2 months	9.00%	4.00%	9.00%	4.00%
2–3 months	19.00%	10.00%	19.00%	11.00%
3–4 months	30.00%	19.00%	29.00%	23.00%
4–5 months	41.00%	28.00%	39.00%	32.00%
5–6 months	51.00%	35.00%	49.00%	41.00%
3–7 months	60.00%	44.00%	57.00%	51.00%
7–8 months	67.00%	55.00%	65.00%	60.00%
8–9 months	74.00%	68.00%	71.00%	68.00%
9–10 months	79.00%	79.00%	76.00%	78.00%
10–11 months	85.00%	89.00%	82.00%	89.00%
More than 11 months	89.00%	100.00%	86.00%	100.00%



### 3 Accounting Policies (continued)

The Company builds the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment. For some customers of the Company, an individual assessment of impairment of receivables can be performed based on the decision of the Company's management. In 2021 and 2020, an individual impairment assessment was not applied.

#### Impairment of property, plant and equipment

The Company makes an assessment, at least annually, whether there are any indications that the carrying amount of property, plant and equipment has been impaired. If that is the case, the Company makes an impairment test. The recoverable amount of cash-generating units is determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and steady growth of terminal value, and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

Based on impairment test of property, plant and equipment, no impairment was accounted for property, plant and equipment as at 31 December 2021 and 2020.

Below are presented the key assumptions applied by the management for the budget and long-term planning, and, respectively, the impairment assessment as at 31 December 2021 and 2020:

- Weighted average cost of capital (WACC) discount rate (pre-tax) of 7.76% was applied in the impairment evaluation model (8.65% as at 31 December 2020).
- Average market-based WACC used by the management is higher than the one approved by the National Energy Regulatory Council. Management believes that in the long-term (starting from the year 2026), it is reasonable to expect that return on investment set by regulator (as well as profitability of the Company) will exceed the currently set regulated level (3.81%) (2020: 3.37%) and converge to the market level.
- As at 31 December 2021 and 2020, cash flows occurring after 5 years were forecasted by using a growth rate of 1.5%.
- During the period of 2022–2026, capital investments to property, plant and equipment will consist of EUR 82,023 thousand in total. In 2020, the capital investments to property, plant and equipment set for the period of 2021–2025 consisted of EUR 78,044 thousand in total.

#### 3.24. Events after the Reporting Period

Events after the reporting period that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

4. Revenue

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Water supply	14,790	14,575
Wastewater treatment	19,054	18,122
Selling fee	2,737	3,194
Drainage	991	641
In-kind income from equipment relocation	605	117
Income from commercial work and services	602	335
Net gain on disposal of non-current assets	3 501	246
Income from sale of inventory	59	31
Other income	61	7
<b>Total:</b>	<b>42,400</b>	<b>37,268</b>

In 2021, the Company attributed income from water supply, wastewater treatment services, selling fee, drainage, in-kind income from equipment relocation and commercial work and services to revenue from contracts with customers, the total amount of which was EUR 38,779 thousand (in 2020: EUR 36,984 thousand). In 2021, other operating income comprised income from disposal of assets, sale of inventories and other income, the total amount of which was EUR 3,621 thousand (in 2020: EUR 284 thousand). On 27-28 May 2021, the Company's premises at Maironio st. 12 were sold through public electronic auctions to UAB Meranet for EUR 3.55 million (excl. VAT). Net profit from disposal of these premises is EUR 3.265 million.

In 2021, revenue amounting to EUR 167 thousand was recognised that was included in contract liabilities, i.e. advances received as at 31 December 2020. In 2020, revenue amounting to EUR 270 thousand was recognised that was included in contract liabilities, i.e. advances received as at 31 December 2019.

100% of the Company's income was earned in the Republic of Lithuania.

In-kind income from equipment relocation earned in 2021 and 2020 is comprised of the average market value of networks reconstructed, newly built and registered on behalf of the Company funded by real estate developers. The average market value is based on the statements of real estate register central database.

5. Payroll and related expenses

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Wages and salaries	14,132	13,558
Change in vacation reserve	133	252
Social security contributions	253	240
Change in accrued liabilities to employees	(134)	166
<b>Total:</b>	<b>14,384</b>	<b>14,216</b>

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

6. Repair and maintenance expenses

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Digging recovery	539	459
Maintenance materials expenses	394	447
Technological materials	394	364
System diagnostics and repair works	294	249
System cleaning	272	298
Equipment servicing	260	269
Construction repairs	180	187
Laboratory services (monitoring)	118	59
Topo geodesic photos and legal registration	50	43
Repair of tools and equipment	34	31
<b>Total:</b>	<b>2,535</b>	<b>2,406</b>

7. Other expenses

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Provisions for claims	936	2 171
Customer service expenses	729	754
Compensation for damage resulting from the Company activities	211	178
Water expenses for technology and own use	188	164
Promotion and commerce	188	132
Cleaning of premises	180	267
Heating	174	129
Rent of collectors	172	172
Work safety and special clothes	161	91
Insurance	142	156
Trainings	132	62
Consultations	117	84
Commercial service costs	117	70
Garbage collection	108	104
Events to employees	80	48
Provision for pensions	68	177
Certificate of Centre of registers and cadastral cases	66	72
New customer connection expenses	63	208
Doubtful debts write-off	61	108
Legal services	59	131
Cost of disposal of current assets	58	31
Audit	47	30

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(all amounts are in EUR thousand unless otherwise stated)

Security services	41	52
COVID-19 related expenses	35	149
NutriBiomass4Life project expenses	27	79
Office administration expenses	25	18
Utilities	23	21
Household-economic expenses	8	14
Representation expenses	2	9
Change in allowance on inventories	(22)	23
Other expenses	316	208
<b>Total:</b>	<b>4,512</b>	<b>5,912</b>

8. Finance income and costs

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
<b>Finance income</b>		
Interest income	33	46
Penalties and default interest received	161	92
<b>Total:</b>	<b>194</b>	<b>138</b>
<b>Finance (costs)</b>		
Interest (expenses)	(190)	(160)
Penalties and default interest (paid)	(13)	(58)
<b>Total:</b>	<b>(203)</b>	<b>(218)</b>
<b>Finance income/(expenses), net</b>	<b>(9)</b>	<b>(80)</b>

In 2021, interest from Municipal administration of the city Vilnius amounted to EUR 23 thousand, in 2020 – EUR 34 thousand.

9. Income Tax

In 2021 and 2020 income tax expenses (benefit) were as follows:

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
<b>Income tax expense</b>		
Current income tax	-	-
Deferred income tax benefit (expenses)	(110)	112
<b>Income tax benefit (expenses) recorded in the statement of profit or loss and other comprehensive income</b>	<b>(110)</b>	<b>112</b>

Change in deferred tax assets during 2021 and 2020:

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

9 Income Tax (continued)

	As at 01/01/2020	Income tax (expenses) benefit through profit or loss	As at 31/12/2020	Income tax (expenses) benefit through profit or loss	As at 31/12/2021
Accrual for vacation reserve	143	38	181	20	201
Allowance for accounts receivable	185	40	225	(54)	171
Employee benefits	172	51	223	(9)	214
Allowance for inventories	7	3	10	(2)	8
Provisions accrued for boreholes liquidation	7	3	10	(8)	2
Provisions for cadastral measurement and cases registration	4	-	4	(1)	3
Provisions for compensation of losses	11	-	11	(11)	-
Provision for protection zone establishment and registration	-	-	-	41	41
<b>Deferred tax assets</b>	<b>529</b>	<b>135</b>	<b>664</b>	<b>(24)</b>	<b>640</b>

Change in deferred tax liabilities during 2021 and 2020:

	As at 01/01/2020	Income tax (expenses) benefit through profit or loss	As at 31/12/2020	Income tax (expenses) benefit through profit or loss	As at 31/12/2021
Financial and tax differences for investment incentive using II method until 2002	(791)	25	(766)	47	(719)
Differences of property, plant and equipment financial and tax depreciation	(226)	(48)	(274)	(133)	(407)
<b>Deferred tax liability</b>	<b>(1,017)</b>	<b>(23)</b>	<b>(1,040)</b>	<b>(86)</b>	<b>(1,126)</b>

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

9 Income Tax (continued)

Deferred tax, net	(488)	112	(376)	(108)	(484)
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Presented in the statement of financial position as follows:

	As at 31/12/2021	As at 31/12/2020
Deferred tax assets	-	-
Deferred tax liability	(486)	(376)

As at 31 December 2021, the deferred tax asset is recognised in the statement of financial position to the extent that the Company's management expects it to be realised in the near future based on taxable profit forecasts.

On 31 December 2021, the Company had unused tax credits in the amount of EUR 4,929 thousand (as at 31 December 2020: EUR 3,826 thousand) related to the investments in property, plant and equipment made in 2019–2021 and eligible to use to reduce the taxable profit for 2022–2023, however, the Company's management decided not to recognise the related EUR 739 thousand (as at 31 December 2020: EUR 574 thousand) deferred tax assets as at 31 December 2021, whereas in the light of the taxable profit forecasts there was insufficient evidence that the Company would be able to use these assets to reduce taxable profit in the future.

Income tax expense disclosed in the statement of profit or loss and other comprehensive income relating to the result of the year may be reconciled to income tax expense that would arise using an enacted income tax rate of 15% applicable to profit before income tax:

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Profit (loss) before tax	3,230	(2,104)
Income tax expenses calculated at statutory tax rate	485	(316)
Non-taxable income	(124)	(40)
Expenses not deductible for income tax	88	781
Tax incentives for investments	(559)	(313)
Income tax benefit (expenses) recorded in the statement of profit or loss and other comprehensive income	(110)	112

10. Property, Plant and Equipment and Right-of-Use Asset

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

	Buildings	Structures	Transmission devices	Plant and equipment	Vehicles	Other property, plant and equipment	Construction-in-progress	Prepayments	Total
<b>Acquisition cost</b>									
<b>Balance as at 1 January 2020</b>	32,165	46,034	156,470	31,745	5,496	10,833	9,323	-	292,066
Acquisitions	3	97	3,290	1,135	536	452	10,693	2611	18,817
Disposals and write-offs	(425)	(544)	(1197)	(415)	(422)	(241)	(15)	-	(3,259)
Reclassifications from CIP	496	747	9,201	3,472	66	1,371	(15,320)	(33)	-
Reclassifications between groups of property, plant and equipment	-	-	-	(33)	33	-	-	-	-
Reclassified to assets held for sale	(18)	(67)	(12)	-	-	-	-	-	(97)
Reversal of impairment	18	18	-	-	-	-	-	-	36
<b>Balance as at 31 December 2020</b>	<b>32,239</b>	<b>46,285</b>	<b>167,752</b>	<b>35,904</b>	<b>5,709</b>	<b>12,415</b>	<b>4,681</b>	<b>2,578</b>	<b>307,563</b>
<b>Balance as at 01 January 2021</b>	<b>32,239</b>	<b>46,285</b>	<b>167,752</b>	<b>35,904</b>	<b>5,709</b>	<b>12,415</b>	<b>4,681</b>	<b>2,578</b>	<b>307,563</b>
Acquisitions	9	14	912	339	326	312	19,149	1,917	22,978
Disposals and write-offs	(4)	(370)	(681)	(670)	-	(506)	(8)	-	(2,239)
Reclassifications from CIP	222	1,116	6,296	3,841	(32)	1,381	(9,437)	(3,387)	-
Reclassified to assets held for sale	(800)	(123)	(476)	(332)	(493)	(25)	-	-	(2,249)
<b>Balance as at 31 December 2021</b>	<b>31,666</b>	<b>46,922</b>	<b>173,803</b>	<b>39,082</b>	<b>5,510</b>	<b>13,577</b>	<b>14,385</b>	<b>1,108</b>	<b>326,053</b>

Right-of-use assets

Acquisition cost

Balance as at 1 January 2020 2,133

Acquisitions 436

Balance as at 31 December 2020 2,569

Balance as at 01 January 2021 2,569

Acquisitions 90

Balance as at 31 December 2021 2,659



COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

10 Property, Plant and Equipment and Right-of-Use Asset (continued)

	Buildings	Structures	Transmission devices	Plant and equipment	Vehicles	Other property, plant and equipment	Construction-in-progress	Prepayments	Total
<b>Accumulated depreciation</b>									
Balance as at 1 January 2020	12,420	30,268	85,237	25,111	3,117	7,296	-	-	163,449
Depreciation for the year	593	800	2,650	1,084	428	1,157	-	-	6,712
Disposals and write-offs	(411)	(522)	(601)	(415)	(422)	(235)	-	-	(2,606)
Reclassifications between groups of property, plant and equipment	45	(78)	-	9	-	24	-	-	-
Reclassified to assets held for sale	(10)	(66)	(11)	-	-	-	-	-	(87)
<b>Balance as at 31 December 2020</b>	<b>12,637</b>	<b>30,402</b>	<b>87,275</b>	<b>25,789</b>	<b>3,123</b>	<b>8,242</b>	<b>-</b>	<b>-</b>	<b>167,468</b>
<b>Balance as at 01 January 2021</b>	<b>12,637</b>	<b>30,402</b>	<b>87,275</b>	<b>25,789</b>	<b>3,123</b>	<b>8,242</b>	<b>-</b>	<b>-</b>	<b>167,468</b>
Depreciation for the year	537	847	3,539	1,690	445	1,220	-	-	8,278
Disposals and write-offs	(4)	(366)	(618)	(634)	-	(496)	-	-	(2,118)
Reclassified to assets held for sale	(466)	(77)	(333)	(297)	(493)	(20)	-	-	(1,686)
<b>Balance as at 31 December 2021</b>	<b>12,704</b>	<b>30,806</b>	<b>89,863</b>	<b>26,548</b>	<b>3,075</b>	<b>8,946</b>	<b>-</b>	<b>-</b>	<b>171,942</b>
<b>Net book value as at 31 December 2020</b>	<b>19,602</b>	<b>15,883</b>	<b>80,477</b>	<b>10,115</b>	<b>2,586</b>	<b>4,173</b>	<b>4,681</b>	<b>2,578</b>	<b>140,095</b>
<b>Net book value as at 31 December 2021</b>	<b>18,962</b>	<b>16,116</b>	<b>83,940</b>	<b>12,534</b>	<b>2,435</b>	<b>4,631</b>	<b>14,385</b>	<b>1,108</b>	<b>154,111</b>

Right-of-use assets

Accumulated depreciation

Balance as at 1 January 2020 244

Depreciation for the year 255

Balance as at 31 December 2020 499

Balance as at 01 January 2021 499

Depreciation for the year 250

Balance as at 31 December 2021 749

Net book value as at 31 December 2020 2,070

Net book value as at 31 December 2021 1,910

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

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**10 Property, Plant and Equipment and Right-of-Use Asset (continued)**

As at 31 December 2021, property, plant and equipment cost was reduced by received grants, related to the assets, which cost was EUR 146,108 thousand as at 31 December 2021 (as at 31 December 2020 – EUR 135,821 thousand), and net book value of such assets was EUR 100,327 thousand as at 31 December 2021 (as at 31 December 2020 – EUR 93,430 thousand).

The grants consist of financing received from Structural Funds of the European Union. In 2021, the asset-related grants received from the EU amounted to EUR 10,623 thousand (in 2020: EUR 2,382 thousand).

In 2021, grants amortisation expenses were EUR 3,661 thousand (in 2020: EUR 4,391 thousand).

In 2021, the amount of in-kind income received from third parties for equipment relocation accounted for as income and in the statement of profit or loss and other comprehensive income amounted to EUR 605 thousand (in 2020: EUR 117 thousand).

As at 31 December 2021, property, plant and equipment of the Company with net book value\* of EUR 27,174 thousand (EUR 35,698 thousand as at 31 December 2020) was pledged to banks as a collateral for the loans (Note 18).

As at 31 December 2021, the Company's property, plant and equipment with an acquisition cost\* of EUR 58,859 thousand was fully depreciated (as at 31 December 2020: EUR 61,015 thousand), but still in use.

As at 31 December 2021, the impairment of the property, plant and equipment not used in the Company's activity amounted to EUR 169 thousand. In 2021, no additional impairment of the property, plant and equipment not used in the Company's activity was identified (as at 31 December 2020, the impairment of the property, plant and equipment not used in the Company's activity amounted to EUR 175 thousand).

As at 31 December 2021, assets held-for-sale amounted to EUR 305 thousand (as at 31 December 2020: EUR 25 thousand). In 2021, three auctions were announced, during which the assets with net book value\* of EUR 283 thousand were sold for EUR 3,784 thousand (excl. VAT). In 2020, four auctions were announced, during which the assets with net book value\* of EUR 330 thousand were sold for EUR 575 thousand (excl. VAT).

In 2021, the Company's borrowing interest capitalised attributable to the acquisition, construction, reconstruction or production of a qualifying asset over the period of investment project amounted to EUR 12 thousand (in 2020: EUR 17 thousand).

As at 31 December 2021 and 2020, the Company's property, plant and equipment with inventory performed, but legally not registered, as well as property, plant and equipment with inventory not performed and legally not registered was as follows:

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

10 Property, plant and equipment and right-of-use asset (continued)

	PPE with inventory procedures performed, but legally not registered		PPE with inventory procedures not performed and legally not registered	
	Net book value*, thousand EUR	Amount of PPE cards	Net book value*, thousand EUR	Amount of PPE cards
Net book value as at 31 December 2020	3,968	169	3,242	186
Net book value as at 31 December 2021	380	33	2,707	161

Applications for the award of the title by way of limitation have been submitted to the courts for 13 units of property, plant and equipment with no inventory performed and legally not registered, and 1 unit of property, plant and equipment with inventory performed, but legally not registered, the net book value\* of which as at 31 December 2021 was EUR 768 thousand. Once the court judgement is issued on the said property, plant and equipment, it will be registered in the Real Property Register of the State Enterprise Center of Registers.

These assets are accounted for in the Company's property, plant and equipment accounts as the Company bears significant risks and rewards related to the respective assets.

\* All values are shown before offsetting with grants received.

Right-of-use assets

A 10-year office lease agreement concluded in 2017 was recognised in the right-of-use asset, where the lease period is assessed under the assumption that the Company would exercise the option to extend the 5-year lease agreement for an additional 5 years. On 22 December 2021, an additional agreement was signed amending the lease to extend the lease term for an additional period of 5 (five) years.

Nine land lease agreements with lease term from 20 to 99 years were additionally accounted for in the right-of-use asset (Note 19 and 26).

	Buildings	Land lease	Total
As at 01 January 2020	1,889	-	1,889
Additions	-	436	436
Depreciation expense	(244)	(11)	(255)
<b>As at 31 December 2020</b>	<b>1,645</b>	<b>425</b>	<b>2,070</b>
As at 01 January 2021	1,645	425	2,070
Additions	-	90	90
Depreciation expense	(244)	(6)	(250)
<b>As at 31 December 2021</b>	<b>1,401</b>	<b>509</b>	<b>1,910</b>

EU-funded projects

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(all amounts are in EUR thousand unless otherwise stated)

**10 Property, plant and equipment and right-of-use asset (continued)**

Currently, the Company is implementing four projects, the agreements of which have been signed with the Environmental Project Management Agency for obtaining contribution from the EU structural funds for 2014–2020: “Provision of Drinking Water and Wastewater Treatment System Renovation and Development in Vilnius City”. The project funding totalled to EUR 15,546.2 thousand, of which EU funds amounted to EUR 7,773.1 thousand, and the end of the project – 28/02/2022.

“Provision of Drinking Water and Wastewater Treatment System Renovation and Development in Švenčionys City”, total project funding amounted to EUR 1,480.9 thousand, of which EU funds amounted to EUR 740.1 thousand, and the end of the project – 30/09/2022. Švenčionys District Municipality is the partner of the project.

“Reconstruction of Švenčionys Wastewater Treatment Plant”, total project funding amounted to EUR 4,184.5 thousand, of which EU funds amounted to EUR 3,347.6 thousand, and the end of the project – 30/08/2023.

“Reconstruction of Vilnius City Wastewater Treatment Plant”, total project funding amounted to EUR 33,407.8 thousand, of which EU funds amounted to EUR 19,200 thousand, and the end of the project – 31 August 2023. Under the order of the Minister of Environment of the Republic of Lithuania No D1-773 of 27 December 2021, the project was granted additional funding, estimating at EUR 7,341.5 thousand. The Amendment to the Funding agreement with the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania was signed on 3 January 2022.

In 2020, five agreements for funding of investment projects in the development of drinking water supply and wastewater collection networks in Vilnius, Švenčionėliai, Šalčininkai and Eišiškės agglomerations were signed with Viešųjų Investicijų Plėtros Agentūra UAB. The total value of projects is EUR 14,594 thousand with grant of EUR 4,875 thousand, and planned investment period is from 31/05/2022 to 30/09/2023.

In 2021, two agreements for funding of investment projects in the development of drinking water supply and wastewater collection networks in Vilnius City, Vilnius District, Eišiškės and Šalčininkai agglomerations were signed with Viešųjų Investicijų Plėtros Agentūra UAB. The total value of the projects is EUR 17,000 thousand with grant of EUR 7,800 thousand, the completion of projects is scheduled by 30/09/2023.

Future commitments under concluded contracts are disclosed in Note 28.

**11. Intangible assets**

	Software and acquired rights	Servitudes and protection zones	Projects in progress	Total
<b>Acquisition cost</b>				
<b>Balance as at 1 January 2020</b>	<b>1,884</b>	-	-	<b>1,884</b>
Acquisitions	131	18	244	393
Reclassification from CIP	62	-	(62)	-
<b>Balance as at 31 December 2020</b>	<b>2,077</b>	<b>18</b>	<b>182</b>	<b>2,277</b>
<b>Balance as at 1 January 2021</b>	<b>2,077</b>	<b>18</b>	<b>182</b>	<b>2,277</b>
Acquisitions	82	641	51	774
Reclassification from CIP	249	(16)	(233)	-
Write-offs (-)	(67)	-	-	(67)

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

Balance as at 31 December 2021	2,341	643	-	2,984
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11. Intangible Assets (continued)

	Software and acquired rights	Servitudes and protection zones	Projects in progress	Total
<b>Accumulated amortisation</b>				
Balance as at 1 January 2020	1,115	-	-	1,115
Amortisation charge for the year	404	-	-	404
Balance as at 31 December 2020	1,519	-	-	1,519
Balance as at 01 January 2021	1,519	-	-	1,519
Amortisation charge for the year	289	-	-	289
Write-offs (-)	(67)	-	-	(67)
Balance as at 31 December 2021	1,741	-	-	1,741
			-	-
Net book value as at 31 December 2020	558	18	182	758
Net book value as at 31 December 2021	600	643	-	1,243

As at 31 December 2021, the cost of property, plant and equipment was reduced by received grants, related to the assets, the cost of acquisition and net book value of which as at 31 December 2021 was EUR 97 thousand and EUR 92 thousand, respectively.

The grants consist of financing received from Structural Funds of the European Union for the development and implementation of a hydraulic modelling information system for the Vilnius city water supply network. In 2021, the asset-related grants received from the EU amounted to EUR 97 thousand.

In 2021, grants amortisation expense was EUR 5 thousand.

As at 31 December 2021, a part of the Company's intangible assets with the acquisition value of EUR 708 thousand were fully amortised (as at 31 December 2020 – EUR 505 thousand), but still in use.

12. Trade and other receivables

	As at 31/12/2021	As at 31/12/2020
<b>Current trade and other receivables</b>		
Trade receivables	5,667	7,694
Other receivables	2 438	180
	8,105	7,874
Less: allowance for doubtful trade receivables	(1,143)	(1,502)
<b>Total:</b>	<b>6,962</b>	<b>6,372</b>

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(all amounts are in EUR thousand unless otherwise stated)

12 Trade and Other Receivables (continued)

In 2021, the Vilnius City Municipality repaid EUR 2,233 thousand under a trilateral agreement for transfer of requirement rights and offsetting between the Company, Vilniaus Energija UAB and the Vilnius City Municipality Administration. Under this agreement, the total amount of interest received in 2021 amounted to EUR 95 thousand, of which accrued interest income for 2021 amounted to EUR 23 thousand (as at 31 December 2020: EUR 72 thousand).

Trade receivables are non-interest bearing and are generally settled on 30 days terms if no separated arrangements for the deferred payment exist.

As at 31 December 2021, other receivables consisted of the grant of EUR 2,418 thousand receivable under the EU project "Reconstruction of Vilnius city wastewater treatment plant" funding agreement and of EUR 20 thousand of the grants receivable under the funding agreement for the development of drinking water supply and wastewater collection networks in Vilnius, Švenčionėliai and Šalčininkai agglomerations.

As at 31 December 2020, other receivables amounted to EUR 108 thousand of the grant receivable under the EU project "Provision of drinking water and wastewater treatment system renovation and development in Vilnius city" funding agreement and EUR 72 thousand interest receivable from the Vilnius City Municipality.

Change of allowance for impairment losses from contracts with customers in 2021 and 2020 was as follows:

	As at 31/12/2021	As at 31/12/2020
<b>Balance at the beginning of the year</b>	<b>1,502</b>	<b>1,232</b>
Impairment for the year	41	365
Impairment reversal	(335)	-
Write-off to bad debts	(65)	(95)
<b>Balance at the year-end</b>	<b>1,143</b>	<b>1,502</b>

The ageing analysis of trade receivables of the Company as at 31 December 2021 was as follows:

	Not past due	Trade receivables past due and impaired					Total
		Less than 30 days	31-90 days	91-180 days	181-365 days	More than 365 days	
<i>Vilnius City Municipality</i>	49	1	-	-	-	-	50
Impairment	-	-	-	-	-	-	-
<i>Natural persons</i>	1,586	175	106	67	80	738	2,752
Impairment	31	15	24	33	63	643	809
<i>Other legal entities</i>	2,091	160	228	124	91	171	2,865
Impairment	8	6	37	42	73	168	334
<b>Total impairment</b>	<b>39</b>	<b>21</b>	<b>61</b>	<b>75</b>	<b>136</b>	<b>811</b>	<b>1,143</b>

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(all amounts are in EUR thousand unless otherwise stated)

**12 Trade and Other Receivables (continued)**

The ageing analysis of trade receivables of the Company as at 31 December 2020 was as follows:

	Not past due	Trade receivables past due and impaired					Total
		Less than 30 days	31–90 days	91–180 days	181–365 days	More than 365 days	
<i>Vilnius City Municipality</i>	2,358	25	-	-	-	-	2,383
Impairment	13	1	-	-	-	-	14
<i>Natural persons</i>	1,671	181	130	85	99	824	2,990
Impairment	154	22	39	53	99	824	1,191
<i>Other legal entities</i>	1,822	126	120	85	65	103	2,321
Impairment	52	7	27	43	65	103	297
<b>Total impairment</b>	<b>219</b>	<b>30</b>	<b>66</b>	<b>96</b>	<b>164</b>	<b>927</b>	<b>1,502</b>

**13. Prepayments and deferred expenses**

	As at 31/12/2021	As at 31/12/2020
Prepayments	49	4
Deferred expenses	562	501
	<b>611</b>	<b>505</b>

**14. Accrued income**

	As at 31/12/2021	As at 31/12/2020
Accrued income	523	494
	<b>523</b>	<b>494</b>

As at 31 December 2021, accrued income for the last month of the reporting year for water and/or wastewater management and maintenance services provided to legal persons (where the meter readings for these services have not been submitted and, therefore, these services are unbilled) increased by EUR 34 thousand (as at 31 December 2020 – decreased by EUR 29 thousand), whereas accrual of income for services provided to natural persons decreased by EUR 5 thousand (as at 31 December 2020 – increased by EUR 53 thousand).

**15. Cash and cash equivalents**

	As at 31/12/2021	As at 31/12/2020
Cash at bank	7,267	5,968
Cash in transit	81	75
	<b>7,348</b>	<b>6,043</b>

In 2021 and 2020, funds and future income in the bank account and future inflows to bank accounts were not pledged.



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## 16. Issued capital

During 2021, the Company's issued capital was increased by in-kind contributions from Vilnius District Municipality in the amount of EUR 289.7 thousand and cash contribution from Vilnius City Municipality in the amount of EUR 200 thousand. During 2021, the number of shares for in-kind contribution from Vilnius District Municipality comprised 10.002 units, Šalčininkai District Municipality – 6,906 units. As at 31 December 2021, the Company's issued capital amounted to EUR 122,783 thousand and was divided into 4,239,732 shares with the par value of EUR 28.96 each.

During 2020, the Company's issued capital was increased by in-kind contributions from Vilnius City Municipality in the amount of EUR 3,016 thousand and Vilnius District Municipality in the amount of EUR 430 thousand. During 2020, the number of shares for in-kind contribution from Vilnius City Municipality comprised 104.145 units, Vilnius District Municipality – 14,837 units. As at 31 December 2020, the Company's issued capital amounted to EUR 122,293 thousand and was divided into 4,222,824 shares with the par value of EUR 28.96 each.

The issued capital of the Company was fully paid as at 31 December 2021 and 2020. The Company did not hold its own shares.

No dividend for shareholders was declared in 2021 and 2020.

## 17. Reserves

### Legal reserves

The legal reserve is mandatory under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2021 and 2020, the legal reserve amounted to EUR 1,054 thousand.

## 18. Loans

	As at 31/12/2021	As at 31/12/2020
<b>Non-current loans</b>		
Non-current loans	15,559	7 833
	15,559	7 833
<b>Current loans</b>		
Current portion of non-current loans	513	427
<b>Total:</b>	<b>16,072</b>	<b>8,260</b>

Non-current and current loans of the Company include:

## 18 Loans (continued)

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

Lender	Annual interest rate, %	Currency of the loan	Total amount of the loan	Repayment date	As at 31/12/2021	As at 31/12/2020
Ministry of Finance of RoL	4.172%	EUR	12,000	01/06/2021	-	427
Ministry of Finance of RoL	1.611%	EUR	19,400	04/10/2040	7,570	7,570
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	2,500	15/12/2039	1,594	252
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	1,043	15/01/2040	874	11
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	6,176	15/12/2040	1,034	-
Viešųjų Investicijų Plėtros Agentūra (VIPA)	2%	EUR	4,119	15/11/2041	-	-
European Investment Bank	floating*	EUR	20,000	15/01/2040	5 000	-
Less: current portion					(513)	(427)
<b>Non-current loans, net of current portion</b>					<b>15,559</b>	<b>7,833</b>

The terms of repayment of non-current and current loans are as follows:

	As at 31/12/2021	As at 31/12/2020
Within the first year	513	427
From one to five years	3,134	1,644
More than five years	12,425	6,189
<b>Total:</b>	<b>16,072</b>	<b>8,260</b>

To secure the fulfilment of financial liabilities to the creditor, the Company's property, plant and equipment with the net book value of EUR 27,174 thousand as at 31 December 2021 has been pledged (as at 31 December 2020: EUR 35,698 thousand) (Note 10).

In 2021, the Company signed a loan agreement with the European Investment Bank (EIB) that entitles EIB to provide a EUR 50,000 thousand loan to fund investment projects in the period 2020–2025. On 31 March 2021, the agreement was signed for a EUR 20 million loan for a period of 20 years with a fixed annual interest rate and maturity until 2041. The variable interest rate is calculated for periods of six months. In 2021, EUR 5,000 thousand received under this agreement. As at 31 December 2021, the Company's unwithdrawn balance of loan under this agreement amounted to EUR 15,000 thousand and is planned to be used in 2022. The loan agreement for the outstanding balance of EUR 30,000 thousand is scheduled to be signed in 2022.

\* The interest rate applied until 16 December 2021 was set at 0.188%, and until 16 June 2022 – at 0.165%.

In 2021, two agreements (five agreements in 2020) were signed with Viešųjų Investicijų Plėtros Agentūra UAB for funding of the development of drinking water supply and wastewater collection networks in Vilnius,

**18 Loans (continued)**

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

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Švenčionėliai, Šalčininkai and Eišiškės agglomerations. The loan agreements signed in 2020–2021 totalled to EUR 13,839 thousand. Loans are granted with fixed annual interest rate of 2%, the loan maturity term is 240 months following the date of entry into force of the loan agreements. In 2021, EUR 3,239 thousand were received under these loan agreements with VIPA (in 2020: EUR 263 thousand).

In 2018, the Company signed an agreement with the Ministry of Finance of the Republic of Lithuania, that entitles the Ministry of Finance of the Republic of Lithuania to provide an EUR 19,400 thousand loan to fund an investment project „Provision of drinking water and wastewater treatment system renovation and development in Vilnius city“. The loan agreement is concluded for a period of 18 years with a fixed annual interest rate of 1,611 % and maturity until 2040. In 2020, EUR 7,570 thousand received under this agreement with the Ministry of Finance.

### 19. Lease liabilities

The Company's lease liabilities consist of liabilities under a long-term office lease agreement with Duetto UAB and lease liabilities under long-term land lease agreements with the Vilnius City Municipality, the Vilnius District and the Švenčionys District Municipality. Lease liabilities are equal to the present value of the future lease payments discounted at a borrowing rate of 2.59% applied to the lease agreements concluded in 2021 (in 2020: 2.13%).

	As at 31/12/2021	As at 31/12/2020
<i>Non-current liabilities</i>		
Lease liabilities	1,732	1,884
	1,732	1,884
<i>Current payables and liabilities</i>		
Current portion of lease liabilities	242	234
<b>Total:</b>	<b>1,974</b>	<b>2,118</b>

The maturity analysis of lease liabilities is disclosed in Note 23.

The Company applies the lease recognition exemptions for short-term leases of vehicles, containers for ferrous sulphate and leases with a value of EUR 6 thousand or less throughout a contract life. Costs incurred under collector lease agreement are also recognised in profit or loss, because the lease of these assets does not meet the criteria for identified assets set out in IFRS 16.

The following are the amounts recognized in profit or loss:

	As at 01/01/2021	As at 01/01/2020
	As at 31/12/2021	As at 31/12/2020
Depreciation expense of right-of-use assets	250	255
Lease liability interest expenses	43	57
Expenses relating to short-term leases (included in other expenses in profit or loss)	39	33
Expenses relating to leases of low-value assets (included in other expenses in profit or loss)	21	18
Rent of collectors (Note 7)	172	172
<b>Total amount recognised in profit or loss</b>	<b>525</b>	<b>535</b>

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(all amounts are in EUR thousand unless otherwise stated)

20. Trade and other payables

	As at 31/12/2021	As at 31/12/2020
Trade payables for services	999	1,081
Trade payables for repairs	61	82
Trade payables for constructions in progress and reconstruction	2,126	2,134
Trade payables for contractual works in EU-funded projects	2,930	1,912
Trade payables for non-current assets	364	515
Trade payables for inventories	162	311
<b>Total</b>	<b>6,642</b>	<b>6,035</b>

21. Other current liabilities

	As at 31/12/2021	As at 31/12/2020
Taxes payable	1,924	1,152
Vacation pay accrual	1,341	1,208
Accrued variable component of remuneration	839	974
Current portion of accrued pension liabilities	243	163
Taxes, salaries and social security	323	245
Accrued expenses	254	262
Other liabilities*	3,504	1,624
<b>Total</b>	<b>8,428</b>	<b>5,628</b>

\* In 2021, a EUR 1,600 thousand cash contribution to issue additional capital was received from Vilnius District Municipality (Note 24).

Other payables are non-interest bearing.

22. Net Debt

For the purpose of the Company's net debt calculation, borrowings comprise cash and cash equivalents, debts to financial institutions and other debts relating to financing and lease liabilities.

Net debt balances as at 31 December 2021 and 2020 were as follows:

	As at 31/12/2021	As at 31/12/2020
Cash and cash equivalents	7,348	6,043
Current borrowings	513	427
Non-current borrowings	15,559	7,833
Lease liabilities	1,974	2,118
	<b>25,394</b>	<b>16,421</b>

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(all amounts are in EUR thousand unless otherwise stated)

22 Net Debt (continued)

Reconciliation of net debt balances and cash flows from financing activities of 2021 and 2020:

	Assets	Lease liabilities		Loans		Total
	Cash and cash equivalents	Long-term lease liabilities	Current portion of lease liabilities	Non-current loans	Current portion of non-current loans	
<b>Net debt as at 31 December 2019</b>	<b>4,456</b>	<b>1,688</b>	<b>226</b>	<b>427</b>	<b>857</b>	<b>7,654</b>
<u>Cash changes</u>						
Change in cash and cash equivalents	1,587	-	-	-	-	1587
Loans received	-	-	-	7,833	-	7,833
Loans (repaid)	-	-	-	-	(857)	(857)
Lease payments	-	-	(232)	-	-	(232)
Interest paid	-	-	(57)	-	(93)	(150)
<u>Non-cash changes</u>						
Interest charged	-	-	57	-	93	150
Lease contracts concluded	-	436	-	-	-	436
Reclassifications between items	-	(240)	240	(427)	427	-
<b>Net debt as at 31 December 2020</b>	<b>6,043</b>	<b>1,884</b>	<b>234</b>	<b>7,833</b>	<b>427</b>	<b>16,421</b>

	Assets	Lease liabilities		Loans		Total
	Cash and cash equivalents	Long-term lease liabilities	Current portion of lease liabilities	Non-current loans	Current portion of non-current loans	
<b>Net debt as at 31 December 2020</b>	<b>6,043</b>	<b>1,884</b>	<b>234</b>	<b>7,833</b>	<b>427</b>	<b>16,421</b>
<u>Cash changes</u>						
Change in cash and cash equivalents	1,305	-	-	-	-	1,305
Loans received	-	-	-	8,239	-	8,239
Loans (repaid)	-	-	-	-	(427)	(427)
Lease payments	-	-	(234)	-	-	(234)
Interest paid	-	-	(43)	-	(135)	(178)
<u>Non-cash changes</u>						
Interest charged	-	-	43	-	135	178

**COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021**

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Lease contracts concluded	-	90	-	-	-	90
Reclassifications between items	-	(242)	242	(513)	513	-
<b>Net debt as at 31 December 2021</b>	<b>7,348</b>	<b>1,732</b>	<b>242</b>	<b>15,559</b>	<b>513</b>	<b>25,394</b>

### 23. Financial Risk Management Objectives and Policies

The Company's principal financial liabilities comprise bank loans, advances received and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade and other receivables and cash, which arise directly from its operations.

The principal financial risks to which the Company is exposed are those of interest rate, liquidity and credit. The Company's management reviews and agrees policies for managing each of these risks, which are summarised below. Due to the fact that liabilities of the Company are not affected by other currencies, thus risk of foreign exchange rates is not applicable.

#### Interest rate risk

The Company's income, expenses and operating cash flows are substantially independent of changes in market interest rates, therefore are not linked to the interest rates risk. However, the Company has long-term loans that are necessary for the implementation of the investment projects provided for in the Operating and Development Plans. The Company's long-term loans consist of long-term loans with fixed interest rates (as at 31 December 2021 – EUR 11,072 thousand, as at 31 December 2020 – EUR 8,260 thousand) and long-term loans with floating interest rates (as at 31 December 2021 – EUR 5,000 thousand, as at 31 December 2020 – EUR 0).

Interest rate risk is affected by changes in floating interest rates, which are related to EURIBOR and reclassified in the Company every 6 months. As at 31 December 2021, changes in floating rates did not affect the Company's pre-tax profit, as the 6-month EURIBOR was negative and set at 0,546 %. If the floating interest rate were to increase/decrease by 0.25%, the effect of the Company's loan interest on a pre-tax profit as at 31 December 2021 would still be negative.

Except for the current year's profit, there is no impact on the equity of the Company.

#### Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of overdrafts and committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

(all amounts are in EUR thousand unless otherwise stated)

**23 Financial Risk Management Objectives and Policies (continued)**

The Company's current liquidity (total current assets/total current liabilities) and quick ((total current assets – inventories)/total current liabilities) ratios as at 31 December 2021 were 0.75 and 0.74, respectively (0.86 and 0.84 as at 31 December 2020).

The management reviews the Company's liquidity risks annually as part of the planning process and on ad hoc basis. The report considers projected cash flows from operations and allows for the management to effectively plan cash injection if shortfall of funds is envisaged. The Company monitors its risk to a shortage of funds using a standard monthly report on the cash flows with a liquidity projection for the future periods.

In 2021, the cash flow from operating activities was EUR 12,568 thousand (in 2020, EUR 9,541 thousand). The Company has managed to ensure its continuity – to cover obligations to suppliers, employees, pay taxes, etc.

The management believes that positive operating cash flows are sufficient to ensure adequate funding for the activities of the Company and the Company will be able to continue to operate for at least 12 months after the approval date of these financial statements.

The tables below summarise the maturity profile of the Company's financial liabilities as at 31 December 2021 and 2020 based on contractual undiscounted payments.

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Interest bearing loans	-	41	623	3,844	13,563	18,071
Lease liabilities	-	70	211	1,139	1,170	2,590
Trade and other payables	-	6,643	-	-	-	6,642
Other liabilities	-	15	2,016	2 234	-	4,265
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>6,768</b>	<b>2,850</b>	<b>7,217</b>	<b>14,733</b>	<b>31,568</b>

	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Interest bearing loans	-	-	436	2,283	6,994	9,713
Lease liabilities	-	69	208	1,119	1,311	2,707
Trade and other payables	-	6,035	-	-	-	6,035
Other liabilities	-	31	1,728	639	-	2,398
<b>Balance as at 31 December 2020</b>	<b>-</b>	<b>6,135</b>	<b>2,372</b>	<b>4,041</b>	<b>8,305</b>	<b>20,853</b>



## 23 Financial Risk Management Objectives and Policies (continued)

### Foreign exchange risk

All sales and purchases transactions as well as the financial debt portfolio of the Company are denominated in EUR, therefore, the Company is not exposed to foreign currency risk.

### Credit risk

Trade receivables are distributed among many customers, so credit risk is diversified. Credit risk, or the risk of counterparties defaulting, is controlled by the Company's debt management department, using the control procedures. Due to the Company's business specifics deposit or prepayment of the customers are not required.

In order to diversify the credit risk, the Company's cash resources are held in a number of financial institutions, which or whose parent companies have at least A- by Fitch Ratings agency (or other equivalent rating agency) long-term debt credit rating.

As at 31 December 2021 and 2020, the Company did not invest available funds into instruments of cash and securities market (deposits, bonds, government securities).

### Fair Value of Financial Instruments

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is supported by quoted market prices, discounted cash flow models and options pricing models depending on the circumstances.

The fair value of the Company's financial assets and financial liabilities approximates their carrying amounts as at 31 December 2021 and 2020 (Level 3).

The fair value of borrowings was calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets was calculated using the market interest rate.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:

- (a) The carrying amount of current trade amounts receivable, current trade accounts payable and current borrowings approximates fair value due to their short maturities (Level 3).
- (b) The fair value of non-current borrowings is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts (3 level).

Categories of financial instruments:

## 23 Financial Risk Management Objectives and Policies (continued)

	As at 31/12/2021	As at 31/12/2020
<b>Financial assets</b>		
Cash and cash equivalents	7,348	6,043
Trade and other receivables	6,962	6,300
<b>Financial liabilities</b>		
Carried at amortised cost	24,688	16,413

### Capital management

The primary objective of the capital management is to ensure that the Company maintains a strong credit health and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's dividend policy setting out the principles for the payment of dividends is approved by the Company's Board. The dividend policy is one of capital risk management tools. Based on this policy, the Company plans the distribution of dividends in view of the ratio of return on equity and net profit earned. The dividend policy provides that appropriation of profit for the payment of dividends for the financial year depends on the ratio of return on equity, availability of financial resources to the Company for payment of dividends and other circumstances. Between 60% and 85% of net profit is appropriated for the payment of dividends, depending on the ratio of return on equity at the end of the reporting period. The dividend policy provides that the share of net profits appropriated for the payment of dividends may be reduced if, following payment of dividends, the Company fails to meet its obligations under financing agreements or other obligations, there would be a significant change in the Company's financial position or the results would significantly deviate from the forecasts, as well as the payment of dividends would result in the Company's cash balance in bank accounts being less than the Company's total average costs for three months (rolling 12-month). The Company is not obliged to distribute dividends only when it incurs net loss. Dividends will not be paid if the Company's equity (after the payment of dividends) becomes lower than the sum of its share capital, legal reserve, revaluation reserve and reserve for acquisition of own shares; if it has outstanding obligations fallen due at the time of the decision, as well as the value of Company's current (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) is lower than 1 at the end of the year.

The Company is obliged to keep its shareholders' equity ratio not less than 50% of its authorised share capital, as imposed by the Law on Companies of Republic of Lithuania. The Company meets the requirements of equity by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

The Company monitors capital using capital concentration ratio, which is calculated as ratio between equity and total assets (after eliminating advances received) of the Company.

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(all amounts are in EUR thousand unless otherwise stated)

23 Financial Risk Management Objectives and Policies (continued)

ratio. Equity includes ordinary shares, reserves, retained earnings or accumulated losses. The Company's management seeks the capital concentration ratio to be no lower than 40%:

	As at 31/12/2021	As at 31/12/2020
Company's assets	173,303	156,663
Contract liabilities: advances received	(872)	(717)
	172,431	155,946
<b>Equity</b>	<b>133,217</b>	<b>129,607</b>
Capital concentration ratio	77.26%	83.11%

24. Related Party Transactions

Parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The Company's transactions with related parties in 2021 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Receivables from related parties	Accounts payable to other related parties
Shareholders	1,350	19	50	1,730
Entities controlled by shareholders	7,261	505	855	117
<b>Total</b>	<b>8,611</b>	<b>524</b>	<b>905</b>	<b>1,847</b>

As at 31 December 2021, the payable to the Vilnius District Municipality of EUR 1,600 thousand consisted of cash contribution to issued capital. Sales to Vilniaus Šilumos Tinklai AB in 2021 amounted to EUR 6,264 thousand.

The Company's transactions with related parties in 2020 and related year-end balances were as follows:

	Sales to related parties	Purchases from related parties	Receivables from related parties	Accounts payable to other related parties
Shareholders	757	18	2,455	-
Entities controlled by shareholders	7,036	407	805	51
<b>Total</b>	<b>7,793</b>	<b>425</b>	<b>3,260</b>	<b>51</b>

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**24 Related Party Transactions (continued)**

As at 31 December 2020, the receivable from Vilnius City Municipality amounted to EUR 2,454 thousand. Sales to Vilniaus Šilumos Tinklai AB in 2020 amounted to EUR 6,180 thousand.

Services to shareholders and to entities controlled by shareholders are provided at market prices.

**25. Remuneration of the Management and Other Payments**

As at 31 December 2021, the Company's management comprised of 4 people, as at 31 December 2020 – 5 people.

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Key management remuneration	459	400
Social security	9	8
<b>Total</b>	<b>468</b>	<b>408</b>

During 2021, the Company's management received payment in amount of EUR 16.78 thousand for car rental (in 2020 – EUR 16.72 thousand).

**26. Non-Cash Transactions**

	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Property, plant and equipment received from shareholders as capital contribution	290	3,446
In-kind income from equipment relocation from third parties	605	117

**27. COVID-19 pandemic**

The Company's assessment of the impact of the COVID-19 pandemic on the Company's financial statements for year 2021 and 2020 followed by a finding that the COVID-19 pandemic did not make a significant impact on the Company's financial performance, since the Company provides vital services that are not particularly sensitive to economic changes and the prices of which are regulated by the State.

After the declaration of a national level emergency in Lithuania, the Company made timely safety and organizational decisions ensuring personnel security and the Company's going concern. The Company has various safety measures in place to ensure the safety of both its employees and partners. Whereas the Company provides vital services and is obliged to ensure continuity and uninterrupted service (smooth operation of the water supply and wastewater management process and emergency response) during emergency and quarantine, the Company provided additional personal security measures to employees who were unable to work remotely and established other organizational arrangements related to health care. The employees, who can perform their functions remotely, worked from home. Due to the quarantine declared by the government, the Company suspended the meter data verification and meter replacement activities carried out due to ended or ending metrological inspection,

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(all amounts are in EUR thousand unless otherwise stated)

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**27. COVID-19 pandemic (continued)**

in order to protect the health of customers and its employees. In 2021, a total of 22 employees were temporary laid off (in 2020 – 23 employees). In 2021, wage compensations for the temporary lay-offs was estimated at EUR 52 thousand (in 2020: EUR 35 thousand), grants received for the temporary lay-offs – EUR 52 thousand (in 2020: EUR 31 thousand), after the temporary lay-offs (for July and August) – EUR 14 thousand.

Debt collection activities were not suspended during the quarantine in 2021. During the first quarantine in 2020, the Company suspended the debtor-related processes and debt collection activity. The Company also provided customers with the opportunity to defer payments until the end of the quarantine. As at 31 December 2020, the deferred payments amounted to EUR 16 thousand.

Additional COVID-19 pandemic related costs incurred by the Company in 2021 amounted to EUR 35 thousand (in 2020: EUR 159 thousand) (Note 7).

The relevance of the measures applied in the Company to control the COVID-19 pandemic is subject to ongoing discussions and reviews.

**28. Off-balance sheet liabilities and contingencies**

Litigations

The Company has received claims from the following persons:

- On 19 May 2017, the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania has informed the Company about undertaken investigations into alleged infringements of the incompliance with monitoring (result) rates during the period from 2007 to 2013 while performing projects funded by the European Union. The incompliance with monitoring (result) can modify the amounts of expenses suitable for funding from 5 to 20% of the funded amount. In September 2017, the Minister of the Environment of the Republic of Lithuania has issued the following orders: No D1-448; No D1-497; No D1-499 and the orders No D1-752; No D1-739; No D1-735 on application of financial corrections, under which the funded amount was EUR 4,021,761.

Vilniaus Vandenys UAB appealed the orders to Vilnius Regional Administrative Court on 2 October 2017. The Court of first instance did not uphold the Company's appeal, therefore, appeals have been filed to the Supreme Administrative Court of Lithuania on 9 July 2018. On 14 October 2020, the Supreme Administrative Court of Lithuania partially uphold the Company's appeal to annul the decisions of the Minister of the Environment of the Republic of Lithuania No D1-752, D1-739 and D1-735 on application of financial corrections and refer the matter regarding the adoption of the decision back to the defendant, the Ministry of Environment of the Republic of Lithuania, for reconsideration. As it is not possible to make a reasonable estimate of the outcome of this dispute, no provision is made for adjustments to the amounts funded. In the event the decision to repay the amounts funded is adopted, funding resources will be redistributed (by reducing the amount of the grant received). A possible return should not have any impact on the Company's income or losses.

- There is a civil case in Vilnius District Court based on UAB Avadi action against UAB Vilniaus Vandenys, by which the Claimant requests to amend the construction contract by adding a provision regarding

## 28 Off-balance sheet liabilities and Contingencies (continued)

the settlement with the Contractor for works the quantities of which exceeds the 15% increase in accordance with the rates specified in the Contractor's offer and the Contract, or by deducting part of the price from the individual component of the object of procurement the price of which is set in the Contract or the estimated contract fee, as a result of which the Company is required to pay the Claimant an additional amount of EUR 222,483. The parties agreed on peace settlement of the dispute, i.e. by mutual concessions agreed to reimburse the plaintiff UAB Avadi EUR 15,000. As at 31 December 2021, the peace treaty between parties was pending before the court, therefore a provision of EUR 15,000 was established.

- On 6 May 2021, a civil case was heard in Vilnius District Court based on the action of ADB Gjensidige against the Company for the recovery of insurance claim of EUR 46,872 and default interest at the rate of 5% per annum. The Court of first instance partly upheld the claim of the plaintiff ADB Gjensidige and ordered the Company to pay EUR 24,936 thousand by way of damages and a court fee of EUR 464. the Company filed an appeal, which is pending before the Court of Appeal of Lithuania. The appeal is still pending before the court, therefore the Company established a provision of EUR 25,400 as at 31 December 2021 in accordance with the judgement of the Court of First Instance.
- There is a civil case in the District Court of Vilnius City based on the action of plaintiff A.C. for annulment of the terms of the contract and the decision. The Plaintiff claims damages for pecuniary loss of EUR 2,100 and non-pecuniary loss of EUR 7,000 incurred due to the disconnection of services to the Plaintiff as a former owner at the request of the existing (legal) owner. On 31 December 2021, a provision of EUR 9,100 to repay the damages indicated in the claim was recognised.
- The civil case was heard in Vilnius District Court based on the action of Vilniaus Vandenys UAB of 16 July 2020 against the decision of the Environmental Protection Department under the Ministry of Environment (EPD) of the Republic of Lithuania (hereinafter the "Claim") by which it requested the court to set aside the decision of EPD "On the Approval of the Inspection Report" (hereinafter the "Decision") and to exempt Vilniaus Vandenys UAB (Applicant) from the pollution tax specified in the decision of EPD or to annul the Decision of APD (Defendant) in so far as it imposes a pollution tax of EUR 7,561,902 at a higher rate and reduce that amount (tax) to EUR 151,238 (i.e. exempt from the rate which is 50 times higher). On 17 May 2021, the Court of First Instance passed a judgement to partially uphold Vilniaus Vandenys UAB claim to change the Decision of the Environmental Protection Department under the Ministry of Environment of the Republic of Lithuania, i.e. to reduce the amount of the tax imposed from EUR 7,561,902 to EUR 3,024,761. On 16 June 2021, the Company filed an appeal before the Supreme Administrative Court of Lithuania. At present, the appeal proceedings are before the appeal court. The Company was established a provision of EUR 2,646,666 against this claim as at 31 December 2020. Taking into account the judgement of the Vilnius Regional Administrative Court, the provision as at 31 December 2021 was increased to EUR 3,024,761 and additional provision of EUR 480,936 was established as at 31 December 2021 for default interest as at 31 December 2021.
- On 24 September 2020, the Company received the claim from EPD under the Ministry of Environment for damages in the amount of EUR 82,709.76. The Company does not agree with the claim of EPD. On 31 December 2020, a provision of EUR 82,709.76 to repay the damages indicated in the claim was recognised. The amount of the provision has not changed as at 31 December 2021. The Company refuses to satisfy the claim, thus the Environmental Protection Department may claim damages only by way of judicial remedy (bringing an action).

## 28 Off-balance sheet liabilities and Contingencies (continued)

The Company's provisions for legal cases and other provisions are presented in the table below:

	As at 31/12/2020	Accrued as at 01/01/2021 as at 31/12/2021	Used as at 01/01/2021 as at 31/12/2021	As at 31/12/2021
Provisions for trial claims	199	50	199	50
Provisions for environmental damage	2,729	859	-	3,588
Provisions accrued for boreholes liquidation	61	14	61	14
Provisions for cadastral measurement and cases registration	24	1	3	22
Provisions for protection zone establishment and registration	-	916	-	916
<b>Total</b>	<b>3,013</b>	<b>1,840</b>	<b>263</b>	<b>4,590</b>

### Provision for special conditions on land use (protection zones)

On 1 January 2020, the Law on Special Conditions on Land Use of the Republic of Lithuania came into force introducing the obligation for the Company to register in the State Real Property Register special protection conditions (protection zones) of a land which will fall within the boundaries of the protection zones of the Company's water supply and wastewater collection infrastructure and pay compensations for them. This Law defines the procedure and principles for registration of these special land areas and requires to pay compensations for the use of special land areas under the procedure approved by the Government of the Republic of Lithuania. The Law requires all protection zones to be registered by 31 December 2022.

No provision is accounted for compensation of land owners for the protection zones since the Company's management cannot reliably estimate the amount of expenditures expected to be incurred due to the inaccuracy of the cadastral data of the engineering networks available in the GIS, existing deviations and missing data on depth of the infrastructure, which is one of the key data for determining the area of protection zones and calculating compensations.

### Other off-balance sheet commitments and uncertainties

As at 31 December 2021 and 2020, the Company has legally unregistered assets (Note 10) and to the date of approval of these financial statements the Company has not received any claims from the third parties. The Company bears all the risks and rewards related to these assets.



## 28 Off-balance sheet liabilities and Contingencies (continued)

### Contractual commitments under construction contracts

As at 31 December 2021, the Company's commitments, assumed under the concluded construction contracts at the reporting date, which are not yet recognised in the financial statements, amounted to EUR 56,556 thousand. As at 31 December 2020, future capital expenditure commitments amounted to EUR 16,311 thousand.

## 29. Events after the Reporting Period

On 3 January 2022, the Company and the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania (AVA) signed an amendment to the agreement for funding the project "Reconstruction of Vilnius city wastewater treatment plant". The project was granted additional funding of EUR 26,541 thousand under the order of the Minister of Environment of the Republic of Lithuania of 27 December 2021. The other part of the project is financed with Vilniaus Vandenys UAB own funds.

In January and February 2022, additional agreements were signed with VIPA regarding deferral of loan and interest payments under the agreements for funding the development of drinking water supply and wastewater collection networks in Švenčionėliai, Šalčininkai and Eišiškės agglomerations – until 2 May 2022, in Vilnius agglomeration – until 31 October 2023.

In February 2022, the Company's issued capital was increased by in-kind contribution of EUR 237 thousand from Vilnius City Municipality.

In February 2022, a finance lease agreement was signed with Švenčionys District Municipality. Movable and immovable property sold and delivered at inception date amounted to EUR 362 thousand. Settlement of the property sold will be carried out in accordance with the schedule by the Administration of Švenčionys District Municipality. The property was sold under the agreement in relation to the operations discontinued in December 2021 in the town of Pabradė, where the Company operated wastewater networks and a wastewater treatment plant.

In March 2022, the Company's issued capital was increased by cash contribution of EUR 1,600 thousand from Vilnius District Municipality.

### Impact of the Russian military invasion of the Republic of Ukraine

On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. The EU and rest of the world, including global bodies, are taking measures to respond to the military aggression of the Russian Federation against the Republic of Ukraine. The management of the Company has assessed that these sanctions will not have a significant impact on the Company's ability to continue as a going concern, since the sanctions imposed are currently not having an adverse effect on the Company.

At the date of authorisation of these financial statements, the management is not yet able to reasonably quantify the extent of potential changes in accounting estimates in 2022 due to the rapidly changing situation, great level of uncertainty and the possible overall negative economic effect.