2020/02/28 No.

CERTIFICATION STATEMENT

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned AB „Ignitis gamyba" Rimgaudas Kalvaitis, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration, and Dalia Motiejūnienė, Head of Accounting Consultations Unit of UAB „Ignitis grupės paslaugų centras", hereby confirm that, to the best of our knowledge, AB Ignitis gamyba condensed Interim Financial Information for twelve-month period ended 31 December 2019 prepared according to International Accounting Standard 34 "Interim financial reporting" adopted by the European Union, give a true and fair view of AB „Ignitis gamyba" assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the twelve-month period includes a fair review of the activities business development as well as the condition of AB „Ignitis gamyba" and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer	Rimgaudas Kalvaitis
Finance and Administration Director	Mindaugas Kvekšas
UAB „Ignitis grupės paslaugų centras", Head of Accounting Consultations Unit, acting under Order No. IS-73-20 (signed 26/02/2020)	Dalia Motiejūnienė

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

+370 618 37392
gamyba@ignitis.lt

www.ignitisgamyba.lt

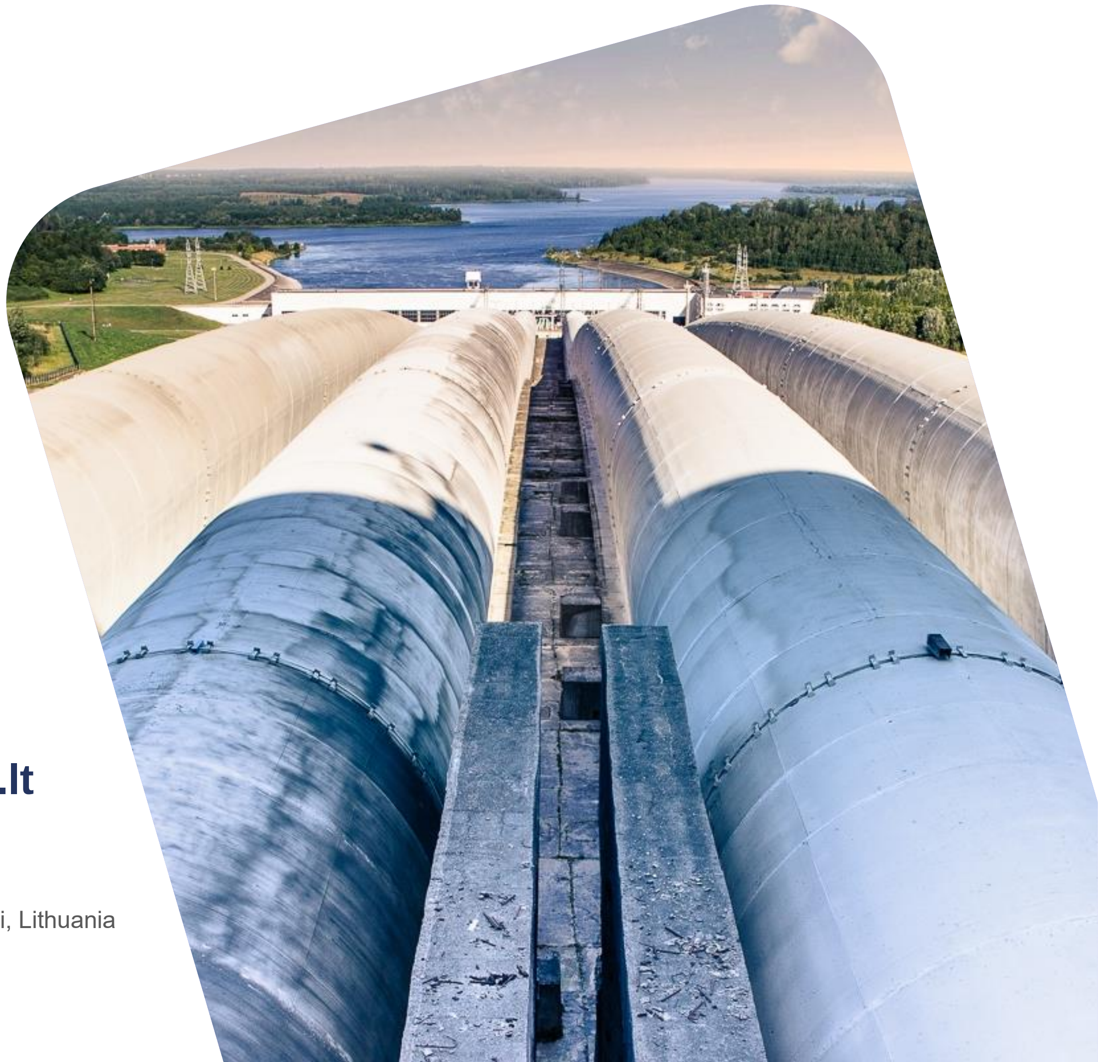
Company code
302648707
VAT code
LT100006256115

2019

IGNITIS GAMYBA AB

COMPANY’S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2019 AND FOURTH QUARTER OF 2019, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



www.ignitisgamyba.lt

Ignitis Gamyba AB
Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
E-mail gamyba@ignitis.lt
Company code 302648707

CONTENTS

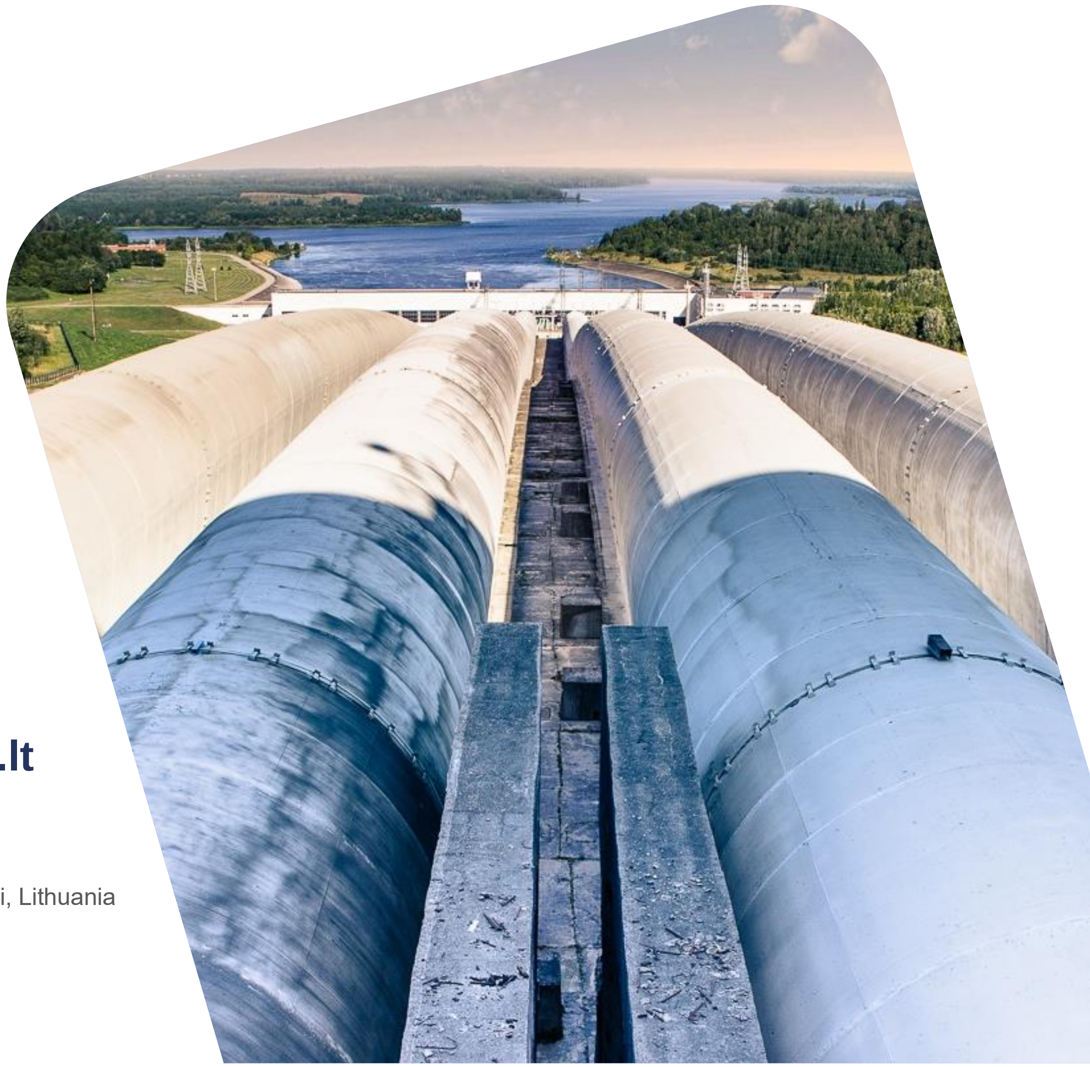
The financial statements of AB „Ignitis Gamyba" were approved on 28 February 2020 by the Chief Executive Officer, the Director of Finance and Administration, and the Head of the Accounting Consultations Unit of UAB „Ignitis grupės paslaugų centras" (acting under Order No IS-73-20 of 26/02/2020):

Rimgaudas Kalvaitis General Manager	Mindaugas Kvekšas Finance and Administration Director	Dalia Motiejūnienė Head of the Accounting Consultations Unit of UAB „Ignitis grupės paslaugų centras", acting under Order No IS-73-20 of 26/02/2020

2019

IGNITIS GAMYBA AB
INTERIM REPORT

FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2019



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E-mail gamyba@ignitis.lt
Company code 302648707

CONTENT

All amounts are in EUR thousand unless otherwise stated

Reporting period covered by the Interim Report

The Interim Report provides information to the shareholders, creditors and other stakeholders of Ignitis Gamyba AB (hereinafter “the Company”) about the Company’s operations for the period of January-December 2019.

Legal basis for preparation of the Interim Report

The Interim Report of AB Ignitis Gamyba has been prepared by the Company’s Administration in accordance with the Lithuanian Law on Securities, the Lithuanian Law on Companies, the Rules for Disclosure of Information and the updated version of the Guidelines for Disclosure of Information approved by the Board of the Bank of Lithuania, the Lithuanian Government’s Resolution On the approval of the guidelines for ensuring transparency of operations of state-owned entities and other legal acts.

Individuals responsible for the information contained in the Interim Report

Role	Full name	Telephone
Ignitis Gamyba AB, Chairman of the Board, CEO	Rimgaudas Kalvaitis	+370 618 37392
Ignitis Gamyba AB, the Board member, Director of Finance and Administration	Mindaugas Kvekšas	+370 618 37392

Information on the availability of the report and the documents used in preparing the report, and on means of mass media in which the Company’s public reports are published

The report and the documents, on the basis of which it was prepared, are available at the head office of Ignitis Gamyba AB, (Elektrinės g. 21, Elektrėnai), on working days from Mondays through Thursdays from 7.30 a.m. To 4.30 p.m., and on Fridays from 7.30 a.m. to 3.15 p.m.

The report is also available on the website of the Company at www.ignitisgamyba.lt and the website of Nasdaq Vilnius stock exchange at www.nasdaqbaltic.com.

All public announcements, which are required to be published by the Company according to the effective legal acts of the Republic of Lithuania, are published on the Company’s website (www.ignitisgamyba.lt) and the website of Nasdaq Vilnius stock exchange (www.nasdaqbaltic.com).

KEY OPERATING AND FINANCIAL INDICATORS OF THE COMPANY

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section "Financial Reports" (link) of the section "For Investors" of the Company's website.

		2019	2018	Change +/-	Change %
KEY OPERATING INDICATORS					
Electricity generated	*TWh*	0.83	0.88	-0.05	-5.85
KEY FINANCIAL INDICATORS					
Revenue	*EUR'000*	145,504	137,821	7,683	5,57
Costs for the purchase of electricity, fuel and related services	*EUR'000*	53,511	61,894	-8,383	-13,54
Operating expenses[1]	*EUR'000*	20,960	21,042	-82	-0,39
EBITDA[2]	*EUR'000*	68,588	51,986	16,602	31,94
EBITDA margin[3]	*%*	47.1	37.9	9.3 p. p.	
Adjusted EBITDA[4]	*EUR'000*	54,007	44,816	9,191	20,51
Adjusted EBITDA margin[5]	*%*	41.4	34.4	6,9 p. p.	
Net profit (loss)	*EUR'000*	42,792	34,664	8,128	23,45
		31/12/2019	**31/12/2018**	**Change +/-**	**Change %**
Total assets	*EUR'000*	678,113	656,714	21,3998	3,26
Equity	*EUR'000*	410,053	391,812	18,241	4,66
Borrowings	*EUR'000*	25,768	38,208	-12,440	-32,56
Net debt[6]	*EUR'000*	-32,733	-9,677	-23,056	238,26
Return on equity (ROE)[7]	*%*	10.4	8.8	1,6 p. p.	
Equity ratio[8]	*%*	60.5	59.7	0.8 p. p.	
Net debt/EBITDA for 12 months	*%*	-47.7	-18.6	-29.1 p. p.	
Net debt/Equity	*%*	-8.0	-2.5	-5.5 p. p.	
Assets turnover ratio[9]	*%*	21.5	21.0	0.5 p. p.	
Current liquidity ratio[10]	*%*	402.0	417.8	-15.7 p. p.	

[1] Operating expenses, excluding costs of purchase of electricity and related services, costs of fuel used for production, depreciation and amortisation costs, impairment losses, revenues/expenses of revaluation of emission allowances, long-lived tangible assets write-down costs, and costs of stock sales.
[2] Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.
[3] EBITDA/Revenue.
[4] EBITDA result is reported after the adjustments made by the management, eliminating the impact of one-time factors, and by measuring the change in income (and, consequently, EBITDA) from regulated services provided by the Company, if income is recognized to the extent permitted under the NERC methodologies, volume of income, taking into account the amount of allowable return on investment and the actual costs of the services providing during the period. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company, without the occurrence of atypical, one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company's interim and annual reports.
[5] Adjusted EBITDA/Revenue.
[6] Financial debts – Cash and cash equivalents – Short-term investments and term deposits – Share of non-current other financial assets consisting of investments in debt securities.
[7] Net profit (loss), restated annual value/Owner's equity at the end of the period.
[8] Equity at the end of the period/Total assets at the end of the period.
[9] Revenue, restated annual value/Total assets at the end of the period.
[10] Short-term assets at the end of the period/short-term financial liabilities at the end of the period.

MANAGEMENT'S FOREWORD

Dear customers, shareholders, partners and employees,

The year 2019 for Ignitis Gamyba was full of challenges, but tackling them today, we can enjoy both better company results and greater employee engagement today. We are changing and evolving to build a globally competitive energy company that will be even more efficient.

Although the draught in spring and summer took its toll in Lithuania, the main performance indicators of Ignitis Production in 2019 consistently improved. Results of Ignitis Gamyba in 2019 were significantly influenced by the effective use of the Kruonis Pumped Storage Power Plant (hereinafter "Kruonis PSHP") potential, positive results of the stocked fuel-oil sales and increased volume of the regulated services provided by Elektrėnai Complex. That led to 20.5% higher adjusted EBITDA of the Company in 2019, which reached EUR 54.0 million (compared to EUR 44.8 million in 2018).

The Company's revenue peaked at 5.6 and totalled EUR 145.5 million in 2019, whereas the net profit grew from 23.5% up to 42.8 in 2019. Other Company's profitability indicators – operating profit margin, profit before tax margin, and net profit margin also were higher. This has been partly determined by the EUR 9.3 million remittance received from the Ministry of Finance in spring 2019, of which the company has announced previously.

Hydrological drought and prolonged fish spawning period had a negative impact on the results of Kaunas A. Brazauskas Hydroelectric Power Plant (hereinafter "Kaunas HPP") due to the following reasons: a low flow of the Nemunas inflow in 2019 it produced 0.27 TWh or 22% less electricity than in 2018. The lower production results of Kaunas HPP were compensated by the increased margin of Kruonis PSHP generation – the increased difference between daily peak and night-time electricity prices resulted in 14% higher sales of the electricity produced in Kruonis PSHP in 2019 (0.54 TWh). As in the previous year, the production volumes in Elektrėnai Complex remained limited.

Implementing its essential mission, in 2019 the Company successfully provided various ancillary services that are vital to the stability and security of the region's electricity supply systems. As in previous years, in 2019 the Company ensured the secondary active power reserve, a service provided by two hydro-units of Kruonis PSHP in the scope of 400 MW. The tertiary active power reserve in the scope of 260 MW was ensured by the most effective unit of Elektrėnai Complex – the combined cycle unit (hereinafter "the CCU"). CCU was constantly ready to produce electricity and contribute to the overall security of the energy system.

In total, 0.83 TWh of electricity generated in the Company's power plants was sold in the NordPool exchange in 2019, slightly less if compared to 2018 (0.88 TWh). The Company's financial results in 2019 and the factors that affected them are discussed further in this report, which also notes that 2019 became the starting point from which we begin to implement the Company's renewed business strategy.

While taking constant care for the reliable and stable work of the Company's power plants, our team continued intensive preparations for the projects of huge importance to the entire energy system. In May, we successfully participated in a test of Lithuanian electricity system restoration after a total failure and isolated work of a part of the system, which proved we are prepared to act on time and ensure provision of electricity to the country's consumers. In Elektrėnai Complex, the dismantling of units 5 and 6 of the reserve power plant has been continued as well. Moreover, we carried out preparatory works for the possible modernisation of the Kruonis PSHP – in September, a study of the pile field and infrastructure was completed, partially funded by the European Commission. We expect that the technological alternatives' study and socio-economic study will be finished in the first half of 2020.

At the beginning of October, Ignitis Gamyba started providing solar power plant installation services and implementing large solar park projects for remote customers generating solar energy. The 1 MW solar power plant offered on the platform Ignitis Saulės Parkai was booked within 2 days. At the end of the year, a 3 MW solar farm development project was initiated.

I am glad we managed to make a substantial progress implementing new projects. In 2019, preparatory works for the installation of the experimental solar power plant in Kruonis PSHP and disassembly of the chimneys in Elektrėnai Complex have been actively carried out, including the initiation of the public procurement procedures necessary for further implementation of these projects. I strongly believe these large-scale innovations will soon become reality, thus allowing Ignitis Gamyba to push the boundaries of innovative solutions provided by the state-owned enterprises on both the national and regional level.

So, we ended a year of 2019 with all the goals achieved, but what is direction for 2020? The highlights for 2020 remain the same as for 2019. We will continue to strive for the consistent implementation of the Company's long-term strategy, to actively embrace all opportunities for power generation, and reliable and efficient system services remain our top priorities for 2020 and beyond.

At the end of the year, we won the auction of the tertiary active power reserve, announced by the transmission system operator LITGRID (hereinafter "LITGRID" or "the TSO"), and signed a contract to provide this service. Under this agreement, we will provide this vitally important service in 2020 ensuring power grid reliability to units 7 and 8 within the scope of 475 MW. Since the launch of the auctions for tertiary active power reserve, this is the first case when one supplier is selected to provide all the services. We have also signed agreement with LITGRID for provision of secondary reserve and services ensuring isolated operation of the power system in 2020. These services will be provided by two Kruonis PSHP units and the CCU and Unit 8 respectively.

Thus, ensuring reliable operation of power plants remains of paramount importance to us – we provide systemic services that are important to the country, therefore, we need to be ready to generate electricity when it is needed.

I'm confident that focused work and important projects will help us to achieve our vision of becoming a competitive international excellence centre for energy generation.

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

MOST SIGNIFICANT EVENTS

During the reporting period

On 7 January, 2019 chairwoman of the board and CEO of the Company **Eglė Čiužaitė provided a notification on her resignation** from the position of chairwoman of the board and CEO of the Company.

On 8 January, 2019 the Company announced about the start of preparations for 1 megawatt **energy storage** system installation **in Kaunas HPP**. Using a unique algorithm, the storage system would allow to provide a high-quality frequency containment reserve (FCR) service, compensating the asymmetries in hydro-unit operations. The Company initiated public procurement procedures to acquire the equipment.

On 26 February, 2019 it was announced that the experimental **floating photovoltaic solar power plant project** in Kruonis PSHP, developed by the Company, has received funding from the Lithuanian Business Support Agency (LBSA). The total amount of EUR 235 thousand have been granted.

On 11 February, 2019 the Company received a **remittance** of EUR 9,275,871.04 from the Ministry of Finance of the Republic of Lithuania as a reparation for the potential loss that was inflicted trough the actions carried out by Alstom Power Ltd while implementing Lietuvos Elektrinė's, AB Fuel Gas Desulphurisation (FGD) project, implemented from 2005 to 2009.

On 25 February 2019, the Extraordinary General Meeting of Shareholders of the Company adopted decisions regarding the terms and conditions of the activities of an independent member of the Supervisory Board and regarding the **election of the audit company** for the audit of financial reports of the Company and the terms of remuneration for the audit services

On 13-15 March 2019, the Company successfully **tested** the reserve power plant **units** of the Elektrėnai Complex. For testing, the 7th unit was first turned on, and after two days the 8th unit was tested. Both units were under the preservation mode in 2019, but will be ready for work and together with the combined cycle unit will play an important role in the isolated network test, which will be carried out after the testing date will be agreed between the Baltic transmission system operators.

On 27 March, 2019 the Supervisory Board of the Company elected Rimgaudas Kalvaitis as a **new member of the Board**. At the same day, after the meeting of the Supervisory Board, the Board of the Company has elected Mr Kalvaitis, the member of the Board, as the Chairman of the Board and CEO of the Company.

Q1 2019 **The Company's heavy fuel oil residues, unusable in direct operations, were sold.** In order to optimise unusable infrastructure while eliminating point source pollution, the Company initiated Phase II of the fuel management project.

On 12 April, 2019 the Ordinary General Meeting of Shareholders of the Company adopted the decisions to approve the Annual Report of the Company for the year 2018 and audited Annual Financial Statements of the Company for the year 2018, and to **allocate the profit the Company for the year 2018** (the dividends are to be paid for the period of July–December 2018).

On 24 April, 2019 Lietuvos Energija UAB (now – UAB Ignitis Group), which owns 96.82 % of shares of the Company, and acts as a parent company of Lietuvos Energija Group (now – Group companies of Ignitis Group, hereinafter "the Group"), announced about the submitting of applications on 16–17 April 2019 to European Union Intellectual Property Office (EUIPO) to register the following word trademarks: Ignitis, Ignitis Power, **Ignitis Gamyba,** Ignitis Renewables, Ignitis Grupė, Ignitis Group, and associated visual designs – logos. The aim of this change was to consolidate different trademarks owned by Lietuvos Energija, UAB and the Group in to the one modern international trademark, optimizing the expenses dedicated to communication.

On 9 May 2019, the Company invited the society to assess the report on environmental impact of **Vilnius Combined Heat and Power Plant (hereinafter "Vilnius TPP-3") modernisation.** Seven possible technological modernisation alternatives of Vilnius TPP-3 have been analysed.

On 18 and 19 May 2019, in power plants operated by the Company – Kruonis PSHP, Kaunas HPP and Elektrėnai combined cycle unit (hereinafter "CCU") – LITGRID permed a test of Lithuanian electricity system restoration after a total failure and isolated work of a part of the system.

On 3 June 2019, the European Commission **launched an investigation** in order to assess, if EU State aid rules were followed when using a strategic reserve instrument which allocates proceeds of public interest services (hereinafter "SPI") to the Company. It must be noted that the strategic reserve includes the security of system reserves in particular power plants, whose activity is crucial in ensuring the country's energetic safety. This SPI service was allocated to the Company from 2016 to 2018 by the Government of the Republic of Lithuania. The investigation launched by the European Commission does not assert that the allocation of proceeds of SPI for strategic reserve service does not comply with EU State aid rules. The Company actively participates in the investigation providing all the necessary information in order to maintain a constructive collaboration.

On 26 July 2019, the Extraordinary General Meeting of Shareholders of the Company adopted the decision to elect an **independent member of the Supervisory Board.** Mr. **Edvardas Jatautas** was elected as a new independent member.

On 27 August 2019, the Extraordinary General Meeting of Shareholders decided to **change the name of the Company to Ignitis Gamyba AB** and to approve a new version of the Company's Articles of Association.

On 4 September 2019, the Company announced that according to the ruling of the Court of Klaipėda District (hereinafter "the Ruling") on August 23, 2019, **UAB Geoterma has been declared bankrupt and shall be liquidated due to insolvency.** The ruling became effective on September 3, 2019. The Company owns 23.44% of Geoterma shares. On May 17, 2019, the Court of Klaipėda

District approved the EUR 124,749.79 financial claim of the mortgage creditor Ignitis Gamyba AB.

On 6 September 2019, the new version of the Articles of Association of the Company to change the Company's name from Lietuvos Energijos Gamyba AB to Ignitis Gamyba AB was registered, as well as other changes were made to align the provisions of the Articles with the amended legal acts.

On 27 September 2019, the Extraordinary General Meeting of Shareholders of AB Ignitis Gamyba approved the Company's **interim report for the six-month period** that ended on 30 June 2019, and allocated EUR 0.029 dividends per Company's share for the six-month period that ended on 30 June 2019.

On 21 October 2019, he General Meetings of Shareholders of Verslo aptarnavimo centras, AB (hereinafter "VAC") and Ignitis grupės paslaugų centras, UAB ("GPC"), of which the Company is a shareholder, have **approved the initiation of reorganisation of VAC and GPC by merging VAC to GPC** and obligated the boards of both companies to draw up their reorganisation terms.
The reorganisation of the companies was completed by the end of 2019.
VAC and GPC provide services for the companies of the Group, therefore, the reorganisation of VAC and GPC enables the creation and development of higher quality services, and provision of them to customers faster and more efficiently.

On 11 November 2019, it was announced that the Group **intends to initiate delisting of the Company's shares from the stock exchange and a formal offer to buyout the shares of the Company listed on the Stock Exchange followed by mandatory share buyback.** On 4 December, the Extraordinary General Meeting of Shareholders approved delisting of all shares from trading on the regulated market.

In December 2019, the Company **won the auction of the tertiary active power reserve announced by the LITGRID** and signed a contract to provide this service to provide this service in 2020 ensuring power grid reliability to units 7 and 8 within the scope of 475 MW.

On 30 December 2019, the Company also signed agreement with LITGRID f**or provision of secondary reserve and services ensuring isolated operation of the power system** in 2020. These services will be provided by two Kruonis PSHP units and the CCU and Unit 8 respectively.

In 2019, the Company **started providing solar power plant installation services and implementing large solar park projects** for remote customers generating solar energy. On 1 October, the 1 MW solar power plant (built by the Company) offered on the platform Ignitis Saulės Parkai was booked within 2 days. At the end of 2019, a 3 MW solar farm development project was initiated.

After the reporting period

On 3 January 2020, District Court of Vilnius Region announced that it received the claim of the few minority shareholders of AB Ignitis Gamyba asking to invalidate resolutions which were adopted at the Extraordinary General Meeting of Shareholders of Ignitis Gamyba on 4 December 2019. The Court applied the temporary protection measures and suspended the resolutions of the Extraordinary General Meeting of Shareholders of AB Ignitis Gamyba until final decision in this civil case becomes effective. The Company appealed against this order on 8 January 2020.

Further details on the events above and other events significant to the Company are given in other sections of this report and are available on the Company's website www.ignitisgamyba.lt.

ANALYSIS OF FINANCIAL INDICATORS

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section “Financial Reports” (link) of the section “For Investors” of the Company's website.

		2019	2018	2017	2016[1]	2015[1]
FINANCIAL INDICATORS						
Revenue from contracts with customers	*EUR’000*	134,978	136,528	147,199	151,758	203,097
Other revenue	*EUR’000*	10,526	1,293	2,616	21,164	11,298
EBITDA[2]	*EUR’000*	68,588	51,986	70,760	58,054	50,272
Adjusted EBITDA[3]	*EUR’000*	54,007	44,816	53,733	63,652	50,272
Operating profit	*EUR’000*	50,710	43,654	16,458	49,030	5,761
Net profit (loss) for the reporting period	*EUR’000*	42,792	34,664	20,677	39,975	-231
Profit before income tax	*EUR’000*	50,650	42,377	15,917	48,330	3,889
Cash flows from (to) operating activities	*EUR’000*	48,143	61,140	59,993	60,513	25,364
Borrowings	*EUR’000*	25,768	38,208	55,557	132,907	146,260
RATIOS						
Obligations/Equity		0.65	0.68	0.80	1.30	1.43
Financial debts/Equity		0.06	0.10	0.16	0.37	0.43
Financial debts/Asset		0.04	0.06	0.09	0.16	0.18
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA)/(interest costs + loans repaid in the reporting period)[4]		5.11	1.14	0.91	3.95	2.62
PROFITABILITY RATIOS						
Operating profit margin	*%*	34.85	31.67	10.97	28.35	2.69
Profit before tax margin	*%*	34.81	30.75	10.61	27.95	1.81
Net profit margin	*%*	29.41	25.15	13.78	23.12	-0.11
Return on equity	*%*	10.44	8.85	5.84	11.24	-0.07
Return on assets	*%*	6.31	5.28	3.25	4.88	-0.03
Return on Capital Employed (ROCE)	*%*	9.82	8.06	5.05	8.18	-0.05
Earnings per share	*(EUR)*	0.066	0.053	0.033	0.063	0.000
P/E (share price/earnings)		9.24	9.35	19.14	9.95	-1844.8

[1] Comparative indicator were not recalculated.
[2] Earnings before tax + interest costs – interest income – dividends received + depreciation & amortisation + non-current & current asset impairment losses + ETL reappraisal (costs)/income + write-down costs + result of selling a part of a business.
[3] EBITDA result is reported after the adjustments made by the management, eliminating the impact of one-time factors, and by measuring the change in income (and, consequently, EBITDA) from regulated services provided by the Company, if income is recognized to the extent permitted under the NERC methodologies, volume of income, taking into account the amount of allowable return on investment and the actual costs of the services providing during the period. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company, without the occurrence of atypical, one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company’s interim and annual reports.
[4] Re-financed loans were not included in the calculation of the ratio.

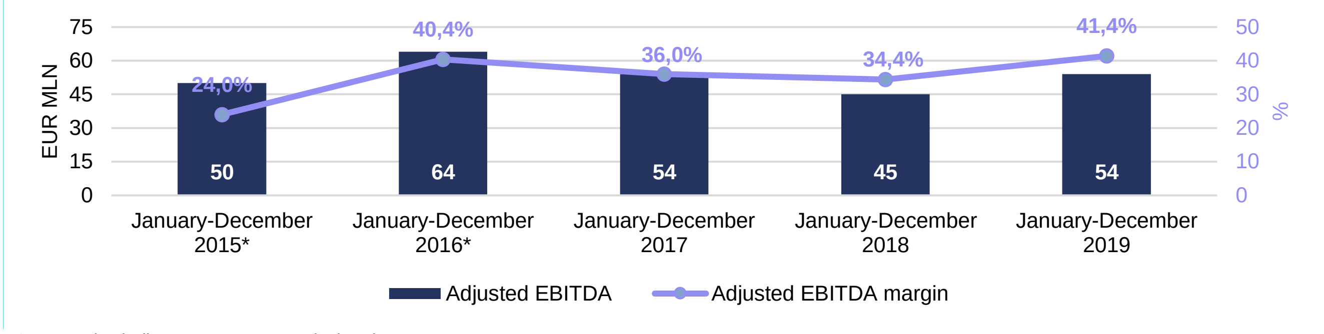
In January–December 2019, the Company's adjusted EBITDA and adjusted EBITDA margin increased, in comparison with the same period in 2018. This can also be seen in the chart showing the dynamics of EBITDA in January–December 2015–2019, provided below (see Figure 1).

Other profitability indicators of the Company (operating profit margin, margin of profit before tax, net profit margin) in January–December 2019 were also higher if compared to the same period in 2018. Operating profit, profit before tax and net profit increased mainly due to compensation received for the projects carried out in previous years and higher EBITDA.

The Company's adjusted EBITDA increased despite lower production volumes at Kaunas HPP in January–December 2019, in comparison with the same period in 2018. Adjusted EBITDA growth has been driven by the higher gross profit and increased generation margin of Kruonis PSHP, positive results of stocked fuel-oil sales and higher volumes of regulated services provided in Elektrėnai complex.

Figure 1

The Company's adjusted EBITDA and adjusted EBITDA margin dynamics



* Comparative indicators were not recalculated.

Statement of Financial Position

Liabilities of the Company to financial institutions were equal to EUR 25.8 million (as of 31 December 2019) and consisted of the liabilities under the long-term loan agreements.

Statement of comprehensive income

Revenue

Company revenue from contracts with customers amounted to EUR 135.0 million in January–December 2019. The major part of the revenue is the income from electricity trading and power reserve services, balancing and regulation electricity, as well as from the sale of heat energy. The Company's income increased by 5.6%, in comparison with January–December 2018. This was mainly influenced by the stocked fuel-oil and metal scrap sales (the amount of these sales in January–December 2019 was EUR 6.2, at the same period in 2018 – EUR 3.3 million).

Operating income from the regulated services of the Company in January–December 2019, i. e. electricity and heat energy generation in the Elektrėnai Complex, and power reserve services provided by the Elektrėnai Complex and the Kruonis PSHP accounted for 49.4% of the total revenue of the Company (52.9% in January–December 2018).

Expenses

In January–December 2019, the Company incurred the costs of EUR 94.8 million (EUR 94.4 million, if we exclude the Emission Trading Systems revaluation income/costs). The major part of the Company's costs (EUR 53.5 million or 56.7%) was related to the purchase of electricity and related services, as well as the purchase of fuel for electricity generation. Such costs accounted for 59.0% of costs, or EUR 61.9 million in January–December 2018. Company's depreciation and amortization costs amounted to EUR 18.2 million in January–December 2019 (EUR 19.0 million in January–December 2018).
Operation and maintenance costs amounted to EUR 21.0 million in January–December 2019 and were 0.4% or EUR 0.1 million lower in comparison with January–December 2018, mainly due to the provision formed in December 2018 for the costs of dismantling works at the Elektrėnai Complex.

Profit

Company's adjusted EBITDA increased by EUR 9.2 million in January–December 2019, in comparison with the same period in 2018, and the Company's adjusted EBITDA margin amounted to 41.4% in January–December 2019 (34.4% in January–December 2018).

The Company earned EUR 50.7 million of profit before tax, and the net profit amounted to EUR 42.8 million in January–December 2019. The Company earned EUR 34.7 million of net profit in January–December 2018.

Statement of cash flows

Net cash flows from operating activities amounted to EUR 48.1 million in January–December 2019. Meanwhile, in January–December 2018, net cash flows from operating activities amounted to EUR 61.1 million.

In January–December of both 2019 and 2018 cash flows from financial activities of the Company were negative and amounted to EUR 38.7 million and EUR 41.6 million, respectively.

Investments in non-current assets

Company's investments in non-current tangible and intangible assets amounted to EUR 0.8 million in January–December 2019, and EUR 5.0 million in January–December 2018.

ANALYSIS OF BUSINESS ENVIRONMENT AND PERFORMANCE

Business environment

Ignitis Gamyba manages and develops the largest electricity generation capacities in Lithuania: Kruonis Pumped Storage Hydroelectric Plant (hereinafter "Kruonis PSHP"), the combined cycle unit and the reserve power plant the Elektrėnai Complex, Kaunas Algirdas Brazauskas Hydroelectric Power Plant (hereinafter "Kaunas HPP") and Vilnius thermal power plant No 3 (hereinafter "Vilnius TE-3"). The Elektrėnai Complex produces thermal energy for Elektrėnai consumers, Kietaviškės greenhouse complex, and the Company's own needs.

Ignitis Gamyba helps to ensure reliability and security of the energy systems in the whole Baltic and Nordic region as well as contributes to a historical change – synchronization of the Baltic States with the Continental European grids in 2025.

The main goal of Ignitis Gamyba – the modernization and development of local reliable generation capacity and further development of the strategic generation through participation in the regional power reserve and system services market. To ensure its sustainability and long-term vision, the Company is putting an increasing focus on driving innovations and developing the green generation capacities.

The main customers of the Company are LITGRID (receiving all system services),The National Energy Regulatory Council (representing the interests of consumers as the Company provides regulated services, hereinafter "the NERC"), Nord Pool (NP) exchange participants (receiving electricity generation services), Elektrėnų Komunalinis Ūkis UAB and Kietaviškių Gausa UAB (receiving heat energy services).

The Company operates in Lithuania, but as it sells electricity via the exchange, it also participates in the regional market of Nordic countries.

Analysis of external environmental indicators

In assessing the impact of the external environment, the Company takes into account political, economic, social and technological factors.

The planned synchronization of the Lithuania's electricity system with the electricity system of the Continental Europe has the potential to open up new markets to the Company while increasing competition. At the same time, expanding renewable energy production (RES) creates challenges and opportunities for conventional power generation.

The Company's activities may be adversely affected by the increasing and intensifying competition in the commercial power generation market, increased competition between system service providers, and potential policy and regulatory decisions that limit or distort development and service provision opportunities.

The significant Company's contribution to the implementation of the National Energy Independence Strategy is among the positive external factors. The development of new production capacities enables the provision of maintenance services, and the implemented innovations increase the Company's competitiveness.

Overview of economic situation

The changes in general domestic product have the biggest impact on increase in demand for energy and competitive environment, in which the Company is operating. The general domestic product has been growing for several years in the European Union already. The growth in 2017 was the fastest over the last 10 years. In 2017, the economies of all the Member States of the European Union were growing for the first time since 2007. The growth will continue. However, according to the forecasts, due to increasing global uncertainties, it will be more moderate. According to the forecast of the European Commission published in autumn 2019[1], the gross domestic product is forecast to grow by 1.4% in the European Union (EU28) in 2019 and 1.1% in the euro area. Meanwhile, the economic growth should be 1.4 and 1.2% in 2020, and 1.4 and 1.2% in 2021, respectively. The European Commission informed that the growth of the Lithuanian economy was going to reach 3.8% in 2019, 2.4% in 2020, and 2.4% in 2021.

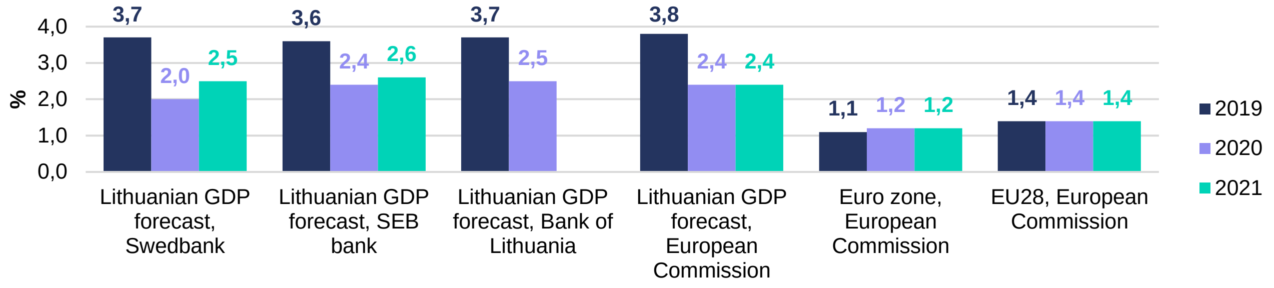
As indicated in the Lithuania's economic outlook published by the economists of the Lithuanian banks, Lithuania's economic prospects are considered to be positive. According to the forecasts presented by the analysts of SEB bank in September 2019[2], the real Lithuanian general domestic product increased by 3.6% in 2019, by 2.4% in 2020, and by 2.6% in 2021. The Swedbank analysts published Lithuania's economy outlook in the end of January 2019[3]: it is forecasted that the growth of general domestic product will reach 3.7% in 2019, 2.0% in 2020, and 2.5% in 2021. The projections of the Bank of Lithuania[4], made in December 2019, showed that the gross domestic product in Lithuania was growing by 3.7% in 2019, and is going to grow by 2.5% in 2020 (see Figure 2).

As the energy consumption is closely related to the growth of general domestic product, the changes in economic growth rates in Lithuania and neighbouring countries may also affect the Company's performance results.

[1] Data source: European Commission. European Economic Forecast Autumn 2019.
[2] Data source: SEB bank. Lithuanian Macroeconomic Review, 11 September 2019, No 70.
[3] Data source: Swedbank Economic Outlook. November 2019.
[4] Data source: Bank of Lithuania. Lithuanian Economy Review: December 2019.

Figure 2

Gross Domestic Product Growth Forecasts for the European Union, Euro Zone and Lithuania in 2019–2021, %



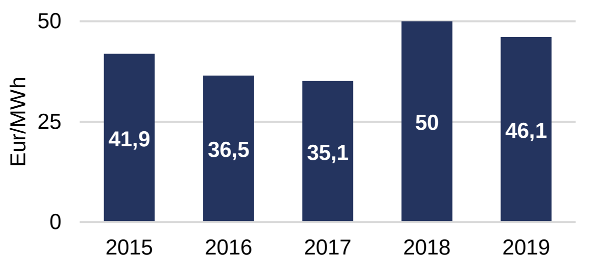
Overview of the situation on the wholesale electricity market

In 2019, prices fell in all of the bidding areas of the Nord Pool Nordic power exchange. Compared to 2018, the average price for systemic services was lower by app. 11% (2018 – 43.99 Eur/MWh, 2019 – 38.94 Eur/MWh), in the fourth price area of Sweden, with which Lithuania is connected by the NordBalt power link – app. 14% (2018 – 46.36 Eur/MWh, 2019 – 39.80 Eur/MWh), in Finland – app. 6% (2018 – 46.80 Eur/MWh, 2019 – 44.04 Eur/MWh), in Lithuania – app. 8% (2018 – 50.00 Eur/MWh, 2019 – 46.12 Eur/MWh), Latvia and Estonia – app. 7% (2018 – 49.90 Eur/MWh, 2019 – 46.28 Eur/MWh).

Figure 3

Electricity prices as per Lithuania price area

(source: Nord Pool)



It is noteworthy that unlike in 2018, prices in Finland were more similar to those in the Baltic region and more different from the rest of the Scandinavian region in 2019, while in Lithuania at some period's prices were lower than in Latvia and Estonia. In 2019, the average price difference between Lithuania and Sweden in the fourth zone was app. 73% higher than in 2018 and reached app. 6.30 Eur MWh (2018 – app. 3,64 Eur/MWh). The highest difference was observed during June and September – app. 11–17 EUR/MWh.

In 2019, the total energy demand in the price areas of the Nord Pool power exchange decreased by app. 1.5%, wind farm production increased by app.17%, total installed wind power capacity increased from 17 GW to almost 20 GW, hydroelectric power plant production decreased by app. 5%, nuclear power plant production changed slightly, Unit 2 of the Ringhals nuclear power plant in Sweden was shut down at the end of last year (852 MW of installed power), Ringhals 1 is scheduled to shut down at the end of 2020 (881 MW of installed power).

Annual electricity demand in Lithuania was similar to that in 2018 – app. 12 TWh (excl. Kruonis PSHP demand), in it decreased by app. 2% in Latvia and Estonia, and totalled 8 TWh and 7 TWh respectively. In 2019 Lithuania produced about 12% more electricity than in 2018, meanwhile Latvia – app. 5% less, Estonia – app. 41% less. Lithuania remains an energy-deficit country, producing around 30% of the country's demand, Latvia – app. 85%. Estonia has decided to shut down polluting oil shale fired power stations and from the energy-surplus country it turned into an energy-deficit country, producing about 74% of the country's demand.

In 2019, the balance of Lithuanian commercial imports changed. In 2019, import from third countries increased by app. 35% compared to 2018, with imports increasing significantly in the first and second quarters – app. by 84% and 76% respectively. Volumes of import remained at the same level in the third and fourth quarter compared to 2018. Electricity imports from Scandinavia, through the power line with Sweden, increased by app. 20% compared to last year: app. 42% less in the first quarter, almost three times more in the third quarter, however, similar results were observed in the second and fourth quarters compared to 2018. Export in the direction of Poland increased several times.

The operation of the Company's power plants under these conditions is described further herein.

All amounts are in EUR thousand unless otherwise stated

Company's strategy and objectives

In 2019, the Company was acting in accordance with the Company's operational strategy for 2019-2030 approved by the Company's Board at the end of 2018. This document defines the long-term operational strategy of the Company: strategic directions, objectives and indicators measuring the strategy's implementation (Figure 4).

In 2019, the Company was seeking to earn income from new activities and at the same time to reduce the expenses of the main activities.

The principal activity of the Company – strategic power generation, as a basis for achieving the growth objectives of the entire Group, as well as significant contribution in the area of green generation and implantation of innovations.

The Action Plan for 2019 included 14 specific projects and objectives. In order to provide services of good quality, they include improving cyber security and preparation for participation in the foreign markets of power reserves.

The Company intends to contribute to development of green generation by using the current capacities of hydroelectric power plants, by developing and offering the solar power plant projects and services of maintenance of renewable energy production capacities.

The implementation of the program of cleaning works in Elektrėnai Complex remains important for the Company – the old and ineffective devices are disposed and unused chimneys are dismantled.

Great attention is paid to the improvement of the qualification of employees and ensuring the rotation of key positions.

It is planned that the Company's investments will represent a significant share of total amount of investments (EUR 600 million) that the Group is planning to invest into the production facilities at both currently existing and new production bases before 2030. The financial outcome of strategic generation (EBITDA) is expected to reach up to EUR 60 million.

The document of the Company's Strategy for 2019-2030 is available on the Company's website (link).

Figure 4
The Company's strategic directions for 2019–2030

MISSION
We are a reliable and advanced energy generation company providing services required for energy system security.

Quality services (the TSO, suppliers, consumers, shareholders)	**Enhancement of operational efficiency**	**Business development**	**Staff development**
Ensuring high availability of production capacity, high reliability of managed equipment and reduction of environmental impact.	Reducing the electricity and heat generation cost, eliminating idle capacity and fostering a culture of continuous improvement.	Implementation of competitive energy projects and utilization of managed infrastructure, facilities and personnel expertise to develop production-related activities.	Promoting employee engagement and commitment, developing an organizational culture based on values and leadership, and ensuring business continuity and employee rotation.

VISION
We seek to become a competitive international excellence centre for energy generation.

Achievement of the Company's objectives

According to the preliminary evaluation, the Company succeeded in implementation of 5 out of 7 annual objectives of the Company for 2019: The operating profit margin in the year 2019 exceeded the set limit; the operating expenses were controlled successfully and were lower than planned; a reliable participation in the isolated network testing program, safety of the Company's employees ensured (1 minor accident), objectives of the employee experience achieved (improving result of eNPS survey). The availability and reliable work of the power plants was ensured partially (the objective of availability of Kruonis HPP PSHP was not achieved).

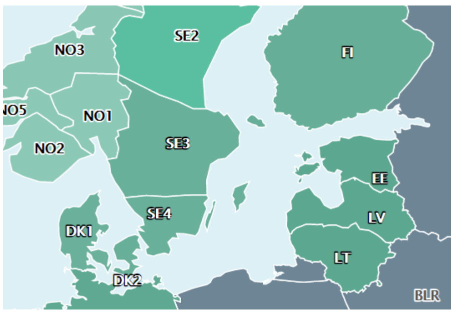
In 2020, the Company will seek to satisfy the shareholders' expectations and to ensure profitable activities of the Company (objective 1) and to ensure effective control of expenses (objective 2) and revenue from external services (objective 3). As every year, ensuring reliable operation of power plants (objective 4), employee safety (objective 5) and improving employee experience (objective 6) is important. A new objective of strategic production direction for 2020 – implementation of preparation for auctions of production capacity.

All amounts are in EUR thousand unless otherwise stated

Overview of activities of the Company's power plants

Figure 5
Overview of activities of the Company's power plants

Elektrėnai Complex Reserve power plant and combined cycle unit	**Kruonis Pumped Storage Hydroelectric Plant**	**Kaunas Algirdas Brazauskas Hydroelectric Power Plant**	**Vilnius Third Combined Heat and Power Plant**
			
Capacity – 1055 MW* The power plant assures tertiary and strategic reserves to ensure safe electricity supply and reserves of the energy system. Units 1–4 of the reserve power plant were dismantled (with total capacity of 150 MW each). Dismantling of units 5 and 6 (300 MW each) was started in 2017. The most effective – combined cycle unit (455 MW) – provided tertiary reserve service in the scope of 260 MW in 2019. Units 7 and 8 of the reserve power plant were conserved during 2019. Heat is produced in steam and biofuel boiler houses.	**Capacity – 900 MW** Kruonis PSHP is intended for the balancing of electricity generation and consumption, as well as for the prevention of emergency incidents within the power system and elimination of consequences thereof. Kruonis PSHP secures the larger part of the entire emergency reserve required for the Lithuanian energy system. As the need for regulation in-creases, and on completion of the power links with Sweden and Poland, the power plant provides more system services. In 2019, the power plant provided secondary power reserve (emergency) services in the scope of 400 MW. Two units are reserved for these services. The remaining two units are used to produce electricity for commercial purposes.	**Capacity – 100.8 MW** Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources. Depending on natural conditions, the plant produces green energy and provides system services. Kaunas HPP contributes to the balancing of electricity generation and consumption, and levels out the power system. It is one of the power plants in the Lithuanian energy system that can start an autonomous operation in case of the total system failure.	**Electricity capacity – 360 MW** **Heat capacity – 603 MW** The operations of the power plant were discontinued with effect from 31 December 2015.



Electricity trading

As from 2019, trading in electricity produced by the Company is conducted under the agreement on the wholesale electricity market by Gamybos Optimizavimas UAB. In 2019, the increase in production was also influenced by Estonia's decision to shut down its polluting oil shale fired power stations, and from the energy-surplus country it turned into an energy-deficit country. As of November, more countries are accessible on the power exchange: additional 7 countries were added to the 14 countries already listed: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia. It is noteworthy that these countries are not only accessible, but also have increased trade opportunities with countries like Germany, which is accessed not only through Scandinavia but also through Poland.

** The above-mentioned power plant capacity applies from 1 January 2016, i.e. upon decommissioning of units 5 and 6.*

Provision of system services

The Company provides balancing services, as well as system services to the Lithuanian transmission system operator LITGRID. The system services ensure the stability and reliability of the energy system, prevention of and response to system emergencies, and the required power reserve in line with the established requirements for quality and reliability of electricity supply. The system services provided by the Company include power reserve, trade in regulation power and balancing power, reactive power management and system recovery services. The services ensuring isolated operation of the power system will be provided in 2020.

Power reserve services are intended to ensure reliable operation of the electricity system in the (emergency) events of unexpected drop in production of electricity or unexpected increase in electricity consumption. The producers provide secondary and tertiary power reserve maintenance services. The secondary active power reserve is the power of installations or hydro units maintained by the producer, which are activated within 15 minutes. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. The power plants controlled by the Company provide tertiary and secondary active power reserve services. The secondary power reserve is ensured at Kruonis PSHP, whereas the tertiary power reserve is ensured at Elektrėnai Complex.

Trade in regulation power services are intended to balance the surplus and shortage of power in the energy system. Trade in regulation power is conducted in real time and ensures reliable operation of the power system on an hourly basis. When the amount of electricity in the system becomes insufficient and the TSO gives an instruction to increase its production, the Company increases the volume of electricity generation and sells the lacking amount of regulation power to the TSO. When there is surplus of power in the energy system and the TSO gives an instruction to reduce its generation, the Company reduces the volume of electricity generation and buys surplus regulation power from the TSO.

Balancing power is the actual deviation from electricity generation or consumption scheduled by the TSO. Trade in balancing power is conducted at the end of the reporting month and it encourages the market players to make accurate forecasts of their electricity generation and consumption. For instance, when the amount of electricity produced by the Company at a certain hour is lower than the scheduled one, the Company has to buy the difference from the TSO (purchase of balancing power); and vice versa, when the amount generated by the Company at a certain hour is higher than the scheduled one, the Company has to sell the difference to the TSO (sale of balancing power).

Reactive power management services are intended to level out any fluctuations in the loads of the power system and ensure the required level of voltage and frequency. Reactive power management services are provided through the units of Kruonis PSHP operating in synchronous compensator mode.

System recovery after complete failure services are intended to ensure effective activation of the power-generating source in the event of full or partial failure of power system, without using power supply from the grid. System recovery after complete failure services are provided at both Kruonis PSHP and Kaunas HPP.

Key performance indicators of power plants for 2019

In 2019, the Company generated electricity and thermal energy, provided provide tertiary and secondary active power reserve service in Elektrėnai complex, secondary active power reserve service in Kruonis PSHP and other system services.

The Company has permissions of unlimited duration to produce electricity. The amount of electricity generated in the Company's power plants during January–December 2019 differs insignificantly from that of January–December 2018 (see Figure 2). In total, 0.83 TWh of electricity generated in the Company's power plants was sold in the power exchange in 2019, 0.88 TWh in 2018 (less 6%).

In **Kaunas HPP**, the generation volumes were affected by the drought which started already in spring of 2019. The snow has been scarce, melted gradually and did not cause bigger floods. During summer months, the situation deteriorated – a hydrological drought has been announced in Lithuania. The drought period (with a flow rate of 112 m^3/s for at least three days) lasted from July to September, with an average flow rate of about 107 m^3/s, during the same period in 2018 - about 142 m^3/s. Due to lower water flow rate (average water flow rate was app. 23% lower compared to 2018) in 2019, Kaunas HPP generated and sold almost 22% less electricity than in 2018 (0.35 TWh in 2018 and 0.27 TWh in 2019).

Efficient use of **Kruonis PSHP** potential for stabilizing electricity prices in the market (due to increased difference between daily peak and night-time electricity prices) resulted in 14.1% higher sales of the electricity produced in Kruonis PSHP in 2019 – 0.54 TWh (0.47 TWh in 2018).

Q1 and Q4 of 2019, generation in Kruonis PSHP was lower than in 2018. Decrease in production in Q1 was influenced by a 9% decline in the ratio between day and night prices, which was about 17–18% higher in the second and third quarters and about 2% lower in the last quarter compared to the same period in 2018. The price changes may have been influenced by a change in the balance of imports, as described above. Lower production volumes in the first quarter could also be influenced by about 52% higher wind power production in Lithuania, which in the second and third quarters were similar to last year, and about 35% higher in the fourth quarter. July and August in Kruonis PSHP were peak months with three times as much electricity generated in July and about 87% more in August – more than in 2018. The increase in production was also influenced by the above-mentioned decrease in domestic production in Estonia.

During 2019, the Company sold 0.055 TWh and purchased 0.023 TWh of regulation electricity (the service necessary to balance the surplus/shortage of electricity in the system).

The respective amounts for January–December 2018 had been 0.075 TWh and 0.035 TWh.

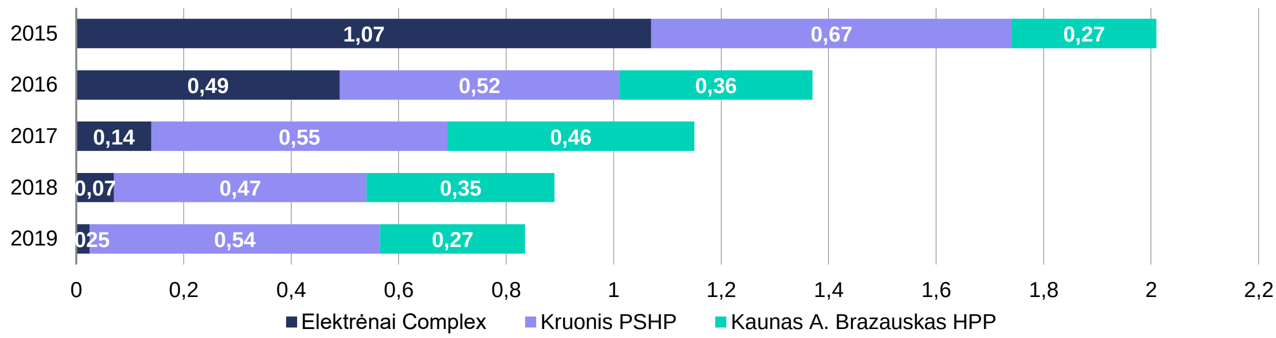
Another ancillary service provided by Kruonis PSHP is the secondary power reserve, i.e. the power of facilities or hydro-units maintained by the producer activated in 15 minutes. During January–December 2019, 0.014 TWh of electricity has been produced during the activations of this service (0.015 TWh in January–December 2018). The TSO usually activates the secondary power reserve (for which two units (400 MW) of Kruonis PSHP are assigned in 2019) when there is a need to compensate a sudden drop in electricity transmitted to Lithuania. During January–December 2019, the Company sold around 3.50 TWh of the secondary power reserve – the same amount as during January–December 2018.

Generation volumes in **Elektrėnai Complex** remained limited during 2019 (0.025 TWh in 2019 and 0.067 TWh in 2018). In 2019, the tertiary active power reserve in the scope of 260 MW was ensured by the most effective unit of Elektrėnai Complex – the combined cycle unit (CCU). The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. This reserve is activated by the TSO. CCU was constantly ready to produce electricity and contribute to the overall security of the energy system. The production of the combined cycle unit on a commercial basis is only available with the residual power (the power remaining from designated for the service of tertiary reserve).

The ability of the unit to operate at residual power is highly dependent on the air temperature. If the weather warms up, the unit cannot operate at the residual power. During 2019, the Company sold around 2.29 TWh of the tertiary power reserve – slightly more than during the same period in 2018 (2.28 TWh).

Figure 6

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



Noteworthy events during the reporting period

In May 2019, in power plants operated by the Company – Kruonis PSHP, Kaunas HPP and Elektrėnai combined cycle unit – LITGRID permed a test of Lithuanian electricity system restoration after a total failure and isolated work of a part of the system.

After the auction at the end of 2018, by means of the CCU (with 260 MW capacity), in 2019 the Company provided the services of the tertiary active power reserve intended for the control of voltages in the transmission network of 330 kV and for the restoration of the secondary emergency power reserve.

Planned activities of the power plants in 2020

It became clear in the end of 2019 that the tertiary reserve in the scope of 475 MW will be guaranteed by units 7 and 8 in 2020. The periodical short-term technological tests of equipment are planned in the Elektrėnai Complex.

In 2020, the services ensuring isolated operation of the power system will play an important role – to ensure the availability of energy generation facilities, necessary to maintain the system stability and balance during the isolated operation of the power system.

The secondary reserve and services ensuring isolated operation of the power system in 2020 will be provided by two Kruonis PSHP units and the CCU and Unit 8 in the Elektrėnai Complex.

The profitability of the commercial activities by means of the two remaining units and the production volumes depend mostly on the market conditions. i.e. difference in the prices of electricity in peak and non-peak periods.

The production volumes of Kaunas A. Brazauskas HPP will depend mostly on the Neman yield. The power plant is affected a lot by seasonality, i.e. the major part of electricity is produced at times of spring flood, whereas the smallest part of electricity is produced in cold winter and hot summer. The efforts will be put to make use of the flexible production in the power plant during those hours when the highest price is reached in the power exchange.

It is not planned to produce energy in Vilnius TPP-3 in 2020.

The Company sets availability goals for the power plants. Plants are considered available when they produce electricity or are fully prepared for production. It is planned that the average annual availability indicators in 2020 will be at least 95.0% for the CCU, 96.8% for Unit 7 and 8, 92.4% for Kruonis PSHP, and 96.2% for Kaunas HPP. In 2019 these indicators were as follows: for CCU – 98.9%, Kruonis PSHP – 88.9% (lower than expected due to failures), Kaunas HPP – 93.9%.

Research projects

For the purpose of implementing a technologically and economically feasible investment policy, the Company conducts long-term strategic planning helping to identify the directions of development for the Company and the investments required for replacement or modernisation of technological equipment.

The following investments of higher value are conducted or planned by the Company:

- Installation of unit 5 at Kruonis PSHP (if market conditions appear to be favourable).
- Installation of solar power plant (1 MW) in at the Obeniai site.
- Installation of solar power plant (3 MW) in at the Obeniai site
  (Stage II).
- Dismantling of chimneys 1 and 2 in Elektrėnai.
- Fuel management.

The following projects were under implementation during 2019, which resulted in major changes and achievements:

Installation of hydro unit 5 at Kruonis PSHP

The Company is assessing the possibilities for the expansion of Kruonis PSHP with the installation of the fifth hydro unit. The results of the analysis show that under current market conditions the existing 900 MW capacity is sufficient for the operation of the power plant, but its expansion is important for assuring sufficient electricity capacity and competitive power system in Lithuania in future.

A large part of preparatory works for the expansion project of Kruonis PSHP has been already performed. The implementation of the project is expected to continue for about four years.

Kruonis PSHP Development Project was added to the EU list of Projects of Common Interest (PCI) in 2017, and that opened the possibility to apply for EU support under the Connecting Europe Facility (CEF). In January 2018, the EC approved of a partial funding of studies on the power plant's poles site and infrastructure. These studies were finalised in September 2019 by confirming that the condition of the infrastructure of Kruonis PSHP is suitable for further development: the poles of the Kruonis PSHP fifth pipeline area are in good condition and meet the requirements established in the design, and the geology of Kruonis has not changed. In 2019, the Company initiated the preparation of technological and socio-economic feasibility studies for this project. They aim to select the best technological solution for the unit meeting today's market conditions and changing needs in the context of grid synchronization with continental Europe, and to conduct a socio-economic analysis of the project. In 2019, with the biennial update and approval of the list of projects of common interest, the indicators of the Kruonis Project were assessed as eligible and the project was recognized as a project of common interest for 2020-2021.

The National Energy Independence Strategy as approved by the Seimas of the Republic of Lithuania on 21 June 2018 presents the expansion project of Kruonis PSHP in the list of the main electricity sector works. The project will be continued having resolved the issues relating to the projected demand for power reserve when operating in the isolated network during the preparation for synchronisation and after synchronisation as well as technical requirements established for the facility ensuring such a power reserve.

Study of solar power plant in the reservoir of Kruonis PSHP

In cooperation with scientists of Kaunas University of Technology (KTU), the Company plans to build an experimental solar power plant floating on the water.

In the first stage of the project, it is planned to build an experimental power plant of small capacity (approx. 60 kW) and to create an algorithm that would control independently the solar power plant and battery energy storage with regard to incessantly registered network and other physical parameters and working modes of units of Kruonis PSHP. Such system would allow the power plant to provide, for example, a reliable service of primary electricity reserve. These works are planned to be completed until the end of Q1 of 2022. EU funds were obtained to support this innovative idea.

Preparatory work on the installation of the pilot plant is ongoing. A bathymetry study of the upper basin of the Kruonis PSHP was carried out, and arrangements for ice field movement measurements were made. A tender for a 60 kW power plant acquisition is expected to be launched in Q1 2020. The experimental power plant is planned to be installed in full capacity (60 kW) in 2020.

When the performance data on the experimental power plant are collected and evaluated, it will be possible to consider an opportunity to cover the whole reservoir by floating construction of solar modules. The floating solar power station in Kruonis PSHP would be the first such power plant in this region and it would be distinguished by its technical solutions. It would be possible to utilize an area of over 300 ha of the upper basin of Kruonis PSPP. The construction of the power plant would adjust to the variable water level in the basis and would be resilient to waving and ice. The capacity of the solar power plant covering the reservoir of Kruonis PSHP could reach 200–250 MW. Such amount would increase the capacity of the solar power plants operating in Lithuania now by almost three times. The amount of electricity produced by this power plant per year would be sufficient to provide more than 120 thousand of households with electricity.

Installation of solar power plant (1 MW) in at the Obeniai site

On 1 October 2019, the company Ignitis launched the platform saulėsparkai.lt offering the first 1 MW solar park developed by the Company. This platform provides every resident of the country the opportunity to become a solar power plant owner and a remote generating customer. The development of solar power plant projects contributes to the implementation of the Company's and the Group's strategy for 2030 and objective of Lithuania's state to develop green energy while strengthening the national generation capacity. Expected deadline for the completion of solar power plant construction – March 2020.

Installation of solar power plant (3 MW) in at the Obeniai site (Stage II)

The first phase of the saulėsparkai.lt platform attracted considerable interest from residents – the 1 MW solar park was booked in less than two days. The popularity of this project and the number of bookings on the platform showed that the number of customers wishing to become a generating consumer in Lithuania was high, therefore, the decision was made to expand the first solar power plant with a total capacity of 4 MW. The development of the solar power plant is planned in Elektrėnai, on the same site where the first solar power plant is installed.

The solar power plant contract is expected to be signed in in the beginning of 2020. All the solar power plant's construction and commissioning works will be carried out by the contractor.

Dismantling of chimneys 1 and 2 in Elektrėnai Complex

Considering that chimneys 1 and 2 of the Elektrėnai Complex have not been used since 2014 and their condition deteriorates every year and thus can pose an increasing threat to the safety of people, the Company initiated their dismantling project. The chimneys were constructed as early as at the beginning of the 1960s. The middle chimney with the height of 250 m will be dismantled first as its condition is the worst. This chimney was used to remove smoke emitted from units 5 and 6 that are currently being dismantled. This chimney is damaged by the occurrence of electrochemical corrosion of reinforcing bars and has signs of the emergency condition of the structure. The contract with the contractor is scheduled to be concluded in the beginning of 2020. The dismantling of the chimney with the height of 250 m will start in the middle of 2020. The dismantling of the lower chimney with the height of 150 m will follow, which was used to emit smoke from units 1 and 4 that are currently fully dismantled. A selection procedure for environmental impact assessment carried out for the storage of chimney dismantling waste in large quantities – about 10,000 cubic meters of reinforced concrete and inner layer bricks.

Fuel arrangement in Elektrėnai Complex

In 2018, the Company adopted a decision to discontinue the use of reserve heavy fuel oil in the facilities of the Elektrėnai Complex. The need for the reserve fuel during cold seasons of the year will be assured by means of natural gas. As a result, the Company sold all the heavy fuel oil at the beginning of 2019. In order to prepare the site, fuel facilities' clearing was initiated in 2019 by arranging open sources of pollution. During the period of 2019–2021, the Company plans to dismantle the reinforcing units of the fuel oil tanks, the lashing pipes of fuel oil pumping stations and reinforced concrete structures, the cleaning of drainage pits of the receiving tanks, unloading track, drainage pits of receiving reinforcement troughs and the troughs and the dismantling of the unloading track.

In 2019, all the fuel arrangement works planned for this year were completed. Preparatory work commenced in 2020, and the following works are expected to be carried out: cleaning of the receiving tanks, unloading track, drainage pits of receiving reinforcement troughs dismantling of the unloading track.

Operational excellence, innovative activities

In order to implement one of the strategic directions – to increase operational effectiveness – the Company is moving on the path of continuous improvement based on optimization of performed functions, technological progress, implantation of innovations, and improvement of operational processes. The Company is implementing the Operational Excellence Program based on the best performance management practices (LEAN, Six Sigma etc.).

Innovative activities of the company:

- Solar power plants for remote customers.
- Floating photovoltaic solar power plant project in Kruonis.
- Maintenance of renewable energy production capacities.
- Preparation for auctions of production capacity in Lithuania and of provision of other system services in neighbouring countries.

Successful implementation of arrangement work program in Elektrėnai complex: unused power units are dismantled, electricity and fuel facilities' clearing are carried out, and unused chimneys are being prepared for dismantling.

Services to external customer

The Company continued providing services to external clients in 2019. The Company offers services of wide range: automation, operation of electric and mechanical devices, hydrotechnical buildings and equipment, various power objects, rents out the buildings not used for own activities, warehousing areas and territories, offers chemical products, laboratory tests and other services.

The company successfully develops its activities in the field of solar power plant installation and maintenance. During 2019, the company carried out work on five solar power plants with a total capacity of almost 900 kW. In the field of maintenance and repair of hydroelectric power plants, the Company provided services to two companies, which jointly own over ten hydroelectric power plants in Lithuania. Few long-term contracts for shunting services were signed in 2019 (provision of services in the Elektrėnai Complex), while developing successfully and adjusting railway services of the Company. At the end of 2019, the Company won two major tenders: for provision of solar power plant storage services and laboratory testing services. In total in 2019, the Company provided services to more than 40 various customers. The total value of the services is almost EUR 200 thousand.

By assessing opportunities for developing new services and implementing its business strategy, the Company continues to strive to apply its expertise and competencies by offering various services to the market. 2020 target – to strengthen the quality of the services already provided, to increase the scope of solar power installation services, to establish itself in the market by providing solar power plant maintenance and repair services.

Risk factors and their management

The risk management model, which is applicable in the Group, has been based on the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the main principles of AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines).

The main objectives of the risk management process at the Company are as follows:

- To achieve the Company's performance objectives with controllable, yet in principle acceptable deviations from these objectives;
- To ensure of provision of information of the highest possible accuracy to decision makers, shareholders and other stakeholders;
- To defend the Company's reputation;
- To protect interests of shareholders, employees, clients, stakeholders and the society;
- To ensure of the stability (including financial) and sustainability of the Company's activities.

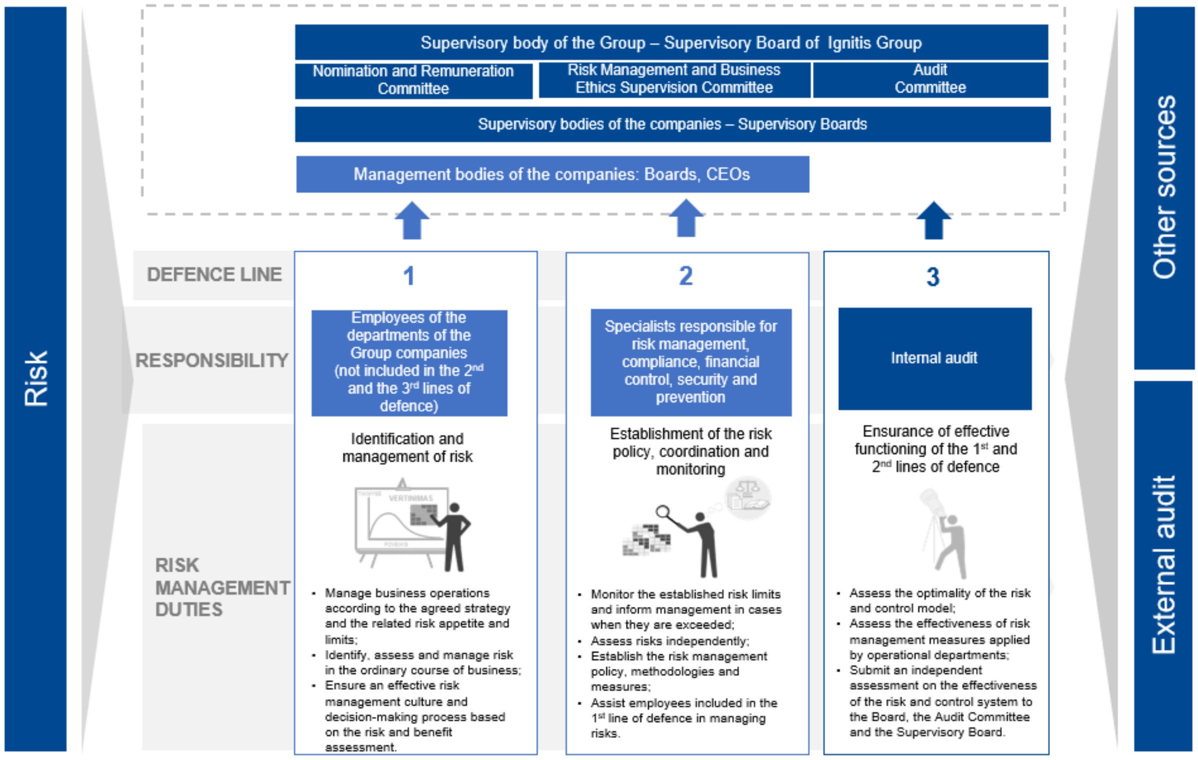
The risk management principles provided for in the Group Risk Management Policy and other internal documents are consistently applied across the entire Group. The uniform risk management principles ensure that the management personnel of the Group companies receive risk management information covering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

Aiming to ensure that risk management information and decisions correspond to recent developments and changes in the Company's activities, the Company's risk level is re-assessed each year during a specified time period and risk management actions are established. In addition, the Company monitors existing and new risk factors on a quarterly basis and defines additional actions to manage risks, if needed.

Risk appetite and risk tolerance limits are established within the Group. Risk appetite means the level and type of risk that the Group is ready to accept aiming to implement strategic objectives. Risk appetite determined by assessing the potential impact of risk exposure in the context of financial, reputational, compliance, corruption, human safety and health and business continuity aspects. Tolerance limit means the level of risk the excess of which is not acceptable for the Group of companies and which is expressed in the results of operations or values of incidents. The risk appetite and risk tolerance limits of the Group are established and reviewed as needed by the Ignitis Group's Board. Where risk appetite and risk tolerance limits are exceeded by the Company, action plans are prepared in order to meet the mentioned thresholds. The effectiveness of the management plans is assessed by the Company's Board, the Company's Supervisory Board and the Ignitis Group's UAB Risk Management and Business Ethics Supervision Committee under the Supervisory Board.

In order to effectively manage risks arising from its activities, the Company applies the three lines of defence principle by establishing a clear segregation of duties for risk management and control between the Company's management and supervisory bodies, structural departments or functions (see Figure 7).

Figure 7
Risk management and control model



As is the case each year, in 2019 the Company performed risk assessment for the year 2020 which included the determination of the areas where the Company's main risk management measures and initiatives are concentrated and coordinated. The list of the main risk factors for 2020 and their management policies is presented below:

Risk factors for 2020 and their management policies

Risk factor	Sources of risk	Main risk management policies	Risk level
Regulation and Compliance	Regulatory risk in the Company manifests through a complicated planning of cash flows and risk of damage to reputation. The National Energy Regulatory Council remains the main regulatory authority making the largest impact on the prices of services provided by the Company and its revenue by establishing ceilings for the prices. The most relevant regulation issues for the Company in 2019 were as follows: • Provision of the strategic reserve service has been halted since the start of 2019. It is likely there will not be any demand for this type of services until the development of the new power market mechanisms. • The NERC and the Ministry of Energy of the Republic of Lithuania adopted amendments to the legal acts, which are relevant for the provision of the services ensuring isolated operation of the power system and the tertiary power reserve services; As a result of these changes, the entire return on investment of CCU will have to be earned in the market in 2020. • The EC has launched an investigation to assess if the EU State aid rules were followed when using a strategic reserve instrument which allocates proceeds of public interest services (hereinafter “the SPI”) to the Company. The Company is actively participating in the process and providing all the necessary information.	• Efforts are made to fulfil the requirements of the regulatory authority in as specific manner as possible; • For the purpose of ensuring compliance with new requirements, the Group’s projects engaging the best specialists of the Group with regard to the issue concerned are organised. • Strengthening the Group-wide governance of regulation issues. • Active contribution to the process of public coordination of legal acts. • The long-term strategy of the Company provides for a consistent reduction of costs of regulated activities and diversification of activities; • The management regularly reviews the relevant regulatory risks.	High
Market Developments and Competitiveness	Market changes that range from fluctuations in prices of raw mate-rials to strategic initiatives is an inherent risk of the energy sector. The major risk currently faced by the Company arises from changes occurring in the reserve services and services ensuring isolated operation of the power system supply market. Traditional external risk sources also remain relevant, i.e. the country’s macroeconomic indicators that determine the level of consumption of electricity, heat and gas, changes in prices of raw materials as well as new markets that emerged after the launch of the NordBalt and LitPolink interconnections.	• The long-term strategy of the Company provides for a consistent increase of operational efficiency through reduction of costs for the provision of services, diversification and expansion of activities aiming to ensure the long-term stability of the Company’s activities; • Abandonment of out-of-service production facilities; • Bringing into use new production facilities (biofuel and steam boiler houses); • Modernisation of CCU on purpose to increase its competitiveness in the markets of reserve services and electricity generation.	High
Risk of disruption of the generation activities (risk of cyber-attack)	By observing external factors, geopolitical situation the Company understands its strategic importance for the country’s security and by	• Improvement of resistance through scanning and isolating technology networks, carrying out tests/exercises/staff training.	High

	cooperating with external establishments and by introducing internal measures it aims to ensure that both the Company's strategic information and the main management systems are protected from the impact of any external/internal crime. In 2019, processes related to cyber threat monitoring/detection were continuously strengthened by introducing and updating existing systems. In 2019, the relevance of information security continuously increased as a result of planned testing of electrical systems operating in the island mode in the Baltic States and Kaliningrad, as well as external factors.	• Periodical updating of work stations of management system and software; • Ensuring the continuity of the Company's critical systems; • Enhancement of monitoring/detection/suspension. • Cooperation with external institutions.	
Safety and health of employees and contractors	Due to a specific character of the Company's activities and nature of works performed there exists an inherent risk of failure to ensure safety of employees and contractors. This risk remains a priority area and the main causes of this risk, in addition to high-risk working environment, include the lack of awareness or experience/knowledge and rushing when carrying out works. One minor accident happened to an employee, however, no any fatal or serious accidents occurred in 2019.	• An updated occupational health and safety management system (OHSAS 45001:2018) was implemented. • Regular control and monitoring of (residents/contractors) occupational safety. • Ensuring occupational safety linked with the annual objectives of the Company and management personnel; • Standardization and increase of control of complex works performed by several companies, and reduction of uncertainties in the area of OSH.	High
Lack of operational staff in the market	Even minimal changes in operational and system management personnel, a change that cannot be predicted and prepared in advance, can have negative consequences for the Company, as these employees are cornerstone of the Company: attracting new employees from the market is difficult and training is lengthy	• Drafting and constantly updating of a shift program; • Employee rotation to use different devices (versatility), in-service training opportunities; • Reviewing and improving working conditions to compete in the market for potential employees; • Participation in events encouraging students to choose energy engineering studies.	High
Technical faults	The Company's electricity production process involves the use of a large variety specialised equipment due to which a risk of technical faults always exists that arises from general sources of risk, such as obsolescence or hidden defects. In addition to general risk sources, risk of technical faults and default at the Company is increased by the infrequent use of equipment providing the reserve service, leading to a loss of staff qualifications and skills.	• Continuous and timely performance of technical maintenance; • Periodic equipment testing; • Renewal of equipment; • Ensuring the continuity of knowledge and retention of skills of operations personnel; • Development, renewal and testing of business continuity plans; • Implementation of the integrated asset management system of energy facilities.	Moderate

INFORMATION ON THE COMPANY'S ISSUED CAPITAL AND SECURITIES

Structure of issued capital and securities in issue

The authorised share capital of the Company amounted to EUR 187,920,762.41 as at the end of the reporting period (31 December 2019) and it was divided into 648,002,629 ordinary registered shares with par value of EUR 0.29 each. All the shares have been fully paid.

All the shares of the Company belong to the same class of ordinary registered shares and they grant equal rights to their holders (shareholders).

On 1 September 2011, the shares of the Company were admitted for listing on the Baltic Main List of Nasdaq Vilnius. The shares of the Company are listed on Nasdaq Vilnius.

ISIN code LT0000128571. Ticker - LNR1L.

The Company's shares are not traded on any other regulated markets.

The Company neither acquired, nor transferred its own shares during the reporting period. The Company had not acquired its own shares.

Structure of the issued capital (as of 31 December 2019)

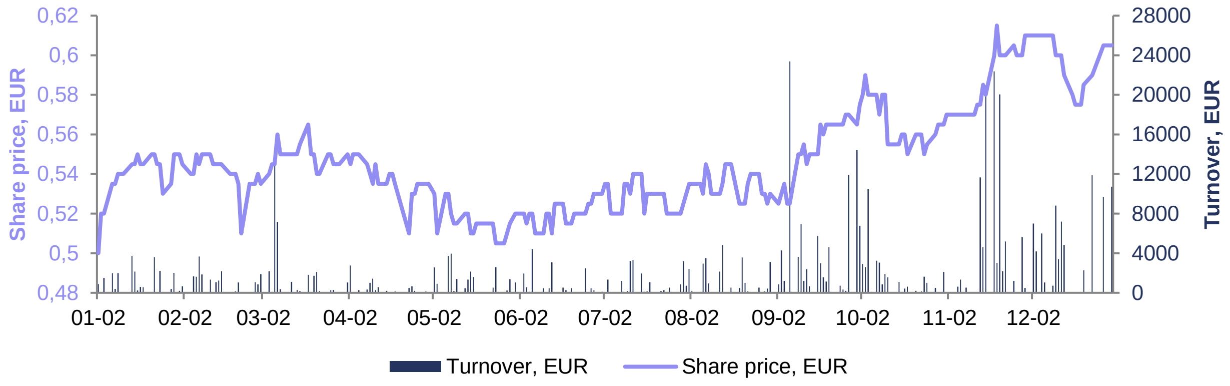
Class of shares	Number of shares, units	Par value, EUR	Total par value, EUR	% of issued capital
Ordinary registered shares	648,002,629	0.29	187,920,762.41	100.00

The Company's share price and turnover dynamics

Statistics on trade in the Company's shares

		2015	2016	2017	2018	2019
Last trading session price, EUR		0.671	0.626	0.623	0.5	0.61
Maximum price, EUR		0.94	0.713	0.665	0.64	0.615
Minimum price, EUR		0.65	0.61	0.6	0.5	0.505
Average price, EUR		0.805	0.654	0.656	0.587	0.565
Turnover, shares		642,148	929,940	920,892	772,323	842,310
Turnover, EUR MLN		0.52	0.61	0.58	0.45	0.48
Capitalisation, EUR MLN	Company	426.14	397.56	395.66	324	395.28
	Baltic Main List	4,885.76	5,043.31	5,853.81	5,281.28	5,932.68

Figure 8
The Company's share price and turnover dynamics during the reporting period



All amounts are in EUR thousand unless otherwise stated

Figure 9
The Company's share price and turnover dynamics between the trading start date and end of the reporting period

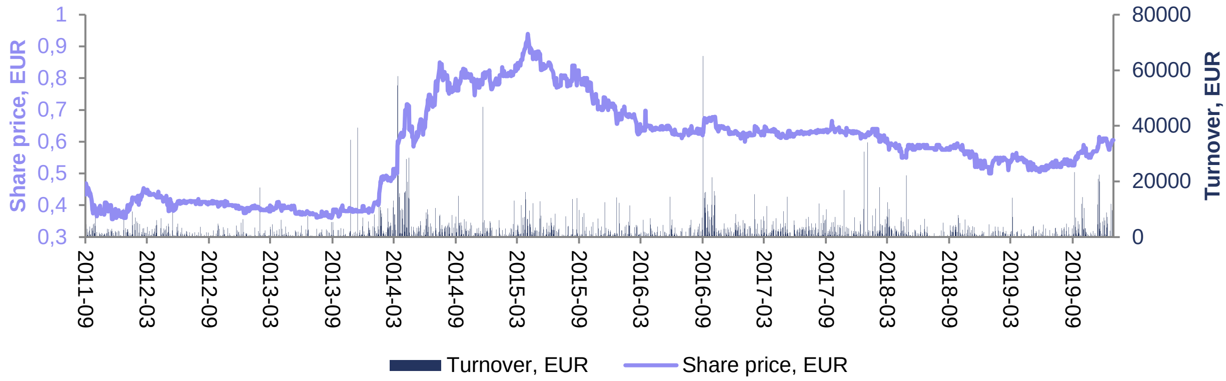
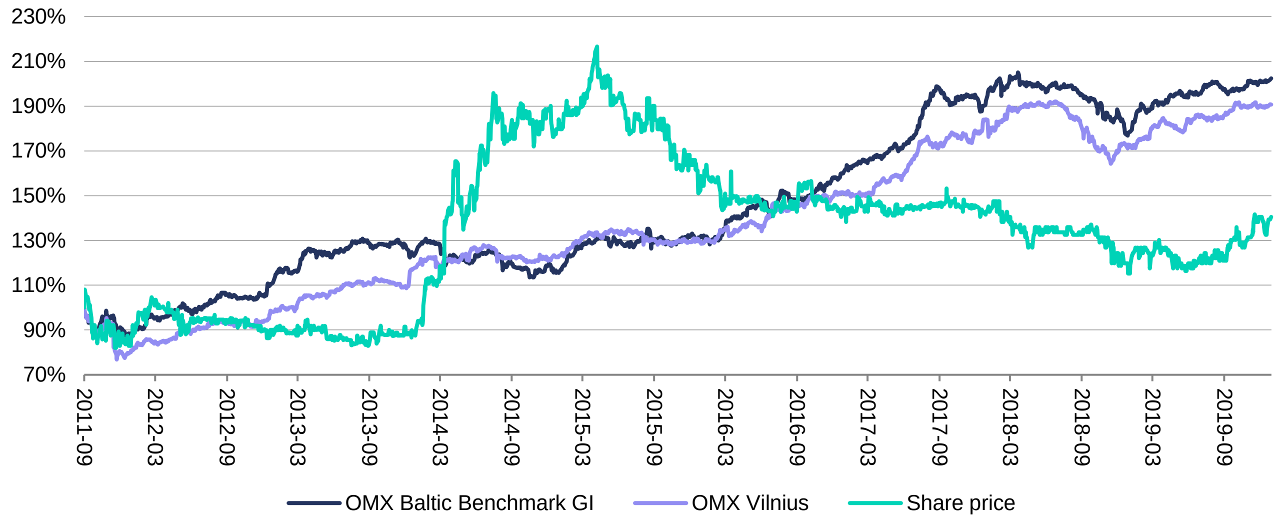


Figure 10
Dynamics of the Company's share price, OMX Vilnius and OMX Baltic Benchmark Indices



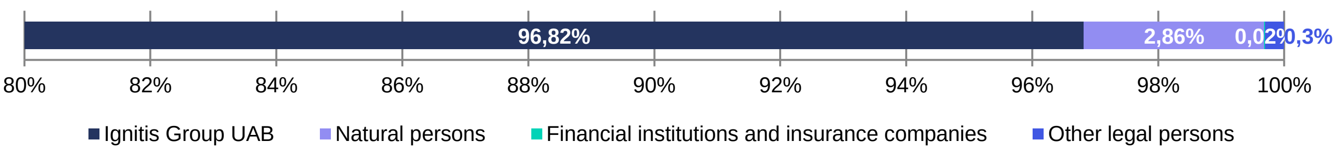
Shareholder structure

As of 31 December 2018, the Company had 5.886 shareholders in total. As of 31 December 2019, the Company had 5.845 shareholders in total.

Shareholders holding more than 5% of the Company's shares (as of 31 December 2019)

Shareholder's name	Class of shares	Number of shares, units	% of issued capital	% of shares with voting rights
Ignitis Group UAB Company code – 301844044 Žvejų st. 14, LT-09310 Vilnius	Ordinary registered shares	627,372,769	96.82	96.82
Other shareholders	Ordinary registered shares	20,629,860	3.18	3.18
TOTAL	Ordinary registered shares	648,002,629	100	100

Figure 11
Breakdown of the Company's shares by shareholder



All amounts are in EUR thousand unless otherwise stated

Breakdown of the Company's shareholders by country

Country	Number of shareholders, %	Country	Number of shareholders, %	Country	Number of shareholders, %
Lithuania	96.49	Belarus	0.64	Germany	0.12
Estonia	0.98	Latvia	0.34	UK	0.12
Russia	0.81	USA	0.25	Other countries	0.25

Rights of the shareholders, shareholders with special control rights and description of these rights

All shareholders of the Company have equal property and non-property rights as laid down in the legislation, other legal acts, and the Articles of Association of the Company. The management bodies of the Company create suitable conditions for implementing the rights of shareholders of the Company.

None of the shareholders of the Company had special control rights.

Restrictions on voting rights

There were no restrictions on voting rights.

Restrictions on transfer of securities

To the best of the Company's knowledge, there were no arrangements among the shareholders of the Company that could result in restriction of transfer of securities and/or voting rights.

Information on agreement with intermediary of public trading in securities

AB SEB bankas is authorised to keep and manage the Company's securities accounts.
AB SEB bankas contact details:
Gedimino ave. 12, LT-01103 Vilnius,
Tel. 1528 or +370 5 268 2800.

Dividend policy and dividends

Dividend policy

The **dividend policy**, approved in 2016 by the Lietuvos Energija (now – Ignitis Group) group companies, applies to the Company. According to this policy, appropriation of profit for the payment of dividends to the Group companies for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. Each company should appropriate between 60% and 85% of its net profit for the payment of dividends, depending on the ratio of return on equity at the end of the reporting period.

The Group companies are not obliged to distribute dividends only when they incur net loss. Additionally, the Group companies will not pay any dividends when their financial debts at the end of the reporting period are equal to or exceed four times EBITDA amount for the last twelve months as from the end of the reporting period. Dividends will not be paid if the Group company's equity (after the payment of dividends) becomes lower than the sum of its issued capital, legal reserve, revaluation reserve and reserve for acquisition of own shares, and also if a company becomes insolvent or would become insolvent upon payment of dividends. The Group companies will also be able not to pay dividends if their ratio of financial debts to equity becomes equal to or exceeds 1.0.

The dividend policy of the Group, which also applies to the Company, is published on the Company's website under the section „For Investors".

Payment of dividends

On 12 April 2019, the Ordinary General Meeting of Shareholders of the Company approved the distribution of the Company's profit (loss) of 2018. The plan is to pay EUR 6.48 million in dividends for the six-month period ended on 31 December 2018. EUR 0.01 in dividends per share is paid for this period. Persons, who were shareholders of the Company at the end of the 10th working day following the decision on the payment of dividends adopted by the Extraordinary General Meeting of Shareholders, i.e. at the end of the working day of 29 April 2019, received dividends.

The dividends were also paid on the basis of the decision of the Extraordinary General Meeting of Shareholders of the Company held on 27 September 2018, whereby they decided on the allocation of dividends to the shareholders of the Company for a period shorter than the financial year. Dividends of EUR 0.023 per share (EUR 14.9 million in total) were allocated for the six-month period ended on 30 June 2018.

On 27 September 2019, the Extraordinary General Meeting of Shareholders approved the payout of dividends to the Company's shareholders for a period shorter than the financial year, the period ending on 30 June 2019. Dividends per share for this period amounted to EUR 0.029. The dividends were paid out to those persons who had been the Company's shareholders at the end of the record date, i.e. on 11 October 2019.

The Company's net profit from continuing operations for January-June 2019 was EUR 28.425 million, and accordingly the dividends paid for 2019/net profit indicator was 0.66.

All amounts are in EUR thousand unless otherwise stated

COMPANY AND ITS MANAGEMENT BODIES

Information on the Company and contacts

Name	Ignitis Gamyba AB (until 6 September 2019: Lietuvos Energijos Gamyba AB)
Legal form	Public company; private legal person with limited civil liability
Registration date and place	20 July 2011, Register of Legal Persons of the Republic of Lithuania
Company code	302648707
Address of the registered office:	Elektrinės st. 21, LT-26108, Elektrėnai
Telephone	+370 618 37392
Fax:	(8 5) 278 2906
E-mail:	gamyba@ignitis.lt
Website:	www.ignitisgamyba.lt

The Company's main business activity

The Company's business objective is effective energy generation and supply in contribution to assurance of energy security. The Company's business object is energy generation and supply, as well as trade in electricity. The Company may engage in other activities that are not in conflict with its objectives and laws of the Republic of Lithuania.

The Company operates the following power generation facilities:

- Elektrėnai Complex with a reserve power plant (the former Lietuvos Elektrinė) and a combined cycle unit (CCU),
- Kruonis Pumped Storage Hydroelectric Plant,
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant
- Vilnius Third Combined Heat and Power Plant (since March 31, 2018).

The Company's geographic market is Lithuania. Its electricity is traded on the Nordic exchange Nord Pool.

Information on the Company's branches and representative offices

The Company has no branches or representative offices.

Subsidiaries and associates

The Company belongs to Ignitis Group, a state-owned group of companies, which is one of the biggest group of energy companies in the Baltic countries. The group's parent company UAB Ignitis Group holds 96.82% of the Company's shares. shares of the Company.

As at the date of reporting, the Company had no subsidiaries. The Company was able to exert significant influence over Verslo Aptarnavimo Centras UAB and Ignitis Grupės Paslaugų Centras UAB (until 6 September 2019 – Technologijų ir Inovacijų Centras UAB). UAB Geoterma is being liquidated due to bankruptcy (see table below).

	Ignitis Grupės Paslaugų Centras UAB	Verslo Aptarnavimo Centras UAB*	Undergoing liquidation due to insolvency Geoterma UAB
Address	A. Juozapavičius st. 13, Vilnius	P. Lukšio st. 5B, Vilnius	Lypkių st. 17, Klaipėda
Date of registration:	4 December 2013	30 July 2014	1 March 1996
Company code	303200016	303359627	123540818
Contacts	(8 5) 278 2272, gpc@ignitis.lt	(8 5) 259 4400, vac@ignitis.lt	(8 46) 326 163, info@geoterma.lt
Website	www.ignitisgrupe.lt	www.ignitisgrupe.lt	www.geoterma.lt
Ownership interest	20.26 proc.**	15%	23.44%
Main business activity	Provision of information technology and telecommunication services to energy companies.	Organization and execution of public procurement, provision of accounting, labour relations administration, customer service, human resources administration, legal services, operational efficiency consulting and training.	Geothermal heating plant.

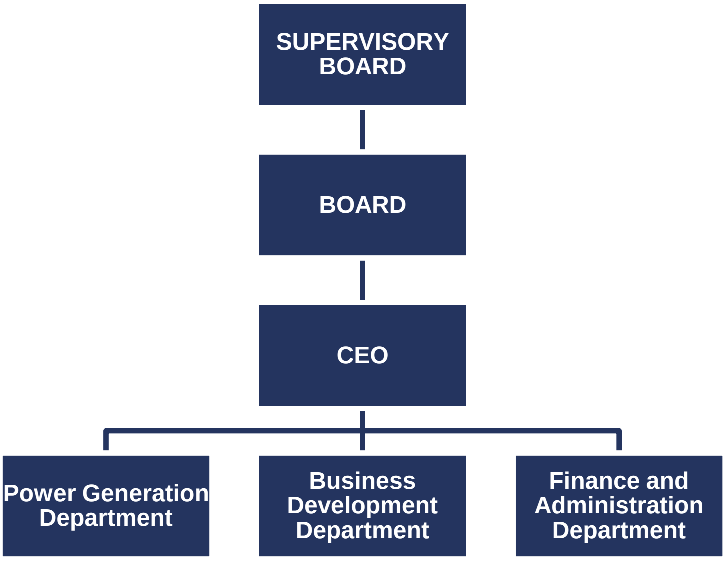
** Following completion of the reorganization proceedings of Ignitis Grupės Paslaugų Centras UAB and Verslo Aptarnavimo Centras UAB after the reporting period, Verslo aptarnavimo centras UAB was removed from the Register of Legal Entities on 2 January 2020. After the reorganization, Ignitis Grupės Paslaugų Centras UAB continues its activities and provides services.*

*** Following completion of the reorganization proceedings of Ignitis Grupės Paslaugų Centras UAB and Verslo Aptarnavimo Centras UAB after the reporting period, as from 1 January 2020 the Company owns 21.45% of Ignitis Grupės Paslaugų Centras UAB shares.*

Information on related party transactions

Information on related party transactions is available in the notes to the Annual Financial Statements of January-December 2019.

Figure 12
Management structure of the Company (as of 31 December 2019)



Information about the Company's management bodies

Based on the Articles of Association effective at 31 December 2019, the management bodies of the Company are the following:

- the General Meeting of Shareholders;
- the Supervisory Board;
- the Board;
- the Managing Director – the Chief Executive Officer.

The Articles of Association of the Company are available on the Company's website under section „Company Management". The Company's Articles of Association were amended once during the reporting period – on 6 September 2019, the new version of the Articles of Association of the Company to change the Company's name from Lietuvos Energijos Gamyba AB to Ignitis Gamyba AB was registered, as well as other changes were made to align the provisions of the Articles with the amended legal acts. The procedure for the formation of the Company's management bodies has not been changed.

The Company applies the Corporate Governance Code for the companies listed on the Nasdaq Vilnius AB. Information on compliance with this Code of Governance is provided for in Annex No 1. Changes adopted during the reporting period in relation to management bodies of the Company are described in detail below.

The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company. The scope of competence and the procedure for its convention and adoption of decisions by the meeting are established by the laws, other legal acts and the Company's Articles of Association. According to the Articles of Association of the Company, the additional competence of the General Meeting of Shareholders is decision-making on the conclusion of contracts with members of the Supervisory Board of the Company and the Chairman of the Supervisory Board regarding the activities of the Supervisory Council and the protection of confidential information, and their terms and conditions and on approval or disapproval of the Company's annual report and interim report adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year.

There are no shareholders with special control rights among the shareholders of the Company. Also, the Company has no restrictions on voting rights and the Company does not have any information on the agreements between the shareholders.

Six General Meetings of Shareholders of the Company were held from the beginning of the reporting period and until the day of publication of this report:

1. **On 25 February 2019,** the Extraordinary General Meeting of Shareholders of the Company adopted decisions regarding the terms and conditions of the activities of an independent member of the Supervisory Board (an hourly pay (before taxes) in the amount of 54.43 EUR for the actual activity as an independent member of the Supervisory Board was defined and the monthly pay was limited to a maximum amount of 1,300 EUR) and regarding the election of the audit company for the audit of financial reports of the Company and the terms of remuneration for the audit services (ERNST & YOUNG BALTIC UAB was elected as the audit company for the audits of financial reports of the Company for the period of 2019–2021. The remuneration for the audit services shall not exceed 194,850.00 EUR (VAT excluded) for the year 2019–2021).
2. **On 12 April 2019,** the Ordinary General Meeting of Shareholders of the Company adopted the decisions to

approve the Annual Report of the Company for the year 2018 and audited Annual Financial Statements of the Company for the year 2018, and to allocate the profit the Company for the year 2018. The dividends are to be paid for the six-month period ended 31 December, 2018.

3. **On 26 July 2019**, the Extraordinary General Meeting of Shareholders of the Company decided to elect Edvardas Jatautas as a new independent member of the Company's Supervisory Board until the end of the Supervisory Board's term. Edvardas Jatautas began his tenure upon the end of the General Meeting of Shareholders that had elected him.
4. **On 27 August 2019,** the Extraordinary General Meeting of Shareholders decided to change the name of the Company to Ignitis Gamyba AB and to approve a new version of the Company's Articles of Association.
5. **On 27 September 2019,** the Extraordinary General Meeting of Shareholders approved the Company's interim report and approved the financial statements for the six-month period that ended on 30 June 2019, audited by ERNST & YOUNG BALTIC UAB. It also decided to allocate dividends to the Company's shareholders, amounting to EUR 0.029 per Company's share, for the six-month period that ended on 30 June 2019.
6. **On 4 December 2019,** the Extraordinary General Meeting took the decision to delist all the shares of the Company from the NASDAQ Vilnius Stock Exchange to approve the shareholder Ignitis Group UAB as the entity who will make a formal offer to buy-out the shares of the Company listed on the NASDAQ Vilnius AB Stock Exchange.

All General Meetings of Shareholders convened by the Company in 2019 were attended by the Company's CEO (chair-person of the Board) and/or Director of Finance and Administration (member of the Board).

Information on voting results of the Company's shareholders during the above-mentioned and previous General Meetings of Shareholders is available on the Company's website under „For Investors".

The Company's Supervisory Board

The Company's Supervisory Board is a collegial supervisory body. Its competence, procedures of decision making, election and recalling of the members are established in laws, other legal acts and the Company's Articles of Association. The Company's Supervisory Board has three members elected for the term of office of four years by the General Meeting of Shareholders. At least one third of the Supervisory Board should be formed from independent members. The Supervisory Board elects its Chairman from its members.

Every candidate to the position of the Supervisory Board member must inform the Supervisory Board in writing about qualification of each candidate, experience in managing position, and suitability to act as a member of the Supervisory Board. The CEO, the Board member, the member of management body of a subsidiary, the member of supervisory body, management body or administration of the legal entity that is engaged in transmission of electricity or gas, an auditor or employee of an audit company cannot be a member of the Supervisor Board. The same applies to the person who does not have a right to take this position in accordance with the legal acts.

If a member of the Supervisory Board is removed from office, resigns or discontinues the performance of his duties for other reasons and the shareholders whose shares carry at least 1/10 of all votes object to the election of individual members of the Supervisory Board, the Supervisory Board shall lose its powers, and the entire Supervisory Board shall be subject to election. Where individual members of the Supervisory Board are elected, they shall be elected only until the expiry of the term of office of the current Supervisory Board.

The main competences of the Company's Supervisory Board are the following:

- To consider and approve the strategy of the Company, to analyse and evaluate information on the implementation of the Company's strategy, and to submit this information to the ordinary General Meeting of Shareholders;
- To elect the members of the Board and to remove them from office;
- To supervise the activities of the Board and the CEO of the Company;
- To submit its comments and proposals to the General Meeting of Shareholders on the Company's set of annual financial statements, proposed profit/loss distribution and the annual report of the Company as well as the activities of the Board and the CEO of the Company;
- To submit to the General Meeting of Shareholders its comments and proposals regarding a draft decision on the allocation of dividends for a period shorter than the financial year and the set of interim financial statements and the interim report drawn up for the purpose of adoption of the decision;
- With regard to the report of the Company's Audit Committee, to submit opinion about the transactions planned by the Company with the related party (if they satisfy the criteria discussed in the Company's Articles of Association);
- To submit proposals to the Board and the CEO of the Company to revoke their decisions which are in conflict with laws and other legal acts, the Articles of Association of the Company or the decisions of the |General Meeting of Shareholders;
- To address other issues assigned to the powers of the Supervisory Board by the Articles of Association of the Company as well as by the decisions of the General Meeting of Shareholders regarding the supervision of the Company's management bodies.

Changes in the structure of the Company's Supervisory Board during the reporting period:

- On 12 March, 2019, the Company received a letter from Ignitis Group UAB (former Lietuvos Energija UAB) informing that after the approval of the Supervisory Board of Ignitis Group UAB, Rimgaudas Kalvaitis has been nominated for the position of the CEO and member of the Board of the Company. Accordingly, on the same day R. Kalvaitis submitted his request to resign from his current position as a member of the Supervisory Board of the Company. He is out of these duties from 27 March, 2019.
- On 26 July 2019, the Extraordinary General Meeting of Shareholders of the Company decided to elect Edvardas Jatautas as a new independent member of the Company's Supervisory Board until the end of the Supervisory Board's term. Edvardas Jatautas began his tenure upon the end of the General Meeting of Shareholders that had elected him.

The expected end of term of office of the current Supervisory Board of the Company is 25 March 2022.

All amounts are in EUR thousand unless otherwise stated

Activities of the Company's Supervisory Board during the reporting period:

Overall 15 meetings of the Supervisory Board were held in January-December of 2019: 14 of them were attended by all members of the Supervisory Board who were elected at that time, in one of the meetings one member of the Company's Supervisory Council was absent.

Activities of the Supervisory Board in 2019 covered the following key areas:

- Election of the Board member, establishment of the remuneration for work at the Management Board;
- Provision of an opinion to the Company's Board on the election of the General Manager of the Company, establishment of his remuneration and other conditions of his employment;
- Assessment and provision of an opinion on the Company's related party transactions;
- Evaluation of the decisions made by the Company's Board regarding the approval of the Company's programming documents and provision of opinion;
- Periodic monitoring and evaluation of the Company's performance;
- Assessment of the achievement of the Company's annual performance targets (indicators);
- Submission to the General Meeting of Shareholders of the opinion on the Company's annual financial statements, the Company's profit (loss) allocation project, the Company's annual report, the draft decision on dividend distribution for less than a financial year, decision to approve the interim financial statements and the interim report.

More details about the members of the Company's Supervisory Board are available in the table below. Description of their education and professional experience is available on the Company's website under section Company Management.

Members of the Supervisory Board (during the reporting period)

	Participation in other companies and organisations	Education
 **Dominykas Tučkus** Member, Chairman of the Supervisory board **Term of office** 26 March 2018 – 25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Ignitis Group UAB (Company code 301844044, Žvejų st. 14, LT-09310 Vilnius), Member of the Board, Director for Infrastructure and Development. • UAB Ignitis (former Lietuvos Energijos Tiekimas UAB) (Company code 303383884, Žvejų st. 14, 09310 Vilnius), Member of the Board (until 01/06/2019), Member of the Supervisory Board (since 01/06/2019). • EURAKRAS UAB (Company code 300576942, Žvejų st. 14, 09310 Vilnius), Member of the Board (until 03/09/2019). • Tuulueenergia OU (Company code 10470014, Keskus, Helmküla küla, Varbla vald, Pärnumaa, 88208), Chairman of the Board (until 28/01/2019). • Vilniaus Kogeneracinė Jėgainė UAB (Company code 303782367, Žvejų st. 14, 09310 Vilnius), Member of the Supervisory Board. • UAB Ignitis Renewables (former Lietuvos Energija Renewables UAB), (Company code 304988904, P. Lukšio st. 5B, 08221 Vilnius), Member of the Board (since 03/01/2019). • Smart Energy Fund powered by Ignitis Group KŪB (Company code 304596351, Antakalnio st. 17, 10312 Vilnius), Member of the Advisory Committee.	• L. Bocconi University (Italy), Master's degree in Finance; • L. Bocconi University (Italy), Bachelor's degree in Business Management and Administration

	Participation in other companies and organisations	Education
 **Živilė Skibarkienė** Member **Term of office** 26 March 2018 – 25 March 2022	• Ignitis Group UAB (Company code 301844044, Žvejų st. 14, LT-09310 Vilnius), Member of the Board and Director of Organizational Development. • Verslo Aptarnavimo Centras UAB (Company code 303359627, P. Lukšio st. 5B, 08221 Vilnius), Member of the Board (since 18/06/2019), Chairwoman of the Board (from 31/07/2019 until 01/01/2020). • UAB Ignitis Grupės Paslaugų Centras (former Technologijų ir inovacijų centras UAB)	• Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; • Vilnius University, Faculty of Law, Master's degree in Law.

All amounts are in EUR thousand unless otherwise stated

Number of shares held at the Company – **Ownership interest in other companies (>5%)** –	(Company code 303200016, A. Juozapavičiaus st. 13, 09311 Vilnius), Member of the Board (since 18/06/2019), Chairwoman of the Board (since 31/07/2019). • Elektroninių Mokėjimų Agentūra UAB (Company code 136031358, Žvejų st. 14, 09310 Vilnius), Member of the Board.	

	Participation in other companies and organisations	Education
 **Rimgaudas Kalvaitis** Independent member **Term of office** From 26 March 2018 to 27 March 2019 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Technology Competence Center UAB (Company code 304458037, Žirgo st. 70, 10245 Vilnius), CEO (until 27/03/2019). • Lietuvos radijo ir televizijos centras AB (Company code 120505210, Sausio 13-osios st. 10, 04347 Vilnius), Independent member of the Board (until 14/11/2018). • Luno UAB (Company code 302707493, M. K. Čiurlionio st. 82C, Vilnius), consultant (until 27/03/2019). • Lietuvos Energijos Paramos Fondas (Company code 303416124, Žvejų g. 14, 09310 Vilnius), Member of the Board (since 23/04/2019). • Vilniaus Sostinės Lions Klubas (Company code 193538827, Subačiaus g. 3, Vilnius), Member of the Board.	• Vilnius University, Faculty of Physics, Master's degree. • Vilnius University, Faculty of Physics, Postgraduate Studies in Solid State Electronics. •

	Participation in other companies and organisations	Education
 **Edvardas Jatautas** Independent member **Term of office** 26 July 2019 – 25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Profectus Novus UAB (Company code 302500459, Konstitucijos pr. 21C, 08130 Vilnius) owner, Chairman of the Board. • Addendum Group Inc. (Company code 46-2547117, 13955 Tahiti Way #354, Los Angeles, 90292, California, USA), founder, President. • Addendum Solutions UAB (Company code 302312642, Konstitucijos pr. 21C, 08130 Vilnius) owner, Member of the Board. • Lithuanian American Business Association in Los Angeles, Member of the Board • SIA Addendum LV (Company code 40203222589, Rīga, Ludzas iela 42 k-1 - 20, LV-1003, Latvia) founder, Member of the Board (since 31/07/2019). • OU Addendum EE (Company code 10903252, A.H.Tammsaare tee 47, 11316 Tallinn, Estonia) founder, Member of the Board (since 04/11/2019).	• Vilnius Gediminas Technical University, Master's degree in Engineering Informatics; • ISM University of Management and Economics, Head of Master's Study module; • Harvard Business School, Head of Master's Study module.

Information on payments made to the members of the Supervisory Board during the reporting period

Based on Articles 20 and 24 of the Company's Articles of Association, at least 1/3 (one third) of members of the Supervisory Board must be independent members. Remuneration for work at the Supervisory Board can be paid only to the independent members of the Supervisory Board and upon the decision of the General Meeting of Shareholders.

The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria, are established at the General Meeting of Shareholders in accordance with the requirements set forth in the relevant legal acts and based on the best corporate governance practices.

During the reporting period, independent member of the Supervisory Board R. Kalvaitis received a monthly remuneration of EUR 771 (before taxes) for the activities carried out in the Supervisory Board. No other payments were made. E. Jatautas received a monthly remuneration of EUR 1,207 (before taxes) for the activities carried out in the Supervisory Board.

The Company's Board

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

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

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

If the Board is recalled, the Board resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Board will be elected for the new term of office. When individual members are elected, such members may be elected only for the period until the end of term of office of the current Board.

The Board adopts decisions on:
- The Company's acting as a founder or a member of a legal person;
- Any transfer to third parties or encumbrance of the Company's shares/interests or rights attached thereto;
- Formation or termination of branches and representatives' offices of the Company;
- Bond emissions;
- Operation of facilities owned by the Company and specified in the Lithuanian Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security;
- Signing of agreements for the value of in excess of EUR 3 million;
- Other matters provided for in the Articles of Association of the Company.

In certain cases, prior to adopting a decision the Board is required to seek for comments from the Supervisory Board and obtain approval from the General Meeting of Shareholders.

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

Changes in the structure of the Company's Board during the reporting period:
- Taking into account a notification received from Eglė Čiužaitė on her resignation from the position of the CEO of the Company, the Board and the Supervisory Board of the Company on 7 January, 2019 adopted a decision to recall E. Čiužaitė from the position of CEO of the Company form 21 January, 2019. E. Čiužaitė also resigned from the position of Chairwoman of the Board form 21 January, 2019.
- The Company initiated public election of a new Managing Director. From 22 January, 2019 until the election of the new CEO, Darius Kucinas, member of the Board of the Company, Director of Power Generation, took the position of acting CEO of the Company.
- On 12 March, 2019, the Company received a letter from Ignitis Group UAB (former Lietuvos Energija UAB) informing that after the approval of the Supervisory Board of Ignitis Group UAB, Rimgaudas Kalvaitis has been nominated for the position of the CEO and member of the Board of the Company.
- On 27 March, 2019 the Supervisory Board of the Company elected the new member of the Board Rimgaudas Kalvaitis. The elected member of the Board of the Company shall start his duties as of the end of the meeting of Company's Supervisory Board that elected him. At the same day, after the meeting of the Supervisory Board, the Board of the Company has elected R. Kalvaitis as the Chairman of the Board and CEO of the Company.

The expected end of term of office of the current Board is 2 April 2022.

Activities of the Company's Board during the reporting period:

Overall 38 meetings of the Board were held in January-December 2019. All of them were attended by all elected members of the Board.

Activities of the Company's Board in 2019 covered the following key areas:
- Evaluation of the most significant transactions planned by the Company, approval of their conclusion and approval of essential terms of transactions;
- Election of the General Manager of the Company, establishment of his remuneration and other conditions of his employment, taking into account the opinion of the Supervisory Board;
- Evaluation of the arrangement of the Company's activities and taking decisions related thereto;
- Evaluation and approval of the Company's operational planning documents, taking into account the opinion of the Company's Supervisory Board;
- Convocation of general meetings of the Company;
- approval of the Company's annual report and interim report adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year and submission to the Supervisory Board and General Meeting of Shareholders;
- Evaluation of the Company's annual financial statements and profit (loss) distribution project, interim financial statements adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year, the draft decision on dividend distribution for less than a financial year and provision of feedback to

All amounts are in EUR thousand unless otherwise stated

the Supervisory Board and the General Meeting of Shareholders.

More details about the members of the Company's Board are available in the table below. Description of their education and professional experience is available on the Company's website under section Company Management.

Members of the Board (during the reporting period)

	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
 **Eglė Čiužaitė** Chairwoman of the Board, CEO **Term of office** 3 April 2018 – 21 January 2019 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Geoterma UAB (Company code 123540818, Lypkių st. 17, 94100 Klaipėda), member of the Board (until 23/03/2018). • Lietuvos Energijos Paramos Fondas (Company code 303416124, Žvejų st. 14, 09310 Vilnius), member of the Board (until 23/01/2019). • Ignitis Grupės Paslaugų Centras UAB (former Technologijų ir inovacijų centras UAB) (Company code 303200016, A. Juozapavičiaus st. 13, 09311 Vilnius), Member of the Board (until 21/01/2019).	• Bellevue University (USA), Bachelor's Degree in Business Administration. • Aarhus University, School of Business and Social Sciences (Denmark), Master's Degree in Finance and International Business.	981

	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
 **Rimgaudas Kalvaitis** Chairman of the Board, CEO **Term of office** From 27 March 2019 to 2 April 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Lietuvos Energijos Paramos Fondas (Company code 303416124, Žvejų st. 14, 09310 Vilnius), member of the Board (since 23/04/2019). • Vilniaus Sostinės Lions Klubas (Company code 193538827, Subačiaus g. 3, Vilnius), Member of the Board.	• Vilnius University, Faculty of Physics, Master's degree. • Vilnius University, Faculty of Physics, Postgraduate Studies in Solid State Electronics.	1,815

	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
 **Darius Kucinas** Member of the Board, Director of Power Generation **Term of office** From 3 April 2018	–	• Kaunas University of Technology, Department of Electrical Engineering and Automation, Bachelor's Degree in Electrical Power Engineering.	1,300

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to 2 April 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –			

 **Mindaugas Kvekšas** Board member Finance and Treasury Director	**Participation in other companies and organisations**	**Education**	**Average remuneration for the activities as the member of the Board (before taxes, EUR)**
Term of office From 3 April 2018 to 2 April 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Verslo Aptarnavimo Centras UAB (Company code 303359627, P. Lukšio st. 5B, 08221 Vilnius), member of the Board (since 18/06/2019 until 01/01/2020). • Ignitis Grupės Paslaugų Centras UAB (former Technologijų ir inovacijų centras UAB) (Company code 303200016, A. Juozapavičiaus st. 13, 09311 Vilnius), Member of the Board (since 18/06/2019 until 03/02/2020).	• Stockholm School of Economics in Riga, Bachelor's Degree in Economics and Business Administration.	1,300

The Company's Management

The General Manager acts as a single-person management body of the Company. The General Manager organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his/her own discretion, except for the cases stipulated in the Articles of Association and legal acts. The powers of the General Manager, the procedure of his/her election and removal are established by laws, other legal acts and the Company's Articles of Association.

Information on payments made to the Chief Executive Officer and Chief Financier (during the reporting period)

	Average fixed monthly remuneration (before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)
To the CEO Eglė Čiužaitė	6,059	2,741
To the acting CEO Darius Kucinas	4,137	–
To the CEO Rimgaudas Kalvaitis	5,655	–
To the Chief Financier*	–	–

* As from 1 December 2014, the accounting function has been moved from the Company to Verslo Aptarnavimo Centras UAB, and accordingly, the Company no longer has accounting employees, nor the Chief Financier. Verslo Aptarnavimo Centras UAB performs a complete set of accounting services for the Company, starting with the recording of the source documents into the accounting software and ending with the preparation of the financial statements.

The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During January-December 2019, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

Information about the Committees

The committees of the Supervisory Board are formed in the Ignitis Group companies. They have the competence to submit conclusions, opinions and suggestions to the Supervisory Board of the Group. The committee must have at least three members, where at least one member has to be a member of the Supervisory Board and at least one member has to be independent. The members of the committees are elected for the period of four years. The activities of the committees apply to Ignitis Group and its directly and indirectly controlled subsidiaries, including the Company, as well as other legal persons with different legal status, over which Ignitis Group directly or indirectly may have significant influence.

All amounts are in EUR thousand unless otherwise stated

The following committees of the Supervisory Board are operating in the Group:

- **The Risk management and business ethics supervision committee** is responsible for submission of conclusions and suggestions regarding management and control system in the group of companies and/or status of implementation of the main risk factors and risk management tools to the Supervisory Board; for compliance with business ethics, maintenance of bribery and corruption risk system and submission of recommendations to the Supervisory Board;
- **The Audit committee** is responsible for submission of objective and impartial conclusions and suggestions regarding audit, related party transactions, as provided in the Law on Companies of the Republic of Lithuania, and functioning of internal control system in the group of companies to the Supervisory Board;
- **The Nomination and remuneration committee** is responsible for submission of conclusions and suggestions about appointment, revocation of the management and supervisory bodies of the group of companies, and about incentive issues to the Supervisory Board, as well as for the evaluation of performance of the Board and its members and submission of appropriate opinion. The committee's functions also cover formation of common remuneration policy in the group of companies, determination of the size and composition of remuneration, incentive principles, etc.

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.).

At the end of the reporting period, the committees of Risk management and business ethics supervision, Audit and Nomination and remuneration were operating in the Group.

Risk Management and Business Ethics Supervision Committee

Main functions of the committee:

- To monitor the way the risks relevant for the achievement of the targets set for Ignitis Group and the Group are identified, assessed and managed;
- To assess the adequacy of internal control procedures and risk management measures in view of the risks identified;
- To assess the progress achieved in the implementation of risk management measures;
- To monitor the process of risk management;
- To analyse the financial possibilities for the implementation of risk management measures;
- To assess the risks and the risk management plan for Ignitis Group and the Group's entities;
- To assess the periodic cycle of risk identification and assessment;
- To monitor availability of risk registers, analyse their data, provide recommendations;
- To monitor the availability of internal documentation pertaining to risk management;
- To assess the tolerance and adequacy of internal documents that regulate fight of the group of companies against bribery and corruption, and to monitor periodically their implementation/compliance;
- To monitor periodically information related to the controlling actions of assurance of business ethics, events and unsolved incidents (security of transparency, prevention of corruption, management/prevention of corruption risk, etc.);
- To perform other functions assigned to the Committee based on the decision of the Supervisory Board of Ignitis Group.

Members of the Risk Management and Business Ethics Supervision Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Andrius Pranckevičius Chairman, independent member	–	Since April 2018 until April 2022	• Linas Agro Group AB, Deputy Chief Executive Officer, Member of the Board; • Kekava PF, Chief Executive Officer and Chairman of the Board; • Linas Agro AB, (Lithuania,) Member of the Board; • Lielzeltini SIA, (Latvia), Chairman of the Board; • Broileks SIA, (Latvia), Chairman of the Board; • Cerova SIA, (Latvia), Chairman of the Board.
Darius Daubaras Independent member	–	Since April 2018 until April 2022	• Saudi Aramco, senior finance executive to advise company's executive management on implementation of corporate projects, acquisitions, investments and joint venture, Treasury department • Chairman of the Supervisory Board of Ignitis Group, independent member • Smart Energy Fund powered by Ignitis, Member of the Supervisory Board (until 01/7/2019)
Šarūnas Rameikis Independent member	–	Since April 2018 until April 2022	R. Mištauto ir T. Milickio Law Firm „Konsus", Lawyer

The term of office of the incumbent Risk Management and Business Ethics Supervision Committee will last until 23 April 2022. Overall 7 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

All amounts are in EUR thousand unless otherwise stated

Audit Committee

Main functions of the committee:

- To monitor the preparation process of financial statements of Ignitis Group and the Group companies paying particular attention to assessment of suitability and consistency of applied accounting methods;
- To monitor effectiveness of internal control and risk management systems of Ignitis Group and the Group companies that affect financial accountability of the audited company;
- To monitor independence and objectivity of auditors and audit companies, and to submit recommendations regarding selected audit company;
- To supervise audit processes of Ignitis Group and the Group companies, to verify audit's effectiveness and reaction of the administration to the recommendations submitted in the management letter by the audit company;
- To monitor effectiveness of internal audit function of Ignitis Group and the Group companies, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of a manager of the Company's Internal Audit Service, to coordinate and evaluate periodically the work of the Company's Internal Audit Service, to discuss verification results, removal of defects and implementation of internal audit plans;
- to approve regulations of the Company's Internal Audit Service and plan of internal audit;
- To monitor whether the activities of Ignitis Group and the Group companies are in compliance with the laws of the Republic of Lithuania, other legal acts, Articles of Association and business strategy;
- To submit opinion to the Company's companies, whose shares may be sold in the regulated market, regarding transactions with the associated party, as provided in paragraph 5 of article 372 of the Law on Companies of the Republic of Lithuania;
- To assess and analyse other issues assigned to the Committee by the Supervisory Board;
- To perform other functions related to the committee's functions and provided in the legal acts of the Republic of Lithuania and the Corporate Governance Code for the Companies listed on Nasdaq Vilnius.

The group of companies has a centralised internal audit function since 5 January 2015. This helps ensure independence and objectivity of the internal audit, consistency in application of uniform methodology and reporting principles, and a more rational allocation of the available audit resources and competences.

Members of the Audit Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Irena Petruškevičienė Chairperson Independent member	–	Since October 2017 until October 2021	• The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finances of the Republic of Lithuania, Member of Audit Oversight Committee; • European Stability Mechanism (ESM), Member of Auditors Board. • Lietuvos geležinkeliai, AB, Member of Audit Committee; • MAXIMA GRUPĖ, UAB, Chairman of Audit Committee.
Danielius Merkinas Independent member	–	Since October 2017 until October 2021	• NNL Termo UAB, CEO, Chairman of the Board; • NNT LT UAB, CEO, Chairman of the Board; • Nordnet UAB, Head of Commerce, Chairman of the Board; • Mercado prekyba UAB, CEO; • Litcargo UAB, Chairman of the Board; • Lietuvos paštas AB, Member of the Board (until 31/10/2019)
Aušra Vičkačkienė Member	–	Since October 2017 until October 2021	• Lithuanian Ministry of Finance, Asset Management Department, Director • Member of the Supervisory Board of Ignitis Group;
Ingrida Muckutė Member	–	Since May 2018– until October 2021	The Ministry of Finance of the Republic of Lithuania, Head of Reporting, Audit, Property Valuation and Insolvency Management Division
Šarūnas Radavičius Independent member	–	Since May 2018– until October 2021	Rodl & Partner UAB, CEO (until August 2019)

The term of office of the incumbent Audit Committee will last until 12 October 2021.
Overall 16 meetings of the Audit Committee were held during the reporting period.

Nomination and Remuneration Committee

Main functions of the committee:

- To provide suggestions in relation to the long-term remuneration policy of Ignitis Group and the Group companies (fixed pay, performance-based pay, pension insurance, other guarantees and remuneration forms, compensations, severance pay, other items of the remuneration package), and the principles of compensation for expenses related to the person's activities;
- To monitor compliance of the remuneration and bonuses policies of Ignitis Group and the Group companies of Ignitis Group with international practice and good governance

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practice guidelines, and provide suggestions for their improvement;
- To assess the terms and conditions of inter-company agreements between Ignitis Group and the Group companies and the members of the management and supervisory bodies of Ignitis Group and the Group companies;
- To assess the procedures for recruitment and hiring of candidates to the positions of management and supervisory bodies and top management of Ignitis Group and the Group companies, and establishment of qualification requirements for them; submit recommendations and findings to the Supervisory Board;
- To assess the structure, size, composition and activities of management and supervisory bodies of Ignitis Group and the Group companies;
- To oversee and assess the implementation of measures ensuring business continuity of management and supervisory bodies of Ignitis Group and the Group companies;
- To perform other functions assigned to the Committee by the Supervisory Board of Ignitis Group.

Members of the Nomination and Remuneration Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Daiva Lubinskaitė-Trainauskienė Chairperson Independent member	–	Since September 2017 until September 2021	• Thermo Fisher Scientific Baltics UAB, Director of Personnel; • Association of Personnel Management Professionals (PVOA), Board Member • Member of the Supervisory Board of Ignitis Group;
Aušra Vičkačkienė Member	–	Since September 2017 until September 2021.	• Lithuanian Ministry of Finance, Asset Management Department, Director • Member of the Supervisory Board of Ignitis Group;
Daiva Kamarauskienė Member	–	Since March 2019 until September 2021.	• Budget Department of the Ministry of Finance, Director; • Member of the Supervisory Board of Ignitis Group;
Lėda Turai – Petrauskienė Independent member	–	Since March 2018 until September 2021.	L-CON Global UAB, leadership training partner, shareholder

The term of office of the incumbent Audit Committee will last until 12 September 2021.
Overall 14 meetings of the Nomination and Remuneration Committee were held during the reporting period.

More information on the activities of the Committees during 2019 can be found in the Group's Consolidated Annual Report for 2019.

Employees of the Company

The main objective of the Company's human resource management policy is to attract and retain qualified employees and ensure long-term partnership relations with them on the basis of creating a mutually beneficial value and jointly implementing the Company's strategic goals. The Company focuses on the formation of corporate culture, empowerment of employees, employee substitution and HR management effectiveness.

Headcount and composition of employees

As at 31 December 2019, the Company had 356 employees (including those on child care leave). In the beginning of 2019, the Company had 368 employees. The Company's head-count decreased due to clearing of fuel facilities in Elektrėnai Complex and process optimization, as well as due to retirement of a number of employees or termination of employment with the Company for other reasons.

Men accounted for 87% of the Company's employees and women – for 13%. Most of the Company's employees are aged between 35 and 54 years with a ten-year or longer record of service at the Company. These are highly qualified and experienced specialists who form the foundation at the production units of the Company, where knowledge and expertise of employees are highly valued. Employees of this age accounted for 80% of all employees of the Company. About 12% of the Company's employees are aged between 25 and 35 years. Average age of the employees of the Company is almost 49 years, average experience at the Company – 21 years.

62% of Company's employees were specialists and middle-level managers, 37% were workers, and 1% were top level managers.

54% of the Company's employees have higher education, 38% have vocational education, and 8% have secondary education. Composition of employees by different aspects is illustrated in Figures 13–16.

Remuneration and performance management

The Company's remuneration system consists of monetary and non-monetary remuneration. Monetary remuneration is a fixed pay, which is determined on the basis of the level of job position, which in turn depends upon the functions and complexity of tasks fulfilled, responsibilities undertaken and the level of decision-making, as well as upon the employee's professional qualification. Positions providing a similar value fall to the same level. Another part of monetary remuneration is a variable pay, which depends upon measurable performance results, i.e. achievement of targets or performance indicators established in respect of each job position.

All amounts are in EUR thousand unless otherwise stated

The Company's employees may receive additional monetary benefits, such as extra pay for additional work load, for exceptional performance results and added value for the Company, participation in the priority projects, innovative ideas or suggestions for improvement and their implementation. Monetary remuneration also includes social care, material support, additional paid holidays, additional benefits to employees, such as health insurance or pension accumulation financed by the employer.

Non-monetary remuneration include training financed by the Company, various events organised for the Company's employees and their children, medical aid station services, vaccination of employees against seasonal diseases, acknowledgement and evaluation of the best employees, convenience benefits such as flexible work schedules, telecommuting, etc.

The purpose of employee performance management system is focused on continuous improvement of the organisation in pursuit of the Company's strategic objectives through targeted, continuous feedback.

The purpose of employee performance management system is to ensure that the goals of employees match those of the Company and to direct the efforts of employees towards their achievement. The process starts with a 360° study, which helps assess the general and leadership competences of management and specialists. Annual performance assessment meetings are organised between management and employees, during which management member and employee assess the progress in terms of achievement of the set goals, agree on further goals and on competences that need improvement (on the basis of assessments of competences), and on the specific employee development measures to be taken in the upcoming year, as well as career expectations, provide feedback.
Breakdown of headcount by category of employees and average work pay are given in the table below. The work pay amounts include the fixed pay, the variable pay and extra pays for exceptional performance results, for work during personal or public holidays, overtime work or work at night.

In 2019, The Company's remuneration fund amounted to EUR 8.2 million (2018: EUR 6,4 million). Compared to 2018, the amount in the fund was changed due to the recalculated remuneration (multiplied by 1,289) announced as from 2019.

Breakdown of headcount by category of employees and average work pay (in the reporting period)

	Breakdown of headcount by category of employees	Average remuneration*, EUR
Head of the Company	1	8,151**
Top level executives	3	6,196
Mid-level managers	30	3,315
Experts, specialists	193	2,083
Workers	129	1,431
In total	**356**	**2,011**

* Compared to data on average work pay published in the previous interim reports in 2019 an increase in average work pay can be observed in all categories of employees. Such increase was driven by payment of annual variable part. The Company's workers receive variable pay on a monthly basis, whereas employees of other categories receive variable pay on a quarterly or annual basis. A similar trend of average work pay statistics is observed at the Company on a year-by-year basis.
** The following table presents the data by the category of the position, including all payments to all persons who held these positions during the year. The CEO of the Company in 2019 changed, the information contained herein on the average remuneration of the CEO of the Company shall not be considered equal to the remuneration paid Rimgaudas Kalvaitis during 2019, who acted as the CEO at the date at the day of reporting. Details of the remuneration paid to individuals who acted in this position given in the table above (under section "Head of the Company").

Professional career, adaptation of new joiners and possibilities of internship

Turnover of employees is quite low at the Company – app. 3.7%. Each vacant position is subject to selection procedure. Potential candidates are firstly selected by internal recruitment procedures. When no potential candidates are available at the Company or the group for the vacant position, the recruitment process is continued outside the Company. The key to attracting new employees is to ensure that the right people, at the right time and place have the right skills.

As a result of improvement of career opportunities for employees and encouragement of their mobility between the Group companies, 7 employees moved to other group entities or came to the Company.

To ensure a more successful integration of new joiners into the activities and teams of the Company or the Group, they are invited to attend 'Days of new employees', during which newcomers are introduced to the Group's strategy, main Group activities, functions, other companies of the Group, and they attend the excursion to an exceptional object – Kruonis PSHP. Adaptation plans are developed for new joiners, the purpose of which is to help them familiarise with the work environment and organisational culture, and to involve them into the activities as soon as possible.

Seeking to attract young qualified specialists, the Company is actively involved in cooperation with educational institutions, and provides opportunities for higher education and vocational students to apply their theoretical knowledge and acquire practical skills during the internships. In 2019, the Company attended the Career Days events organised by Kaunas University of Technology, and had meetings with target groups of students from Kaunas University of Technology in order to attract them to have internship at the Company. During 2019, 10 students from different universities and other schools of Lithuania: 6 – Kaunas University of Technology, 1 – Vilnius College, 1 – Eindhoven University of

Technology, 3 – Elektrėnai Vocational Training Center. After the internship, 3 of them were employed at the Company.

Organisational culture, development of competences, professional training

By creating and nurturing a culture and environment for continuous improvement, taking into the account performance and career goals, new activities, and innovation in work processes, the Company provides opportunities for its employees to engage consistently in their personal growth by developing their professional, soft and management skills

By the mean of professional training, the employees refresh their knowledge required to fulfil their job duties and obtain the necessary certificates of professional qualification and attestations. By attending various seminars, internal training courses and external conferences employees learn about the latest developments, innovations and best practices in their respective fields of work. During the hackathons organized by Ignitis Group, employees have the opportunity to share new ideas, develop new products, services, tools, test themselves in new activities and projects.

In 2019, 141 employees of the Company attended mandatory technical training. Seminars, internal and external training courses and conferences were attended by 94 employees, during which they learnt about the latest developments, innovations and best practices in their respective fields of work. 24 employees attended internal trainings at Ignitis GROW akademija. In 2019, trainings were attended by in total 211 unique employees (i.e. when the same employee attends several trainings, such employee is counted as one). The Company further focused its efforts on intensive development of leadership competencies of management. Many internal training courses, which were attended by all employees of the Company who also completed the tests thereon, were conducted as e-learning. The ones that are worth mentioning include anti-corruption, occupational safety, fire prevention and civil safety, personal data protection and many more.

In addition to numerous external trainings, the Company prioritizes on-the-job learning, performing new tasks with the help of colleagues and managers, and learning new things. In this context, the Company operates an employee substitution programme whose primary objective is to ensure that the Company has the appropriate expertise in place to ensure the continuity of the Company's operations. Under this programme, the substitute employees are trained consistently so that they could substitute employees in those functions that are important for ensuring business continuity, i.e. such employees whose training requires a lot of time and who are not easy to find in the labour market due to the specific nature of their work and the required level of expertise. The substitution programme is mostly focused on the production units. Such substitution is regarded as an opportunity for growth in terms of professional competences.

Collective agreement, trade unions

There are four trade unions at the Company, which are joined by 200 employees of the Company.

The Company has a collective agreement, which ensures a more favourable package of social benefits for the Company's employees compared to that prescribed by the Lithuanian Labour Code. Based on the collective agreement, the Company's employees are paid allowances in the event of accident, illness, death of close family members, also additional benefits in the event of birth of child or families raising many children, also provides additional paid leave in the event of birth of child, marriage, death of a close relative and in other cases. From 2018, a new joint package of additional benefits for the entire Group came into force.

Figure 13–16
Employees of the Company

Figure 13. Employees by age

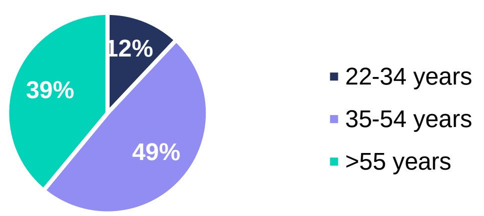


Figure 14. Employess by education

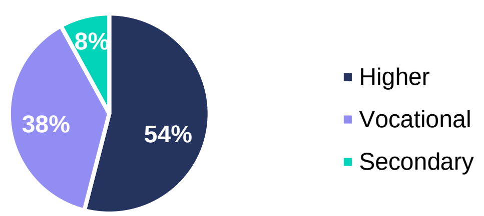


Figure 15. Employees by term of service

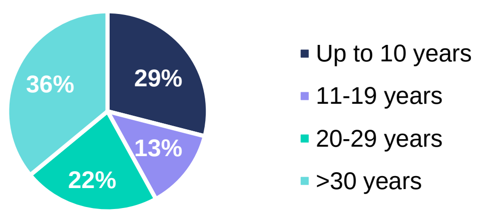
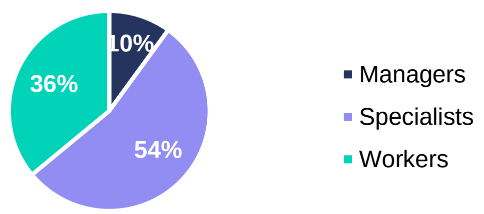


Figure 16. Employees by position held



SOCIAL RESPONSIBILITY REPORT

The Company's social responsibility activities are based on its values and are a manifestation of its attitude toward its operations, inclusion of social, environmental and transparency principles in its internal business processes, and in its relations with stakeholders.

Being engaged in its activities in a responsible manner, the Company follows the Social Responsibility Policy approved by Ignitis Group and applicable to the Group as a whole (link). This document defines general responsible policies and provisions under which the business culture and practice of the socially responsible and sustainable group of companies is being developed.

The Group adheres to its social responsibility through purposeful and consistent activities in relationships with employees and society, and through market activities.

All the Group companies, including Ignitis Gamyba, comply with the ten Global Compacts principles which define corporate responsibility in the areas of human rights, employees' rights, environmental protection and anti-corruption, as well as seek to reduce the impact of their activities to environment, community and other businesses. Moreover, by joint efforts Lietuvos Energija tackles economic, social and environmental challenges, and contributes to the development of society and growth of economy.

The key principles of the Global Compact:

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labour.

Principle 5: The effective abolition of child labour.

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environmental Protection

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

These generally accepted and declared guidelines for responsible behaviour are a clear and strong reference for the development of socially responsible business activities.

The Group companies contribute to the Sustainable Development Goals as defined by the United Nations. The Company contributes to the following Sustainable Development Goals:

7	**8**	**9**	**12**	**13**
Ensure access to affordable, reliable, sustainable and modern energy for all.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Ensure sustainable consumption and production patterns.	Take urgent action to combat climate change and its impacts.

Control over the implementation of these sustainable development goals of the Company and management of related risks is an integral part of the Company's corporate control and risk management. This chapter and the following chapters of this Annual Report cover the main challenges and achievements in line with the above priorities and principles. The content is structured in accordance with the principles of the Global Compact and the requirements of the Law on Corporate Financial Reporting of the Republic of Lithuania.

All amounts are in EUR thousand unless otherwise stated

Human rights

In the provision of its services and activities in different communities, the Company operates in accordance with the principles of the protection of human rights, promotes and respects international protection of human rights in its sphere, and ensures that it does not contribute to violations of human rights and advocates any violation thereof.

In 2019 no discrimination or other incidents related to human rights violations have been identified in Ignitis Gamyba.

Relationship with employees

The Company respects the rights of its employees and comes out against child's work and against any discrimination both in the employee hiring process and among current employees. Trade unions are active and there is a valid collective agreement in the Company.

Objective. Self-assessment by the employee and an assessment of the employee's competences by his/her supervisor is the only way in which employees are assessed in the Company.
Method. The Company is concerned about the improvement of its employees' competences. There is a transparent wage setting and payment procedures in place.

The Company is also concerned about the employees' health, therefore, it organised informal events on its own initiative and invites all employees to them. The Company also tries to ensure that the organisational culture is favourable to its employees. The main purpose of the Company's human resources policy is to attract and retain highly-qualified employees and to ensure, based on a long-term partnership and mutual-value creation, a common successful future of the Company.

The Company has created opportunities for people of different age and having different experience to successfully find employment and work. Men account for 87% and women account for 13% of the Company's employees at the end of 2019. There are more men working in the Company because of specifics of its activities – women choose technological positions and related professions less frequently. One woman was a member of the Company's Supervisory Board – Živilė Skibarkienė, Member of the Supervisory Board.

Remuneration

The Group companies have implemented an advanced employee remuneration system placing the Company on an equal footing with other leading companies of the country remunerating their employees according to their performance, the value created for the organisation and the team. The remuneration system was developed on the basis of 'Korn Ferry' methodology ensuring objective evaluation of the employee's job positions according to the required qualification, complexity of the problems, and the level of responsibility assigned to a specific job position.
In 2019, the Group Remuneration Policy, which sets out the cornerstone principles of remuneration management, was updated: internal justice, external competitiveness, clarity, transparency, flexibility, ensuring that employees all Group companies are rewarded in the same way for the same type of work, expertise and performance.

Occupational Health and Safety

The Company adheres to the general provisions and principles of occupational health and safety at work as well as to the provisions of the Ignitis Group's Occupational Health and Safety Policy which sets for the main guidelines for the implementation of such principles. (Link),link), as well as Zero tolerance policies for accidents at work (link).

Open flame sources, flammable and explosive substances, steam and hot water are used in the production process; together with the temporary nature of specific workplaces and complicated conditions for the performance of the works this creates health and safety at work risks for the employees of both the Company and its contractors.

Accident prevention, safety and health are in the focus of attention of the Company: in 2019 an updated ISO 45001: 2018 standard was introduced and replaced OHSAS 18001: 2007.

Workplaces and the quality of organised work are regularly inspected, the employees are regularly briefed and provided with personal protective equipment. The Company takes care of its employees' health. A free medical check for all employees of the Company for whom such checks are mandatory was organised, free vaccination against flu and tick-borne encephalitis, as well as training on hygiene and first aid at work were conducted.

Using the e-training platform, a periodic briefing on safety requirements was organised to the Company's employees.

Occupational safety and health indicators (2019)	
Incidents and accidents at work (minor, severe or fatal)	1 minor accident and 2 minor non-work related injuries (high blood pressure and food poisoning) were recorded at the Company. The medical point was contacted for one minor injury for the eye contamination.
Occupational safety and health violations by contractors' employees in the Company's objects, and their nature	Among the contractors total 11 OSH violations were recorded, in 4 cases unsafe work was suspended. Nature: • failure to use of personal protective equipment; • non-compliance with occupational safety and health rules; • inappropriate registration of works; • performance of work with fire, etc.

All amounts are in EUR thousand unless otherwise stated

Indicator of time lost as a result of OSH violations	• 6 working days were lost as a result of accidents at work, • and 3,694 working days were lost due to sickness.

Society Relationships

Educational activities

The Company contributes to increasing awareness of the public, especially the younger generation, about the energy. The Company demonstrates willingness and invites the to participate in free-of-charge excursions at its objects: the combined cycle unit, Kruonis PSHP, Kaunas A. Brazauskas HPP. Sightseeing tours to introduce visitors to the power plants' history, activities, technology and basic facilities are organised on site.

During 2019, more than 100 excursions were organized with more than 1700 visitors from various companies, schools and other institutions. There were also visitors from abroad. Kruonis PSHP had the highest number of visitors over that period.

Provision of Support

In order to strengthen the implementation of the principle of transparency in the Group companies, including Ignitis Gamyba, Ignitis Group and its companies do not provide any support as from 2018. Foundations used to provide support are going to be liquidated. New calls for proposals will not be accepted and applications will not be considered.

Environmental Protection

In its activities, the Company seeks to protect the environment, contribute to more sustainable use of natural resources, and implement modern, efficient and environmentally safe technologies in production activities.

The Company follows the requirements of environmental legislation and norms, as well as professionally apply preventive measures that reduce the negative impact on the environment. The most important environmental protection issues include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that the water level fluctuations in the Kaunas Lagoon and the Nemunas River downstream the Kaunas A. Brazauskas HPP are within the permissible limits etc. The Company fulfils all the relevant environmental requirements and undertakes, on its initiative, construction of new facilities and modernization of the old ones so that the impact of operations on the environment is minimized.

The Company organizes environment clean-up campaigns, inviting other companies and organizations to join them. Meetings between employees from different units

Meetings in the Company are organized by means of video conferences in order to reduce both transport costs and environmental pollution.

Paper saving and the sorting of electronic devices used in the activity is encouraged. The use of paper is decreasing and the increasing numbers of documents are managed electronically by means of a dedicated document management system. According to the approved resource saving plan, actions are being taken to reduce the need for self-managed resources.

Environmental management standard

The Company complies with environmental management standard ISO 14001. A globally recognized certificate indicates that Company follows the most important requirements for identifying, monitoring, managing, and improving environmental aspects. The certificate is valid for the products and services provided by the power plants of Ignitis Gamyba in Elektrėnai, Kruonis and Kaunas. This means that the strict global environmental requirements are fulfilled by all the power plant operations: the electricity and thermal energy generation and the operation of the power, heat, turbine, natural gas, oil and petroleum product facilities at the Elektrėnai Complex, electricity generation and supply, operation of facilities and power reserving at the Kruonis PSHP, and the electricity generation and supply as well as operation of facilities at the Kaunas HPP. Vilnius TPP-3 is not in operation at the moment, but will be used in the future for the generation of heat and electricity, if required. In December 2019, SGS Klaipėda UAB performed the re-certification audit of the management system implemented under the international standard ISO 14001:2015 with no any discrepancies identified, and the standard was re-certified until 30 December 2022.

The requirements for the monitoring and protection of the air, surface water, ground water and soil specified in the Integrated Pollution Prevention and Control Permits are fulfilled.

In May 2019, the Kruonis PSHP underwent major overhaul of domestic wastewater treatment plant and upgraded aeration system. This will help to treat wastewater more efficiently. In September 2019, the CCU underwent an annual inspection of its automated emission monitoring system with no irregularities identified.

Investments into environmental protection

In 2019, Phase 2 of the fuel facilities' clearing was continued in order to re-purpose the former liquid fuel storage area. In 2019, preparations for the installation of the solar power plants were carried out in the re-cultivated territory of Obeniai site. In 2019, the dismantling of units 5 and 6 continued. Services and works that were not performed by the Company's staff were procured through public service or works tenders.

Waste sorting

Assorted waste bins and special containers for old batteries and minor electronic equipment have been erected at the

Company's divisions in Elektrėnai, Kruonis and Kaunas as well at the offices in Vilnius. A modern waste sorting yard at Elektrėnai Complex enables to sort many types of waste. Hazardous and non-hazardous waste resulting from the Company's operations are transferred to waste management companies. Waste of ferrous and non-ferrous metals is transferred to scrap collectors at a market price.

In 2019, at the power plants of the Company 91 ton of hazardous waste and app. 7,719 tons of non-hazardous waste were transferred, 5,882 tons of ferrous metals and almost 118 tons of non-ferrous metals were sold. App. 93 tons of household waste were collected.

Energy efficiency

The Company signed the Agreement on Education and Consultation of Energy Users in March 2018 with the Ministry of Energy of the Republic of Lithuania. In such a way, the Company joined the initiative to induce energy efficiency in Lithuania, the purpose of which is to teach and consult the users on effective usage of energy and to help the user to reduce costs of energy consumption and to contribute to improvement of energy efficiency.

The efficiency of energy usage is becoming more and more important for all the energy users. The challenge of more sparing usage of energy resources has become a strategic goal in the European Union. The Energy Efficiency Directive of December 2012 provides that the EU Member States are going to reduce energy usage by 20% until 2020. The Law on Increase of Energy Efficiency of the Republic of Lithuania of 3 November 2016 provides national objectives of energy efficiency and tools, how Lithuania is going to contribute to this goal.

The Company contributes to the initiatives of energy efficiency by informing its clients and society about a possibility to use energy more economically. In 2019, the Company published on its website guidelines for electricity and heat and gas consumers, as well as provided comparative analyses of energy use in households and published information on energy efficiency in different publications and media.

Anti-Corruption

In accordance with the principle of "Global Compact" in terms of anti-corruption, the Company and its employees follow the Anti-Corruption Policy applicable to the entire Group (link). The Company does not tolerate any forms of corruption, neither direct nor indirect.

The Company pays all taxes transparently, ensure the transparency of their purchases, and require potential and existing suppliers to act transparently and fairly. The Company sells electricity on the stock exchange in a transparent manner; it does not participate in any bribery transactions as well as suggests non-transparent behaviour. The Company provides the responsible authorities with observations and suggestions on new or revised relevant legislation and evaluates their transparency.

The Risk is minimised by the existence of complex internal control mechanisms to identify potential corruption risk factors. Corruption prevention is one of the functions of the Company's prevention units. The Company constantly monitors its activities, improves its operational processes and takes actions to correct identified violations and eliminates emerging threats to the good name of the Company. The Company's employees are regularly educated on the topics of anti-corruption policy through management meetings, employee workshops and discussions.

The Company encourages reporting of possible cases of corruption by email of the **Trust Line** pasitikejimolinija@ignitis.lt or by phone +370 640 88889. These contacts are available to employees as well as all stakeholders.

Transparent procurements

The Company is contracting authority. The centralised procurement function of the Group companies is carried out by the Ignitis Grupės Paslaugų Centras UAB (hereinafter "the GPC"). The GPC carries out procurements procedures and provides planning and execution services for the procurement of goods, services or works. All procurements are centralized, the procurement processes are standardized and concentrated on a single online platform. To ensure a transparent and open public procurement process and open dialogue, every year the Ignitis GPC invites the suppliers to information meetings during which plans, news or changes are presented, high-value procurements planned by the procuring organizations are presented in detail.

The projects of technical specifications of all the purchases made by the Company, except for low value purchases, reports on procurement procedures and information on ongoing procurements are launched using the Central Public Procurement Information System measures.

The Company is implementing all the procurement and sale procedures with maximal correctness and transparency. 424 procurements initiated by the Company were finished in 2019. During this year, 8 claims regarding the Company's procurements were received, 2 of them were recognized as justified and were satisfied.

More information on the Company and all the Group companies' Corporate Social Responsibility activities and results is provided in the consolidated Annual Reports and Corporate Responsibility Reports of the Group. Ignitis Gamyba does not issue a separate social responsibility report. More information is available on the Company's website www.ignitisgamyba.lt

All amounts are in EUR thousand unless otherwise stated

OTHER IMPORTANT INFORMATION

Significant arrangements

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

There were no arrangements between the Company and the members of its management bodies or its employees that would provide for payment of termination benefits in the event of their resignation or dismissal without a valid reason or in the event of termination of their employment t as a result of changes in the Company's control situation.

Detrimental transactions

No detrimental transactions were concluded during the reporting period on behalf of the Company (transactions that are not consistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders etc.), which had or potentially may have a negative impact on the Company's performance and/or results of operation, nor were any transactions concluded resulting in conflict of interests between the responsibilities of the Company's management, majority shareholders or other related parties against the Company and their own private interests and/or other responsibilities.

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

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company from which the Company outsources the accounting functions, make sure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Information about audit

On 25 February 2019, the Extraordinary General Meeting of Shareholders of the Company adopted decision regarding the election of the audit company for the audit of financial reports of the Company and the terms of remuneration for the audit services (ERNST & YOUNG BALTIC UAB was elected as the audit company for the audits of financial reports of the Company for the period of 2019–2021. The remuneration for the audit services shall not exceed 194,850.00 EUR (VAT excluded) for the year 2019–2021).

Other agreements with auditors

The Company has not entered into any additional arrangements with the entity that audited its financial statements.

Notifications on materials events during the reporting period

7 January 2019	Regarding the resignation of Eglė Čiužaitė, Chairwoman of the Board and CEO of Lietuvos Energijos Gamyba
11 January 2019	On adopted Resolution of the Court
31 January 2019	Preliminary financial data of Lietuvos Energijos Gamyba for 12 months of 2018
31 January 2019	Regarding convocation of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB
12 February 2019	Regarding transfer of the financial reparation
25 February 2019	Regarding the decisions of the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba AB
28 February 2019	Interim information of Lietuvos Energijos Gamyba UAB for the twelve-month period of 2018: good financial results and a new strategy
28 February 2019	Lietuvos Energijos Gamyba preliminary financial results for the 1st month of 2019
12 March 2019	Regarding the nomination of the Chief Executive Officer of Lietuvos Energijos Gamyba AB
15 March 2019	Regarding the convocation, agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB
27 March 2019	The Supervisory board of Lietuvos Energijos Gamyba, AB elected Rimgaudas Kalvaitis as the member of the Management board. He became the Chairman of the Management Board and Chief Executive Office
28 March 2019	Regarding the resolutions of Lietuvos Energijos Gamyba AB Supervisory Board
29 March 2019	Lietuvos Energijos Gamyba preliminary financial results for 2 months of 2019
12 April 2019	Regarding the decisions of the Ordinary General Meeting of shareholders of Lietuvos Energijos Gamyba AB
12 April 2019	Regarding the Lietuvos Energijos Gamyba, AB, Annual Information 2018
24 April 2019	Regarding the new trademark applications
30 April 2019	Results of Lietuvos Energijos Gamyba for January-March 2019: stable profitability indicators and preparation for important projects
31 May 2019	Lietuvos Energijos Gamyba preliminary financial results for 4 months of 2019
3 June 2019	Regarding the investigation of the European Commission
28 June 2019	Lietuvos Energijos Gamyba preliminary financial results for 5 months of 2019

All amounts are in EUR thousand unless otherwise stated

1 July 2019	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB
26 July 2019	Regarding the decisions of the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba AB
31 July 2019	Lietuvos Energijos Gamyba preliminary financial results for 6 months of 2019
5 August 2019	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB
27 August 2019	Regarding the decisions of the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba AB
29 August 2019	CORRECTION: Reporting dates of Lietuvos Energijos Gamyba in 2019
4 September 2019	Regarding the bankruptcy and liquidation of BUAB Geoterma
5 September 2019	Lietuvos Energijos Gamyba, AB, audited interim financial information for the first six months of 2019
5 September 2019	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB
6 September 2019	Lietuvos Energijos Gamyba preliminary financial results for 7 months of 2019
6 September 2019	Regarding the registration of the amended Articles of Association of Lietuvos Energijos gamyba, AB
11 September 2019	Regarding the resolutions of the Supervisory Board of AB Ignitis Gamyba
27 September 2019	Regarding the resolutions of Extraordinary General Meeting of AB Ignitis Gamyba Shareholders
30 September 2019	Ignitis Gamyba preliminary financial results for 8 months of 2019
21 October 2019	Regarding the initiation of reorganisation of Verslo aptarnavimo centras AB, and Ignitis Grupės Paslaugų Centras UAB
30 October 2019	Results of Ignitis Gamyba for 9 months: increased profitability indicators and highly successful activity of Kruonis PSHP
11 November 2019	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Ignitis Gamyba, AB
19 November 2019	Further explanation regarding the delisting of Ignitis Group's subsidiaries shares and the potential IPO
29 November 2019	Ignitis Gamyba preliminary financial results for 10 months of 2019
4 December 2019	Regarding the resolutions of Extraordinary General Meeting of AB Ignitis Gamyba Shareholders
4 December 2019	Regarding the intention to make an official tender offer
18 December 2019	Regarding the exploitation of Unit 7 and Unit 8 of Lithuanian Power Plant
20 December 2019	Regarding completion of reorganisation of Verslo aptarnavimo centras UAB and Ignitis grupės paslaugų centras UAB
31 December 2019	Ignitis Gamyba preliminary financial results for 11 months of 2019
31 December 2019	Reporting dates of Lietuvos Energija in 2020

Notifications on materials events after the end of the reporting period

3 January 2020	On adopted Resolution of the Court
8 January 2020	Regarding the decision to appeal the judgement
10 January 2020	Regarding the information submitted to the Bank of Lithuania about official tender circular
31 January 2019	Ignitis Gamyba preliminary financial results for 12 months of 2019

List of Commonly Used Abbreviations and Terms

EA	Emission allowances	**Kruonis PSHP**	Kruonis Pumped Storage Hydroelectric Plant
Company	Ignitis Gamyba AB	**RoL**	Republic of Lithuania
GDP	Gross domestic product	**MW**	Megawatt
OHS	Occupational health and safety	**NordPool**	NordPool power exchange
EC	European Commission	**TSO**	Transmission system operator, LITGRID AB
EU	European Union	**TWh**	Terawatt hour
Group	Group companies of Ignitis Group UAB	**NERC**	The National Energy Regulatory Council
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	**PSO**	Public service obligation
CCU	Combined cycle unit	**Vilnius TPP-3**	Vilnius Third Combined Heat and Power Plant

CONDESEND INTERIM STATEMENT OF FINANCIAL POSITION

all amounts are in EUR thousand unless otherwise stated

	Notes	As at 31/12/2019	As at 31/12/2018 (restated*)	As at 01/01/2018 (restated*)
ASSETS				
Non-current assets				
Intangible assets	6	51,888	48,597	15,238
Tangible Asset	7	450,261	476,271	496,818
Investments in associates	10	1,980	1,588	1,535
Other non-current assets	11	5,087	5,087	3,236
Investment property	9	3,818	4,212	-
Other financial assets	15	628	232	1,799
Right-of-use assets	8	6,029	-	-
Total non-current assets		**519,691**	**535,987**	**518,626**
Current assets				
Inventories	12	1,298	3,370	5,580
Prepayments	13	15,584	3,698	3,479
Amounts receivable under contracts with customers	14	15,845	12,037	17,216
Other financial assets	15	17,222	3,787	15,468
Loans granted	16	49,971	49,950	14,930
Cash and cash equivalents	17	58,501	47,885	60,700
Total current assets		**158,421**	**120,727**	**117,373**
TOTAL ASSETS		**678,112**	**656,714**	**635,999**
EQUITY AND LIABILITIES				
Equity				
Issued capital	18	187,921	187,921	184,174
Share premium	18	89,975	89,975	85,660
Legal reserve	20	15,379	13,897	12,871
Revaluation reserve	19	20,554	20,659	2,289
Retained earnings		96,224	79,360	69,036
Total equity		**410,053**	**391,812**	**354,030**
Non-current liabilities				
Borrowings	22	21,317	33,619	34,039
Lease liabilities	23	5,559	34	172
Grants	24	166,722	171,039	177,875
Provisions	29	9,681	6,106	6.002
Other non-current amounts payable and liabilities	25	542	633	191
Deferred tax liabilities	26	24,834	24,574	17,508
Total non-current liabilities		**228,655**	**236,005**	**235,787**
Current liabilities				
Borrowings	22	4,417	4,417	21,208
Lease liabilities	23	186	138	138
Trade payables	27	17,978	13,425	17,380
Contract liabilities	28	41	1,003	1,135
Income tax payable	26	5,458	2,236	2,916
Provisions	29	7.209	4,514	528
Other amounts payable and liabilities	30	4.115	3,164	2,877
Total current liabilities		**39,404**	**28,897**	**46,182**
Total liabilities		**268,060**	**264,902**	**281,969**
TOTAL EQUITY AND LIABILITIES		**678,112**	**656,714**	**635,999**

** Some of the amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

The accompanying notes form an integral part of this condensed interim financial information.

CONDESEND INTERIM STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME

all amounts are in EUR thousand unless otherwise stated

	Notes	From 01/01/2019 to 31/12/2019	From 01/01/2018 to 31/12/2018 (restated*)
Revenue and other income			
Revenue from contracts with customers	31	134,978	136,528
Other income	32	10,526	1,293
		145,504	**137,821**
Operating expenses			
Purchases of electricity or related services		(30,365)	(33,067)
Gas, bio-fuel and heavy fuel expenses		(23,146)	(28,827)
Cost of inventories		(2,445)	(2,371)
Property, plant and equipment impairment loss		62	(190)
Depreciation and amortisation	6,7,8	(18,235)	(19,034)
Salaries and related expenses	37,38	(8,803)	(8,824)
Repair and maintenance expenses		(5,558)	(5,571)
Emission allowance revaluation and release (expenses)/income		(816)	8,214
Expenses (reversal) of impairment of other non-current assets		(335)	1,851
Inventory write-down (allowance)/reversal		16	(225)
Other expenses	39	(5,169)	(6,123)
Operating expenses, total		**(94,794)**	**(94,167)**
OPERATING PROFIT		**50,710**	**43,654**
Finance income (expenses):			
Finance income	34	373	168
Out of which interest income		306	132
Finance (expenses)	35	(648)	(1,568)
		(275)	**(1,400)**
Share of results of associates	10	**215**	**123**
PROFIT BEFORE TAX		**50,650**	**42,377**
Income tax and deferred tax expenses	26	(7,858)	(7,713)
NET PROFIT FOR THE YEAR		**42,792**	**34,664**
Other comprehensive income (loss) that will not be reclassified to profit or loss (loss)		722	18,872
Emission allowance revaluation**		722	19.198
Revaluation of property plant and equipment, less deferred tax		-	(326)
COMPREHENSIVE INCOME FOR THE YEAR		**43,514**	**53,536**
Basic and diluted earnings per share (in EUR)		**0.066**	**0.054**
Weighted average number of shares		**648,002,629**	**644,463,173**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

*** The market price for emission allowance was 7,77 Eur per unit, as at 1 December 2018; 31 December 2019 – 21,15 Eur per unit; 31 December 2019 – 24,93 Eur per unit. The fluctuation of market value is the main reason causing the significant fluctuation in revaluation effect of emission allowance.*

****The weighted average number of ordinary shares during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the weighted average number of ordinary shares repurchased or issued during the period, multiplied by the time weighted ratio. The time weighted ratio is the number of days in the reporting period that the shares were outstanding in ratio to the total number of days in that reporting period.*

The accompanying notes form an integral part of this condensed interim financial information.

CONDESEND INTERIM STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME

all amounts are in EUR thousand unless otherwise stated

	Notes	From 01/10/2019 to 31/12/2019	From 01/10/2018 to 31/12/2018 (restated*)
Revenue and other income			
Revenue from contracts with customers		29,773	35,931
Other income		157	740
		29,930	**36,671**
Operating expenses			
Purchases of electricity or related services		(7,844)	(10,141)
Gas, bio-fuel and heavy fuel expenses		(5,692)	(6,465)
Cost of inventories		-	(2,371)
Property, plant and equipment impairment loss		346	(219)
Depreciation and amortisation		(4,531)	(5,062)
Salaries and related expenses		(2,504)	(2,556)
Repair and maintenance expenses		(1,784)	(166)
Emission allowance revaluation and release (expenses)/income		77	(3,287)
Expenses (reversal) of impairment of other non-current assets		(335)	-
Inventory write-down (allowance)/reversal		12	16
Other expenses		(1,677)	(1,618)
Operating expenses, total		**(23,932)**	**(31,869)**
OPERATING PROFIT		**5,998**	**4,802**
Finance income (expenses):			
Finance income		153	77
Out of which interest income		88	39
Finance (expenses)		(127)	(1,161)
		26	**(1,084)**
Share of results of associates		**(118)**	**(61)**
PROFIT BEFORE TAX		**5,906**	**3,657**
Income tax and deferred tax expenses		(1,022)	975
NET PROFIT FOR THE YEAR		**4,884**	**4,632**
Other comprehensive income (loss) that will not be reclassified to profit or loss (loss)		**480**	**5,474**
Emission allowance revaluation**		480	5,800
Revaluation of property plant and equipment, less deferred tax		-	(326)
COMPREHENSIVE INCOME FOR THE YEAR		**5,364**	**10,106**
Basic and diluted earnings per share (in EUR)		**0,008**	**0,007**
Weighted average number of shares		**648,002,629**	**644,463.173**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*
*** The market price for emission allowance was 7,77 Eur per unit, as at 1 December 2018; 31 December 2019 – 21,15 Eur per unit; 31 December 2019 – 24,93 Eur per unit. The fluctuation of market value is the main reason causing the significant fluctuation in revaluation effect of emission allowance.*
****The weighted average number of ordinary shares during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the weighted average number of ordinary shares repurchased or issued during the period, multiplied by the time weighted ratio. The time weighted ratio is the number of days in the reporting period that the shares were outstanding in ratio to the total number of days in that reporting period.*

The accompanying notes form an integral part of this condensed interim financial information.

CONDESEND INTERIM STATEMENT OF CHANGES IN EQUITY

all amounts are in EUR thousand unless otherwise stated

	Notes	Issued capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings (restated*)	Total comprehensive income (restated*)
Balance as at 1 January 2018		**184,174**	**85,660**	**2,289**	**12,871**	**68,880**	**353,874**
Correction of Error*	4	-	-	-	-	156	156
Effect of change in accounting policies following the adoption of new IFRS		-	-	-	-	(21)	(21)
Restated balance as at 1 January 2018 (restated*)		**184,174**	**85,660**	**2,289**	**12,871**	**69,015**	**354,009**
Revaluation of emission allowances**		-	-	19,198	-	-	19,198
Revaluation of property, plant and equipment, net of deferred income tax		-	-	(326)	-	-	(326)
Net profit for the reporting period (restated*)		-	-	-	-	34,664	34,664
Total comprehensive income for the period		**-**	**-**	**18,872**	**-**	**34,664**	**53,536**
Increase in issued capital	18	3,747	4,315	-	-	-	8,062
Legal reserve		-	-	-	1,026	(1,026)	-
Emission allowances utilised		-	-	(473)	-	473	-
Depreciation of revaluation reserve		-	-	(29)	-	29	-
Dividends	21	-	-	-		(23,795)	(23,795)
Balance as at 31 December 2018 (restated*)		**187,921**	**89,975**	**20,659**	**13,897**	**79,360**	**391,812**
Balance as at 1 January 2019		**187,921**	**89,975**	**20,659**	**13,897**	**79,359**	**391,811**
Revaluation of emission allowances**		-	-	722	-	-	722
Net profit for the reporting period		-	-	-	-	42,792	42,792
Total comprehensive income for the period		**-**	**-**	**722**	**-**	**42,792**	**43,514**
Legal reserve		-	-	-	1,482	(1,482)	-
Emission allowances utilised	24	-	-	(812)	-	812	-
Depreciation of revaluation reserve		-	-	(15)	-	15	-
Dividends	21	-	-	-	-	(25,272)	(25,272)
Balance at 30 December 2019		**187,921**	**89,975**	**20,554**	**15,379**	**96,224**	**410,053**

** Some of the amounts listed above differ from the amounts within the condensed interim financial information for the year ended 31 December 2018 and 31 December 2017 and reflect the adjustments disclosed in Note 4.*
*** The market price of the emission allowances on 1 January 2018 was EUR 7.77 per unit; on 31 December 2018 – EUR 21.15 per unit; on 31 December 2019 – 24.93 per unit. Market price fluctuations were the root cause for the changes in the effect of revaluation of emission allowances. Amounts are recognised net of deferred tax liability related to revaluation reserve.*

The accompanying notes form an integral part of this condensed interim financial information.

CONDESEND INTERIM STATEMENT OF CASH FLOWS

all amounts are in EUR thousand unless otherwise stated

	Notes	From 01/01/2019 to 31/12/2019	From 01/01/2018 to 31/12/2018 (restated*)
Net profit		42,792	34,664
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation expenses	6,7,8	26,606	27,481
Loss on impairment of property, plant and equipment (reversal of impairment)	7	427	(44)
Revaluation of property, plant and equipment	7	(96)	334
Inventory write-down/(reversal)	12	(16)	225
Expenses/(income) of revaluation of emission allowances		432	(10,783)
Reversal of impairment	39	(1,041)	138
Share of (profit) of associates	10	(215)	(123)
Income tax expenses	26	7,524	3,823
Change in deferred income tax liability	26	334	3,890
Depreciation of grants	24	(8,371)	(8,447)
Value of grants arising on recognition of impairment of property, plant and equipment		-	(769)
(Decrease) increase in provisions	29	8,022	(5,192)
(Gain) loss on disposal/write-off of non-current assets (other than financial assets)		230	(3)
Elimination of results of financing and investing activities:			
- Interest income	34	(307)	(132)
- Interest expenses	35	648	498
- Other finance (income)/costs		-	-
- (Gain) on disposal of part of business		-	(528)
Working capital adjustment:			
(Increase) decrease in trade receivables and other amounts receivable		(18,858)	13,038
(Increase) decrease in inventories and prepayments		(9,861)	2,074
Increase/(decrease) in payables and contract liabilities		1,908	4,113
Income tax (paid)		(2,015)	(3,117)
Net cash flows from (to) operating activities		**48,143**	**61,140**
Cash flows from/(used in) investing activities			
(Purchase) of property, plant and equipment and intangible assets		(1,463)	(4,744)
Proceeds from sale of property, plant and equipment and intangible assets		233	1,113
Loans granted	16	(21)	(35,020)
Disposal of investments in associates		-	4,049**
Grants received		16	-
Sale of a part of business		2,000***	2,000***
Interest received		307	130
Dividends received		83	70
Net cash flows from investing activities		**1,155**	**(32,402)**
Cash flows from/(used in) financing activities			
Loans received and overdrafts		-	27,922
Repayments of borrowings	22	(12,302)	(45,133)
Lease payments		(460)	(138)
(Interest) paid		(648)	(498)
Dividends (paid)		(25,272)	(23,706)
Net cash flows from (used in) financing activities		**(38,682)**	**(41,553)**
Net increase/(decrease) in cash and cash equivalents		10,616	(12,815)
Cash and cash equivalents at the beginning of the period		**47,885**	**60,700**
Cash and cash equivalents at the end of the period		**58,501**	**47,885**

"Increase in right-of-use assets and lease liabilities over the financial period is equal to 5,894 thousand euros.

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*
*** Amounts receivable under the share purchase agreement concluded on 27 April 2015 with the parent company Ignitis Group UAB, to which NT Valdos UAB controlled by the Company was sold.*
**** Amounts paid under the wholesale electricity trade business agreement concluded on 12 October 2015 with Energijos Tiekimas UAB.*

The accompanying notes form an integral part of this condensed interim financial information.

all amounts are in EUR thousand unless otherwise stated

1. General

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

As of 31 December 2019 and 31 December 2018, the authorised share capital of Ignitis Gamyba AB amounts to EUR 187,920,762.41 and was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid. With effect from 1 September 2011, the shares of Ignitis Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 31 December 2019 and 2018, the Company did not hold its own shares.

During 2019 and 2018, the Company was engaged in electricity generation and electricity trading activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

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

On 27 August 2019, the Extraordinary General Meeting of Shareholders decided to rename Lietuvos Energijos Gamyba AB to Ignitis Gamyba AB.

As at 31 December 2019 and 2018, the Company had no subsidiaries.

Ignitis Group UAB is the parent company holding 96.82% of the Company's shares. The Company is part of Ignitis Group UAB,which is controlled by the state and is one of the largest state-owned groups of energy companies in the Baltic countries.

As at 31 December 2019 and 2018, the Company's investments in associates were as follows:

Company	Registered office address	Company's ownership interest As at 31/12/2019	Company's ownership interest As at 31/12/2018	Profile of activities
Geoterma UAB (Bankrupt)	Lypkių st. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
UAB Ignitis Grupės Paslaugų Centras (former Technologijų ir Inovacijų Centras UAB)	Juozapavičiaus st. 13, Vilnius, Lithuania	22.23%	20.01%	Information technology services
Verslo Aptarnavimo Centras UAB	P. Lukšio st. 5B, LT-08221 Vilnius, Lithuania	15.00%	15.00%	Public procurement, accounting and employment relations administration services

Shareholders who hold more than 5 (five)% of total shares of Verslo Aptarnavimo Centras, nominate 1 (one) candidate for the Management Board, and rest of the shareholders who hold less than 5 (five)% of total shares – a common candidate. During voting each member has one vote. In the event of a tie, the Chairman of the Board has the casting vote. Holding 20% of the voting power, the Company exercises significant influence over the decisions during the meeting of the management board of Verslo aptarnavimo centras UAB and is regarded, respectively, as an associate.

These financial statements cover only the financial statements of Ignitis Gamyba AB. For the purpose of these financial statements, the Company's investments in associates have been reported under the equity method (Note 10). The Company's shareholders have a right to approve these financial statements, or refuse to approve them, and require that amended financial statements are prepared.

As at 31 December 2019, the Company had 356 employees (as at 31 December 2018 – 372).

These financial statements were approved by the management of Ignitis Gamyba UAB on 28 February 2020.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Company's condensed interim financial information for the year ended 31 December 2019 are summarised below:

2.1 Basis of preparation of the financial statements

The Company's condensed interim financial information for the twelve-month period ended 31 December 2019 has been prepared according to International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

These financial statements have been prepared on a going concern and historical cost basis, except for certain property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment losses (Note 2.5), emission allowances (Note 2.5), financial assets measured at fair value (Note 2.24) and investment property, measured at fair value (note 9) .

This condensed interim financial information is presented in thousands of euros (EUR). Given that the financial statements are presented in thousands of euros, the figures may not add up due to rounding. Such discrepancies in the financial statements are considered to be immaterial. The functional and presentation currency of the Company is euro. The Company's financial year coincides with a calendar year.

2.2 Changes in accounting policies

Accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except as follows:

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

The following IFRSs and amendments thereto were adopted by the Company for the first time for the financial year ended 31 December 2019:

IFRS 16, Leases (issued on 13 January 2016 and effective from 1 January 2019.)

The Company first adopted IFRS 16 Leases in the financial year ended 31 December 2019, which had a significant impact on the Company's financial statements.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by International Accounting Standard 17 (IAS), instead, introduces a single lessee accounting model. Lessees are required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement profit (loss) and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company accounted for the impact of the first time adoption of IFRS 16 starting from 1 January 2019 using the modified retrospective approach.

The Company performed the calculation of right of use asset according to the lease agreement and related liabilities under IFRS 16.

The Company recognised right of use assets and liabilities, which indicate the impact of the first-time adoption of IFRS 16 on the Company's financial statements.

The impact of the first-time adoption of IFRS 16 on the Company's financial statements is shown in the table below:

Instead of presenting complete line items, only those items that are affected by IFRS 16 are disclosed (EUR'000)

	As at 31 December 2018 (recognised prior to the adoption of IFRS 16)	IFRS 16 impact	As at 01 January 2019
ASSETS			
Non-current assets			
Property, plant and equipment	446	(446)	-
Right-of-use assets	-	5,254	5,254
In total	**446**	**4,808**	**5,254**
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	34	4,433	4,467
Current liabilities			
Lease liabilities	138	203	341
In total	**172**	**4,636**	**4,808**

all amounts are in EUR thousand unless otherwise stated

2.2 Changes in accounting policies (continued)

The impact of the first-time adoption of IFRS 16 on the Company's lease liabilities is shown in the table below:

	As at 01 January 2019
The future minimum lease payments under irrevocable operating lease agreements as at 31 December 2018 are as follows:	**16,583**
The incremental borrowing rate rate as at 1 January 2019.	4.03%
The lease liability is recognised on 1 January 2019 by applying the interest rate	4,648
Add: Financial lease obligations recognised on 31 December 2018	172
Less: Commitments relating to short-term leases	6
Less: Commitments relating to leases of low-value assets	6
Lease liabilities as at 1 January 2019	**4,808**
Of which:	
Current lease liabilities	341
Non-current lease liabilities	4,467
	4,808

<u>Practical expedient when the Company is a lessee</u>

When the Company is a lessee, the following expedient is applied on a case-by-case basis during the transitional period.
The Company:
1. Applies a single discount rate to a portfolio of leases with reasonably similar characteristics (i.e. leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
2. Elects not to apply any transitional adjustments for leases for which the underlying asset is of low value (assets with a value of 4,000 euro or less when new).
3. Excludes initial direct costs on leases previously classified as operating leases from the measurement of the right-of-use assets by applying the Standard at the commencement date.
4. Uses hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease. Consistent with IAS 8, hindsight is applied only to matters of accounting estimates and judgements and therefore would not apply to matters of fact such as changes in an index or rate.

IFRS 16 does not specify how a lessee would separate and allocate lease and non-lease components of a contract upon transition when the modified retrospective method is adopted. The Company has elected to apply practical expedient to account for a lease and associated non-lease components as a single lease component consistently with the Company's accounting policies (see Notes 2.6 and 2.15).

Annual Improvements to International Financial Reporting Standards 2015-2017 Cycle *(issued on 17 December 2017 with effective date of 1 January 2019)*

Effective for reporting periods beginning on or after 1 January 2019. The aforementioned improvements have an effect on four standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Tax:

The amended explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. This requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits.

- IAS 23 Borrowing Costs:

The amendments to paragraph 14 clarify that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

According to the Company's management, the first-time adoption of the annual standard improvements did not have any significant impact on the Company's financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 *(issued on 12 October 2017 with effective date of 1 January 2019)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The first-time adoption of the amendments had no significant impact on the Company's financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 Investments in Associates and Joint Ventures *(issued on 12 October 2017 with effective date of 1 January 2019)*

2.2 Changes in accounting policies (continued)

The amendment relates to whether the measurement, in particular relating to impairment, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The amendment clarifies that entities shall apply the requirements in IFRS 9, Financial instruments, before applying requirements in IAS 28 to long-term interests to which the equity method is not applied.

In applying IFRS 9, the Company does not take account of any adjustments to the carrying amount of long-term interests that result from the application of IAS 28..The first-time adoption of the amendments had no significant impact on the Company's financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments *(issued on 7 June 2017 with effective date of 1 January 2019)*

The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by taxation authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances..The first-time adoption of the interpretation did not have any significant impact on the Company's financial statements.

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 Employee Benefits *(issued on 7 February 2018 with effective date of 1 January 2019)*

Effective for reporting periods beginning on or after 1 January 2019. The Amendments relate to defined benefit plan whereby an entity provides post-employment benefits for an employee. In the event of a plan amendment, curtailment or settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, (including current market interest rates and other current market prices). The Amendments require the entity to use updated assumptions from remeasurement of defined benefits (i.e. post-employment benefits) plan to determine current service cost (increase in the present value of the defined benefit obligation) and net interest for the remainder of the annual reporting period after the plan amendment. These assumptions are covered by current actuarial assumptions (demographic, financial). So far, IAS 19 did not provide any guidance on how to determine these costs for a period after the plan amendment. By requiring the application of updated assumptions, amendments are expected to provide useful information to users of financial statements. The first-time adoption of the amendments had no significant impact on the Company's financial statements.

b) *Standards, amendments and interpretations issued but not yet effective*

IFRS 17 Insurance Contracts *(issued on 18 May 2017 and has a mandatory effective date of 01 January 2021)*

The standard is effective for annual periods beginning on or after 1 January 2021, not yet adopted by the European Commission). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. This IFRS will have no impact on the Company's financial position or results of operations as insurance services are not provided. The Standard has not yet been endorsed by the EU.

Conceptual Framework in IFRS Standards *(issued on 29 March 2018 with effective date of 1 January 2020)*

On 29 March 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The IASB has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its purpose is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For companies who develop accounting policies based on a conceptual framework, it is applicable to annual periods beginning on or after 1 January 2020.The company is currently evaluating the effect of this change to its financial statements.

Definition of a Business – Amendments to IFRS 3 Business Combinations *(issued on 22 October 2018 with effective date of 1 January 2020).*

The IASB issued amendments to the definition of a business in IFRS 3 (amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier adoption permitted. The amendments have not yet been endorsed by the European Commission. The Company is currently assessing the impact of this amendment on its financial statements.

Interest Rate Benchmark Reform – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures *(issued on 26 September 2019 with effective date of 1 January 2020).*

2.2 Changes in accounting policies (continued)

Amendments to these standards were the result of the recommendations report on Reforming Major Interest Rate Benchmarks (interbank offered rates, IBOR) issued by the Financial Stability Board (FSB). The reform involves replacement of the IBOR with an alternative risk-free rate (RFR), which would give more credibility to hedges by excluding the credit risk premium currently included in IBOR.
The reform was initiated in response to emerging global systemic risk derived from the dependence of the efficiency of financial operations on IBOR. Furthermore, there are concerns about how these rates are determined in adverse market conditions. The reform process is subject to considerable confusion and uncertainty regarding the application of the interest rate benchmark in the long run. For this reason, adjustments have been made to address the issues that arise during the transition from IBOR to RFR.

The amendments consider the implications for specific hedge accounting requirements in IFRS 9 and IAS 39, to provide a relief for the entities that already apply RFR to hedges during the period of uncertainty created by this reform:
- In determining whether a forecast transaction is highly probable, an entity assumes that the interest rate benchmark on which the hedge cash flows are based is not altered as a result of the interest rate benchmark reform.
- When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
- IAS 39 is amended so that an entity is not required to perform a retrospective assessment of a hedge relationships directly affected by the interest rate benchmark reform. However, for that purpose the entity shall comply with all other hedge accounting requirements in IAS 39, including the prospective assessment.
- The interest rate benchmark must be separately identified as a risk component that is only assessed/measured at the inception of the hedging relationship.

Once the uncertainty surrounding the interest rate benchmark reform disappears, the exceptions will become invalid. It is announced that further amendments will be made to the standards to establish accounting requirements following the implementation of the current interest rate benchmark reform. The Company is currently assessing the impact of these amendments on its financial statements.

Definition of Material – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors *(issued on 31 October 2018 with effective date of 1 January 2020)*

The amendments to these standards are intended to help entities to make judgements regarding material information and its disclosure in financial statements. For this reason, the materiality definition in IAS 1 and IAS 8 has been improved. The amendments are a response to findings that some companies experienced difficulties using the previous definition when judging which information is material and which is not. New definition of material: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Updates have been approved European Commission. The Company is currently assessing the impact of this amendment on its financial statements.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management is currently assessing the effect of this amendment to its financial statements.

2.3 Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights.

In the financial statements of the Company, results of operation of associates are accounted for using an equity method, except when the investment is classified as held-for-sale and it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the share of the net assets of the investee, less any impairment in the value of individual investments. The Company's share of post-acquisition profits or losses is recognised in the statement of profit and loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

Losses of an associate in excess of the Company's share of assets in that associate are not recognised, unless the Company had incurred legal or indirect obligations or made payments on behalf of the associate.

2.4 Investment property

Investment property, which consists of the Company's buildings and constructions, is held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and subsequently at fair value. The fair value of investment property is estimated by independent valuers by applying valuation models appropriate to the nature of the asset (Note 9). Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Part of the property, plant and equipment may be occupied by the Company, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company can be sold separately, the Company accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held to earn rentals is accounted for under IAS 40.

2.5 Accounting of Property, Plant and Equipment

An item of assets is recognised as property, plant and equipment, if it is probable that future economic benefits associated with the asset will flow to the entity, the cost of the item can be measured reliably and its useful life is longer than one year.

Property, plant, and equipment

The list of the classes of property, plant and equipment set out in the accounting policies was supplemented in 2018 with the class of buildings and structures of the thermal power plant, to which the Company assigned Vilnius Thermal Power Plant No 3, acquired in 2018. Assets in this class are stated at acquisition cost less subsequent accumulated depreciation and impairment.

Property, plant and equipment, which includes the categories of assets of hydro power plant, pumped storage power plant, combined cycle unit and reserve power plant, is accounted for at cost less accumulated depreciation and impairment.

Other property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit or loss account. Increases in value of the property plant and equipment that offset previous decreases are taken to the profit or loss account. All other increases in the carrying amount arising on subsequent revaluations of the asset are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

Construction in progress represents property, plant and equipment under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs. Construction in progress is measured at cost less accumulated impairment losses, if any. Plant and equipment are stated at acquisition (production) cost less accumulated depreciation and impairment losses, if any.

Expenses for replacement of parts of some items of property, plant, and equipment as well as borrowing costs for long term construction projects are also recognized as a cost if the recognition criteria are met. When significant parts of some items of property, plant, and equipment are required to be replaced at certain intervals, the Company will depreciate them separately, taking into account the specific useful life of such parts. The carrying amount of those parts that are replaced is derecognised. All other repair and maintenance costs are recognised as expenses in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. The present value of the expected costs of decommissioning the asset when it is withdrawn from use is included in the cost of the particular asset, if the recognition criteria are satisfied.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through business combinations is its fair value at acquisition date. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of assets can be measured reliably.

Subsequent to initial recognition, intangible assets, except for emission rights, are carried at cost less any accumulated amortisation and accumulated impairment losses, if any (the Company does not have intangible assets with indefinite useful lives).

Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

All the operators participating in the EU Emissions Trading Scheme are entitled to use emission reduction units, recognized in the EU Emission Trading Scheme, during the period from 2008 to 2020 up to amount corresponding to a maximum of 20% allowed to them during the period from 2008 to 2012.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (part of the allowance is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

The EU emission allowances are treated as *intangible assets* that were provided by the state or acquired by an entity in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

all amounts are in EUR thousand unless otherwise stated

2.5 Accounting of Property, Plant and Equipment (continued)

Following the initial recognition, emission allowances are remeasured at fair value based on the active market prices. On revaluation of emission allowances, any increase in carrying amount is added to the revaluation reserve within equity, whereas any decrease in carrying amount, which is excess of the previously accumulated amount in the reserve, is recognised through profit or loss. Upon the realisation of emission units, the positive balance in the revaluation reserve is recognised directly within retained earnings.

Government grant

The EU emission allowances provided to the Company at no consideration are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to emission allowances utilised during the validity period of emission allowances or upon their disposal.

Provision for the utilisation of emission allowances

As the Group makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred by the Company for the settlement of liability at the balance sheet date. The liability can be offset against intangible assets only when the actual quantity of emissions is approved by an appropriate regulatory state authority. Changes in the value of liability are recognised in the statement of profit or loss and other comprehensive income under the caption of profit or loss.

Lending of emission allowances

Lending of emission allowances is a sale transaction of the Company during which emission allowances are disposed and the right to receive the same amount of emission allowances in the future is acquired. The emission allowances to be received is recognised as other non-current assets. Such assets are initially recognised at acquisition cost, and subsequently such assets are tested for impairment as described in Note 2.8.

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except construction in progress, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed by the Company at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis.

Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (number of years)
Buildings	20–75
Structures and equipment:	
- electrical and communication devices	20–25
- electrical equipment	15–35
- other equipment	5–20
Structures and equipment of Hydro Power Plant and Pumped Storage Plant	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25–40
- other equipment	8–15
Structures and equipment of Reserve Power Plant	
- structures and infrastructure	10–75
- thermal and electricity equipment	10 - 50
- measuring devices and equipment	5–10
- other equipment and tools	4–40
Structures and equipment of Combined Cycle Unit:	
- structures and infrastructure	20–50
- electricity lines	20–40
- electricity generation equipment	20–50
Vehicles	4–40
Other property, plant and equipment:	5–40
- computer hardware and communication equipment	3–15
- fixtures, tools	4–10
Intangible assets	4

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the carrying value of the disposed asset and is recognised in the statement of profit or loss and other comprehensive income.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Company and these costs can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognised as expenses in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

2.5 Accounting of Property, Plant and Equipment (continued)

Spare parts of high value that are expected to be used longer than one year are classified as property, plant and equipment. Spare parts are carried at acquisition cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful life of the related item of property, plant and equipment

Impairment of property, plant and equipment, intangible assets and other non-current assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. When the recoverable amount of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, administrative assets of the Company are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount of other non-current assets (emission allowances to be received) is determined with reference to market prices of forward or spot transactions in emission allowances.
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 expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or 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. The impairment loss is recognised immediately in profit or loss, unless such an asset was previously revalued. In that case, the impairment loss is accounted for as decrease in revaluation reserve, and the excess, if any, is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless such an asset was previously revalued. In this case the reversal of the impairment loss is recognised as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 2.8.

2.6 Right-of-use assets

Accounting policy from 1 January 2019

Right-of-use asset is an asset that reflects the right of the Company to use the leased asset over the life of a lease. As at 1 January 2019, the Company recognizes a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

Initial measurement of right-of-use assets

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

Categories of right-of-use assets	Lease term (in years)
Land	2-85
Premises	2-5
Vehicles and other equipment	2-5

Subsequent measurement of right-of-use assets

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

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

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
The Company presents rights-of-use assets separately from intangible and tangible assets in the statement of financial position.

2.7 Financial assets

Following the adoption of IFRS 9 *Financial Instruments***,** as at 1 January 2018, the Company classifies its financial assets into the following 3 new categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income;
(iii) financial assets subsequently measured at fair through profit or loss.

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

The business model for managing financial assets is a matter of fact and not merely an assertion. It is typically observable through the activities that the Company undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Company justifies its decision not by a single factor or activity, but in view of all relevant evidence that is available at the date of the assessment.

The Company recognises a financial asset in its statement of financial position only when the Company becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

At initial recognition, the Company measures financial assets at fair value. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument. Trade receivables that do not have a significant financing component are measured at the transaction price identified under IFRS 15.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Loans granted by the Company and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the date of the statement of financial position. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets classified as measured at fair value on initial recognition and financial assets compulsorily measured at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. Derivatives, including embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (under IFRS 9).
The Company does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration. Financial assets that relate to cash flows that are not solely payments of principal and interest are recognized and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the above criteria for classifying debt instruments as measured at amortized cost or fair value through other comprehensive income, the debt instruments may be classified as measured at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Financial assets are measured at fair value in the statement of financial position, and net changes in fair value are recognised in the profit and loss section of the statement of profit and loss and other comprehensive income.

Effective interest method

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

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) without considering the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably.

2.7 Financial assets (continued)

However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses

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

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

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

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring.

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

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking, rather than past due information, is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.

The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables. The Company's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward- looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower. The Company applies a provision matrix to calculate the provision for losses in respect of trade receivables with different maturities and overdue payment periods. The non-recoverability analysis is conducted for the past 3 years in order to determine the general default ratio. In the absence of reliable sources on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Company measures the debt on a collective basis.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

When granting the loan, the Company assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Company records all lifetime expected credit losses of the loan. The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

Recognition stages of expected credit losses on loans and cash and cash equivalents:

1. Upon granting of a loan or receiving cash or cash equivalents, the Company recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) or cash equivalents is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
2. Upon establishing that the credit risk related to the borrower or bank, where cash and cash equivalents are held, has significantly increased (reflected by accounts receivable overdue for more than 30 days and significant negative information about changes affecting the borrower, etc.), the Company accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan (finance lease) or cash equivalents is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
3. Where the Company establishes that the recovery of the loan or cash equivalents is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Company classifies this loan (finance lease receivables) as financial assets that have objective evidence of impairment (doubtful loans and other receivables). Interest income from the loan (finance lease) or cash equivalents is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

2.7 Financial assets (continued)

Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

Credit-impaired financial assets

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

a) overdue of accounts receivable for more than 360 days;
b) significant financial difficulty of the borrower;
c) a breach of contract, such as a default or past due event;
d) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
e) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
f) the disappearance of an active market for that financial asset because of financial difficulties;
g) financial assets are purchased or granted at a deep discount that reflects the incurred credit losses.

If there is objective evidence of the impairment, the combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contrary account of doubtful receivables.

Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:

- if the Company has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

The Company writes off the loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss and other comprehensive income. The previously recognised impairment loss is reversed when there are indications that recognised loss on impairment of an asset no longer exists or has reduced significantly. The reversal is accounted for in the same caption of the statement of profit or loss and other comprehensive income as the impairment loss.

2.8 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes, and costs associated with bringing inventory into their current condition and location. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price, less the estimated costs of completion, marketing and selling expenses.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are recognised in the statement of financial position as current borrowings.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits in current bank accounts, and other short-term highly liquid investments with original maturity up to 3 months, and bank overdrafts.

all amounts are in EUR thousand unless otherwise stated

2.10 Financial liabilities and equity instruments issued by the Company

Recognition of instruments as debt or equity instruments

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

Equity instruments

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

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Company does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value, less transaction costs.

In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

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

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

Derecognition of financial liabilities

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

2.11 Foreign currency

Foreign currency transactions are accounted for in the euros using the exchange rate announced by the Bank of Lithuania on the dates of transaction, which approximate market exchange rates. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities into the euros are recognised in the statement of profit or loss and other comprehensive income of the reporting period.

The applicable rates used for principal currencies were as follows:

	As at 31 December 2019	As at 31 December 2018
1 USD	0.8902 EUR	0.8734 EUR

Items reported in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). For the purpose of the financial statements, financial performance results and financial position of the Company are presented in the euros, which is the functional currency and presentation currency of the Company.

When preparing the Company's financial statements, transactions denominated in currencies other than the functional currency of the company (in foreign currencies) are carried using exchange rates prevailing at the dates of transactions. At each balance sheet date monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate prevailing at the date when the fair value was determined. Non-monetary items carried at cost and denominated in foreign currency are not converted.

2.12 Grants

Asset-related grants

Asset-related government and the European Union grants and third party compensations comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recognised at fair value of the asset received and subsequently accounted for in the profit and loss section of the statement of profit and loss and other comprehensive income over the period and in proportion in which depreciation expense on those assets is recognised.

2.12 Grants (continued)

Income-related grants

Government and the European Union 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 income-related grants 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. These grants are presented in the statement of profit or loss and other comprehensive income, less related expenses.

2.13 Provisions

Provisions are 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. When the Company expects that provision amount in part or in full will be compensated, e.g. under an insurance contract, compensation to be received is recorded as a separate asset, but only when it is virtually certain. The provision related expenses are accounted for in the statement of profit or loss and other comprehensive income at net value in respect of the compensated amounts. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision recognition, from electricity services is described in Note 2.18

2.14 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. A defined contribution is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions for pension benefits

The Company is obliged to pay 2 months' salary for each employee, who is entitled to or receiving an old-age pension, when he/she is leaving the job at or after the start of pension period or after termination of their contract of indefinite duration on his/her own initiative. By complying with the methodology, the Company estimates the liability at the end of the reporting period based on the number of employees, age, length of service and actuarial demographics provided by the Department of Statistics of the Republic of Lithuania, and recognizes this liability in the financial statements at present value discounted at the market rate of interest.

2.15 Leases

Determining whether an agreement is a lease is based on information at the date of signature of the agreement. The evaluation shall address whether the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

The Company is a lessor

Operating lease income is recognised on a straight-line basis over the lease term.

Accounting policy, prior to 1 January 2019

Finance lease – where the Company is a lessee

The Company accounts for finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of assets leased on the commencement of lease and the present value of minimum finance lease payments. The present value of minimum lease payments is determined using a discount rate equal to interest rate charged on lease payments, if possible, to distinguish, otherwise general interest rate on the Company's borrowings is used. Direct initial outflows are included in the asset value.

2.15 Leases (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The depreciation is accounted for financial lease assets and financial lease also gives rise to financial expenses in the Company's statement of profit and loss and other comprehensive income for each accounting period. The calculation of depreciation for assets acquired under finance lease is analogous to that used for own assets, however, such assets cannot be depreciated over a period longer than the lease period, provided that the ownership is not transferred to the Company at the end of the validity term of the finance lease contract.
When the outcome of sale or leaseback transaction is finance lease, any gain on sale in excess of the carrying amount is not recognised as income immediately and rather it is deferred and amortised over the period of finance lease.

Operating lease – where the Company is a lessee

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease.

Total benefit of lease incentives provided by the lessor Is recognised as a reduction of lease expenses over the lease period on a straight-line basis

When the outcome of sale or leaseback transaction is operating lease and it is obvious that the transaction has been concluded at fair value, any gain of loss is recognised immediately. When the selling price is lower than the fair value, any gain or loss is recognised immediately, except for cases when losses are covered by lease payments lower than market prices in future, in which case they are deferred and amortised in proportion to lease payments over the period during which the asset is expected to be used. When the selling price is higher than the fair value, the excess amount is deferred and amortised over the period during which the asset is expected to be used.

2.16 Lease liabilities

Accounting policy, after 1 January 2019

Initial measurement of lease liability

At the commencement date, the Company measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the interest rate implicit in the lease cannot be readily determined, the Company applies incremental borrowing rate.
At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

The company includes payment for land lease, which depends on an annually indexed land lease tax, which are fixed in substance due to the fact that they are of fixed amount and is obligatory to be paid

Subsequent measurement of lease liability

After the commencement date, a lessee shall measure the lease liability by: increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate or if applicable the revised discount rate.

After the commencement date, the Company shall recognise in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both: interest on the lease liability; and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

Remeasurement of lease liability

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

The Company remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term. The Company determines the revised lease payments on the basis of the revised lease term or when there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances. The Company determines the revised lease payments to reflect the change in amounts payable under the purchase option.

2.16 Lease liabilities (continued)

If there is a change in the lease term or in the assessment of an option to purchase, the Company determines the revised discount rate as the interest rate implicit in the lease for the of the revised lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Unchanged discount rate

The Company remeasures the lease liability by discounting the revised lease payments using the original discount rate, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee. The Company determines the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The Company remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect).

The Company determines the revised lease payments for the remainder of the lease term based on the revised contractual payments.

The Company uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate.

Lease modifications

A lessee shall accounts for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Company:
- allocates the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by:
- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognises in profit or loss any gain or loss relating to the partial or full termination of the lease.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company presents lease liabilities in the statement of financial position separately from other liabilities. Interest expense on the lease liability are presented separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is presented in the statement of profit or loss and other comprehensive income.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

As at 31 December 2019 and 2018, the Company's management analysed the Company's activities by separating them into regulated and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, balancing and regulation, capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, electricity generation at Kaunas Algirdas Brazauskas Hydro Power Plant and Kruonis Pumped Storage Power Plant, related balancing and regulation services and other activities (including Vilnius Thermal Power Plant No 3). Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses.

2.18 Revenue and expense recognition

The Company recognises revenue under contracts with customers at the time and to the extent that the transfer of goods or services promised to customers would show the amount which corresponds to a consideration, the right to which is expected to be obtained by the Company in exchange for those goods or services. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

Revenue from provision of public service obligation (PSO) services

The Company commits to render the services that serve the public interest in accordance with the procedures and terms established by the regulatory legal acts, including ensuring power system reserves in predetermined power plants the activity of which is essential for the purpose of ensuring energy security of the state. The benefits of the services of ensuring power system reserves are brought to customers throughout the period of the service, during which, accordingly, the seller carries out its performance obligation.

When entering into an agreement, the customer commits to compensate the expenditures necessary for maintaining the reserve (including the expenditure incurred during electricity production tests). In view of the above, the progress of fulfilment of the performance obligation is assessed considering the actual duration of providing the service, the provision of which ensures the electricity system reserve.

In the agreement with the customer, the provided receives payments in fixed, equal portions, over the duration of the provision of the service.

2.18 Revenue and expense recognition (continued)

Revenue from trade in electricity

The sales of electricity produced using own resources are conducted at the Power Exchange (hereinafter 'the Exchange') by submitting electricity sale offers to the Exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller's performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller's offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller payable at a flat rate. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.
Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Company at the Exchange.

Revenue from electricity-related services

Other revenue from the services related to energy supply comprises the following:
1) revenue from generation of electricity of the active capacity reserve,
2) revenue from assurance of the capacity reserve,
3) revenue from reactive power and voltage management services,
4) system recovery after the total accident, including isolated operation testing (hereinafter 'the Services').

The customer receives the benefits of other services related to energy supply at the same time the service is actually rendered to the customer. The customer may consume the benefits of the services separately or together with other services rendered to the customer. In the agreement, the services to be rendered to the customer are defined separately from other services stipulated under the agreement. The services are rendered per customer. The performance obligation under the agreement concluded with the customer is to be carried out throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volume of services rendered, stated at electricity and power measurement units (kWh, MW/h, etc.).

Under the agreement concluded with the customer, the customer is provided an option to acquire additional services and regulating electricity on demand. The customer is not obligated to acquire from the seller any amount of additional services defined (in the agreement). The fixed consideration for the service of system recovery after the total accident, including the service of isolated operation testing, is to be paid to the seller as per agreement. The seller is entitled to 1/12 of the total price of the service each month. In view of the above, the whole of the agreement concluded with the customer is assessed at the moment of signing the agreement and the total consideration is attributed to the identified performance obligation.

For the purpose of its performance obligations, the seller recognises revenue pursuant to the provisions of IFRS 15 (paragraphs B39–B43) regarding customer options for additional goods or services, under which the revenue recognised is actually consistent with the invoices issued to the customer for the services relating to the supply and assurance of the active power and management of the reactive power rendered over time. Moreover, the seller additionally recognises 1/12 of the total price of the agreement that the seller intends to pay for the services of system recovery after the total accident, including isolated operation testing, throughout the term of validity of the agreement, i.e. within one year.

Revenue from supply of thermal energy

Under the agreements concluded with the customers, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Under the agreement concluded with the customer, the single performance obligation that the seller commits to is the supply of thermal energy. The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller carries out its performance obligation. The seller carries out its performance obligation throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

In the agreement concluded with the customer, the consideration paid to the Company comprises the fixed part and the variable part. The fixed part comprises the customer's payments for the actually supplied thermal energy. The variable part arises due to default interest (interest on late payment) to be paid by the customer to the seller in cases where the customer fails to timely reimburse for the services rendered.

The Company recognises revenue considering the volumes of thermal energy actually produced and supplied to the customer at the price calculated with reference to the methodology on the establishment of the heating price as approved by the National energy regulatory commission (hereinafter – NERC).

Services of purchase of electricity generated by wind farms

Under IFRS 15, the Company does not receive consideration for the purchase of electricity from renewable energy resources and the payment of PSO funds to energy producers. The administrator of PSO funds only reimburses the expenditures of the seller; however, since the seller does not receive any consideration for the performance of the purchase function itself, the seller does not account for any proceeds in the statement of profit or loss related to the functions of the purchasing company that are served by the Company under the agreement concluded with the administrator of PSO funds. The Company acts as an agent.

Tariff regulation

Tariffs for electricity transmission and PSO services are regulated by the NERC by establishing the upper limit for tariffs of the transmission services and prices for PSO services. Specific prices for the transmission and PSO services are established by the supplier of the service within the limits approved by the Commission.

2.18 Revenue and expense recognition (continued)

Tariffs of electricity sold by the producers and independent suppliers of electricity as well as tariffs for capacity reserves are not regulated, except the cases when the producer or supplier is recognised as an undertaking with significant power following the respective market research by the NERC. In which case, the procedure for tariff setting is established by the NERC.

Tariffs for imported and exported electricity are not regulated.

The Company generates income from public service obligation fees (PSO service fees). PSO service fees are the fees payable to the producers of electricity under a public service obligations scheme based on pre-determined annual quantities and prices of services set by the NERC. The tariff is established by the NERC based on the estimates of variable and fixed electricity production costs provided by the producers. Thus, the difference between accrued income and actually paid amounts during a year is recognised as non-current amounts receivable (Income to be refunded) or amounts payable (deferred income) under the caption 'Other financial assets' or 'Provisions'. At the end of the next year, this amount is reclassified as a current amount receivable/payable under the caption 'Other financial assets' or 'Provisions'.

Other income

Other revenue is recognized in the Company when control over the goods or services is transferred. Other income in the Company includes:

1)income from property, plant and equipment found during the inventory;
2) profits from the sale of materials;
3) income from property rent;
4) revenue from new products and services;
5) other income

In the Company, sales of goods and services are recognized as revenue on the basis of invoices to customers, which are issued immediately after the sale of goods or provision of services. If the service contract lasts for more than one month, the terms of the billing shall be set out in the contract terms

Interest income is recognised on accrual basis considering the outstanding balance of debt and the effective interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

Expense recognition

Expenses are recognised in the statement of profit or loss and other comprehensive income as incurred by the accrual method.

2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

Other borrowing costs are recognised as expenses in profit or loss for that period in which they are incurred.

2.20 Current and deferred income tax

Income tax expense consists of the current year income tax and deferred tax expense.

Income tax

The current year income tax charge is based on taxable pre-tax profit for the year as modified by the items of income or expenses that are not subject to tax or deductible. Tax rates used to compute income tax expense are those applicable at the date of the preparation of the financial statements. Income tax rate was 15% in 2019 and 2018. The current year income tax assets or liabilities are measured at the amount expected to be recovered from or paid to (respectively) the taxation authorities. The prepaid income tax and recognized income tax liabilities are offset in the statement of financial position when they relate to the same taxation authority.

Deferred income tax

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

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise all or part of deferred tax assets. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to taxes assessed by the same fiscal authority and where there is a right to offset current tax assets and current tax liabilities.

2.20 Current and deferred income tax (continued)

Income tax and deferred income tax for the reporting period

Income tax and deferred income tax expenses (benefit) are recognised in profit or loss, except for the cases when tax arises from a transaction or event that is recognised directly in equity. In which case the deferred taxes are also recorded in equity.

Transfer and acquisition of accrued tax losses

Upon transfer of the accumulated tax losses to Group companies, the Company derecognises deferred tax on the tax loss carried forward and recognizes the consideration receivable through the statement profit and loss and other comprehensive income under 'Deferred income tax expense'.

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

For the purposes of the cash flow statement, the consideration received for the transfer of the tax losses and the payments for the tax losses acquired are presented in the cash flows from operating activities under the caption 'income tax (paid)'.

2.21 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares in issue. Where the number of shares changes without causing a change in the economic resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period.

On 26 March 2018, the General Meeting of the Company's Shareholders was held during which a decision was passed to increase the Company's authorised share capital by EUR 3,747 thousand through the issue of 12,919,014 shares with the nominal value of EUR 0.29 each.

As at 31 December 2019, the weighted average number of shares, based on which the earnings per share are calculated was 648,002,629 (31 December 2018: 644,463,173).

2.22 Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.23 Subsequent events

Subsequent events that provide additional information about the Company's position at the reporting date (adjusting events) are accounted for as of the reporting date. Subsequent events that are not adjusting events are disclosed in the notes when their effect is material.

2.24 Related parties

Related parties to the Company are defined as shareholders, employees, members of the Board, their close family members and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Company, provided such relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.25 Offsetting

Financial assets and a financial liabilities are offset and recognized on a net basis when the entity legally has an enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

As at 31 December 2019 and 2018, the Company did not have any offset financial assets and financial liabilities.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements mentioned above, each agreement between the Company and the counterparty allows to offset the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per terms of each agreement, an event of default includes: failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party or bankruptcy.

2.26 Fair value

Fair value is defined as 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 assumption that selling an asset or settling a liability occurs either in the primary market for a given asset or liability, or in the absence of a primary 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 acquiring the asset or liability, assuming that market participants act in their economic best interest. There are three levels in the fair value hierarchy. 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 categorized within the fair value hierarchy, provided below. The hierarchy is based on the lowest level input that is significant to the fair value measurement as a whole

Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair value of assets where the lowest level inputs that are significant to the fair value measurement are directly or indirectly observable.
Level 3: fair value of assets where the lowest level inputs that are significant to the fair value measurement are 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 categorization at the end of each reporting period.

3. Critical accounting estimates and estimation uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by EU, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable. The significant management judgements regarding the application of the accounting policies and the main sources for estimation uncertainties used in the preparation of those financial statements are consistent (except for the correction of error described in Note 4) with those of the annual financial statements for the year ended 31 December 2019. There are no other areas where significant and complex judgements have to be made, or areas in which assumptions and accounting estimates are made that materially affect the financial statements, except for the following areas:

Income tax

The Tax Authorities may at any time during 3 successive years after the end of the reporting tax year inspect the Company's books and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

Accounting estimates relating to the useful lives of property, plant and equipment and intangible assets

Management estimates the useful life of property, plant and equipment and intangible assets at the time of acquisition and reviews them annually. The useful life is determined by reference to the past experience with similar assets and probable future events that may affect the useful life.

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.

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. When the recoverable amount of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

As at 31 December 2019, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. In view of this, it was decided to carry out an impairment test of the Elektrėnai Complex (EC) as a cash-generating unit. Following the EC impairment test and after deducting grants, the recoverable amount exceeded the carrying amount of EC. The main aspects of testing are described below. No impairment indications were identified for the remaining property, plant and equipment.

In line with the decisions of the NERC on the regulated prices of EC services in 2020 and volume of services of EC for future periods, the Company's management treated the EC as a single cash generating unit.

EC is treated as a single cash generating unit based on the following:

- EC commonly shared infrastructure, which is necessary for electricity generation facilities: For Units 7 and 8 and a combined cycle unit, (hereinafter "the CCU").
- The electricity transmission system operator (hereinafter "the TSO") informed that all EC units owned by the Company, which do not provide tertiary active power reserve service (hereinafter - "the Reserve"), will be used to provide services ensuring isolated operation of the power system in 2020.
- One of the EC electricity generation facilities provides both services at a partial capacity, i.e. services ensuring isolated operation of the power system is provided by using the capacity not allocated to the Reserve service.
- The Reserve Service Agreement provides for the possibility of exchanging the reserve service equipment with other equipment managed by the Company that meets the technical requirements.
- The electricity and thermal power generation, capacity reserve services, as well as services ensuring isolated operation of the power system at the EC are considered to be regulated activities.
- The Biofuel and Steam Boiler Plants share the same infrastructure with other facilities of the EC (electricity connections, thermal power networks, other pipelines, pumps, chemical bar, etc.), which represents the major part of all assets operated by the EC. The steam boilers have been mounted in the same building, which is used for the services provided by Combined-Cycle Unit, and the main purpose of use of the boilers (99.9% of assets of the Steam Boiler Plant are attributed to this area) is to activate the electricity generation units of the EC from "cold" operation mode and to generate steam energy that is necessary to support the infrastructure of the EC;
- The Biofuel and Steam Boiler Plants also supply thermal power that is necessary to support the infrastructure of the EC and to activate the electricity generation units of the EC.

The recoverable amount of cash generating unit was estimated with reference to the value in use calculations. These calculations take into account the forecasts of financial performance results prepared by the management for the period of five years. Continuous cash flow is estimated using the discounted cash flow in the fifth year.
The management estimated the projected operating profit in view of historical data, forecasts of market position and the legal acts in effect, as well as based on the relevant resolutions of the NERC, the Ministry of Energy, and the Government. Key assumptions used in performing the impairment test as at 31 December 2019 were as follows:

1. The value in use was estimated with reference to the most up-to-date budget for the year 2020 and the management's forecast covering the period 2021-2024, the projected pre-tax discounted cash flows using a pre-tax weighted average capital cost (WACC) of 5.18%. The WACC was estimated with reference to risk-free borrowing cost, the risk premium for the equity and the relative risk rate for the sector, calculated using publicly available market data and based on the terms and conditions of the new credit agreement.

3. Critical accounting estimates and estimation uncertainties (continued)

2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. The forecast of revenue from regulated activities also take into account the depreciation expenses of property, plant and equipment and the return on investments, which is calculated on a proportion of the value of the assets used in the regulated activities. When estimating return on investments for 2020, the management used the rate of return on investments set by the NERC for this year, which was 5.07%. The rate of return on investment for 2021–2024 was calculated in accordance with The Methodology of Determination of the Rate of Return on Investments approved by the Order No O3-510 of the National Energy Regulatory Council (hereinafter "the NERC") of 22 September 2015 has been approved by the Methodology for Determining the Rate of Return on Investments, taking into account the most current market information and long-term forecasts and amounts to 3.20–3.40%. Long-term cash flow forecasts were prepared taking into the account volume of services in 2020 and the legal framework applicable to them.

As a result of the impairment test in EC, it was determined that the assets' recoverable amount of EUR 226 million exceeded their carrying amount (less grants) of EUR 185 million as of 31 December 2019. Accordingly, no impairment was recognised. The sensitivity of the recoverable amount to changes in the WACC (discount rate) is presented in the table below. If the WACC increased by 0.5%, the recoverable amount of EC would amount to EUR 199 million or to EUR 179 million, if the WACC increased by 1.0%. The table below also reveals the dependence of recoverable amount on the long-term cash flow growth assumption. The impairment test was based on a long-term cash flow growth assumption of 2%.

Analysis of the recoverable amount sensitivity to changes in WACC.

WACC change, %	-0.50%	0.00%	0.50%	1.00%	1.50%	2.00%	2.50%
WACC, %	4.68%	5.18%	5.68%	6.18%	6.68%	7.18%	7.68%
Recoverable amount, EUR million	262	226	199	179	163	150	139
Recoverable amount compared to carrying amount, EUR million	73	36	10	-11	-27	-40	-51

Analysis of the recoverable amount sensitivity to the changes of the long-term cash flow growth assumption, other assumptions remain constant.

Change of the long-term cash flow growth assumption, %	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%
Long-term cash flow growth assumption, %	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
Recoverable amount, EUR million	160	171	185	202	226	258	304
Recoverable amount compared to carrying amount, EUR million	-30	-19	-5	13	36	68	115

As at 31 December 2017, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets, and recognised EUR 31,384 thousand of impairment losses for energy units No 7 and 8 of Elektrėnai Complex, EUR 757 thousand of impairment losses for two fuel oil reservoirs, and EUR 339 thousand of impairment losses for a tank. No impairment indications were identified for the remaining property, plant and equipment or, upon the impairment test, it was determined that the recoverable amount exceeded its carrying amount, less grants.

Similar consideration of internal and external factors as of 31 December 2018 indicated no potential impairment of PPE.

<u>The Company, as a lessor, determines the lease term under the option of extension or termination</u>

The Company defines the lease term as an irrevocable lease term, which includes periods, during which the company has the option to extend the lease, if it is reasonably certain that such option will be exercised, or periods, during which the company has the option to terminate the lease, if it is reasonably known that such option will not be exercised.

The Company has several lease agreements with options for renewal or termination. The Company determines whether it is reasonably certain that the option to extend the lease will be exercised or whether the option to terminate the lease will not been exercised. It considers all relevant factors that create an economic incentive to exercise the option to extend the lease or not to exercise the option to terminate the lease. After the commencement date, the Company reassesses whether it is reasonably aware that it will exercise the option to extend the lease or exercise the option to terminate the lease when a material event occurs or circumstances change materially.

<u>Leases - Calculation of incremental borrowing rate</u>

The company cannot easily determine the interest rate implied by the lease, so it applies an incremental borrowing rate (IBR) to measure its lease obligations. IBR is the interest rate that the Company would have to pay to borrow a similar amount of funds over a similar period of time, in order to acquire assets similar in nature to right of use assets in question, in similar economic conditions.

<u>Provisions</u>

As emissions are made, a liability is recognised for the obligation to deliver allowances equal to emissions that have been made. This liability falls within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It is measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The liability is estimated at the market price multiplied by the number of allowances required to cover emissions made up to the reporting date. The Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The quantity of actual emissions is approved by a responsible state authority during four months after the end of the year. The provision accounted for as at 31 December 2018 was consistent with actual quantities of emissions that were confirmed in 2019. The Company's management, based on its own experience, does not expect any significant differences to arise between the estimated provision at 31 December 2019 and the quantity of emissions which will be approved in 2020.

3. Critical accounting estimates and estimation uncertainties (continued)

At each reporting date, the Company estimates the provision for the dismantling of units 5–6 and chimneys taking into account the expected economic outflows, which will be incurred in the future, when dismantling works will be actually performed.

Accrued revenue from public service obligation fees (hereinafter 'the PSO')

The Company rendered PSO until 31 December 2018. Fees received for PSO were allocated to the maintenance of the infrastructure of the Elektrėnai Complex, to cover expenses related to the testing of the necessary electricity generation facilities and relatively fixed costs of equipment used for provision of services. Infrastructure maintenance costs cover fuel, emission allowance and other production costs that are incurred in the course of generation of heat which is necessary to support infrastructure, as well in the course of generation electricity which is consumed by the Elektrėnai Complex, and gas consumption capacity taxes.

Allocated amount of PSO funds is determined for the next calendar year by the National Energy Regulatory Council (hereinafter 'the NERC'), in view of the projected costs of the Company. According to the Company's management assessment, the Company has an irrevocable obligation to receive or pay the resulting difference in accordance with applicable laws regarding the PSO funds.

As at 31 December 2019, the Company recognised PSO funds to be refunded by the state during next 12 calendar months in the amount of EUR 1,039 thousand. As at 31 December 2018: the company accounted for EUR 2,765 thousand a payable amount for the same service in current liabilities under the caption 'Provisions.

Additionally, EUR 4,875 thousand of funds to be refunded to the state were recognized in the non-current liabilities under the caption 'Provisions' as of 31 December 2018. As at 31 December 2019, no non-current PSO funds receivable or payable were recognised.

As at 31 December 2018, non-current amount payable was carried at amortised cost using the effective interest rate approach. When discounting the payable PSO funds during the period of refunding, a discount rate of 0.92% was used, and discounting effect of EUR 86 thousand as at 31 December 2018, excluded from the above amounts, was recognised within 'Other financial income'.

As at 31 December 2019, the discounting effect was recalculated for both - amounts receivable and payable of PSO services, capacity reserve services and system maintenance services, and the overall discounting effect, excluded from the above mentioned amounts, amounted to EUR 151 thousand as at 31 December 2019.

Regulated activity: Accrual of income and regulatory provisions from capacity reserve and system services

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

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

On 14 November 2019, the National Energy Regulatory Council (NERC) adopted a resolution No O3E–715 'On Approval of the Methodology for Establishing the Prices for Electricity, Capacity Reserve Services and Services Ensuring Isolated Operation of the Power System' (hereinafter 'the Methodology'). This Resolution stipulates that Companies that discontinue capacity reserve services shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator if the costs actually incurred by the Company were less than the revenues received from the transmission system operator. If the actual costs incurred by the Company were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Company.

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

Due to the change in legislation, the management of the Company accounted for EUR 7,630 thousand to be refunded to the Transmission system operator for tertiary capacity reserve and system services in the non-current liabilities under the caption 'Provisions', while EUR 475 thousand of receivables related to secondary active capacity reserve were accounted for in the non-current assets under the caption 'Other Financial asset' as at 31 December 2019. As at 31 December 2019, EUR 5,060 thousand of funds receivable for system services were accounted for in the current assets under the caption 'Other financial assets'. As at 2018.12.31, and before adoption of resolution No O3E-715, such regulatory assets and liabilities did not qualify for recognition under IFRS, as disclosed in Note 4 below.

Legal disputes over the NERC decisions related to regulated revenue

In 2014, the NERC adopted a resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market. Based on this resolution, earnings from sale of electricity generated at the Company's hydroelectric plants were subject to restriction by deducting the respective amount from the PSO funds approved for the Company. On 17 October 2016, the Supreme Administrative Court of Lithuania announced its judgement based on which the aforementioned resolution of the NERC was repealed. As at 31 December 2019, the amount of the Company's contingent assets (these contingent assets are not recognised in the financial statements) related to the legal dispute concerning the NERC decision, by which the Company was declared as an undertaking with significant power in the electricity generation market and thus the amount of the payable PSO funds was additionally reduced by EUR 2.51 million, amounted to EUR 2.51 million and remains unchanged from 31 December 2018.

4. Correction of Errors

When preparing these financial statements, the Company has made the following adjustments for prior periods:

1) In 2019, the Company reviewed accounting principles for recognition of revenues, receivables, and payables related to secondary active capacity reserve, tertiary capacity reserve, accident prevention and mitigation, and power handling services (hereinafter 'the Regulatory activities'), which prices are regulated by the NERC, in financial statements. Tariffs for these regulatory activities for the next calendar (financial) year are set by NERC based on the Company expenses forecasted for the next financial year, taking into account planned and factual revenue and expense differences in the prior financial year period.

   When preparing its annual Financial statements for the year ended 31 December 2018, the Company reported these regulatory activities revenues in the financial statements using the accrual principle based on factual expenses incurred, i.e. regulatory activities revenues were recognized by the Company in such amount, which, under NERC revenue calculation methodology, are permissible to take into consideration, by also taking into account permissible return on investment and factual expenses incurred for services provided during the period. Difference between the amount set by NERC and factual revenue and expenses incurred was recognized as the Company's payables or receivables. As at 31 December 2018, the Company recognised amounts payable related to regulated services in the amount of EUR 4,598 thousand within the other non-current payables and liabilities and EUR 2,794 thousand within the non-current advances received.

   As of 31 December 2018, the Methodology by-laws did not contain any legal provisions if and how the Company should meet its obligation raised from coverage of amount payable and how the Company should be reimbursed in the event when the same regulated services were no longer provided in the following financial year. When preparing financial statements for the year ended 31 December 2018, the Company's management applied the principle of conservatism to recognise the difference between planned and actual revenues from 2017 to 2018 and costs and has recognized in its statement of financial position. Based on management's assessment, if the same regulated services cease to be provided in the coming periods, it is likely that legislative changes would be made that would determine a requirement to reimburse such obligation and would determine the principles based on which the Company should meet such obligation.

   As previously disclosed in Note 3, on 14 November 2019, the National Energy Regulatory Council (NERC) adopted a resolution No O3E–715 'On Approval of the Methodology for Establishing the Prices for Electricity, Capacity Reserve Services and Services Ensuring Isolated Operation of the Power System' (hereinafter 'the Methodology'). This Resolution stipulates that Companies that discontinue capacity reserve services shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator if the costs actually incurred by the Company were less than the revenues received from the transmission system operator. If the actual costs incurred by the Company were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Company.

   Following the auditor's recommendations, the Company's management has reassessed the provisions of International Financial Reporting Standards and the applicable regulatory framework for regulated services in 2019, including the Methodology. Given that there was no provision in the legislation in force prior to the approval of the updated Methodology on how/if the Company should refund or recover any difference between the planned and actual revenues and expenses of the regulated services for past periods, if the services are not provided prior to the entry into force of the Methodology, the Company's management decided that there is no basis to recognise this difference as an asset or a liability under the financial reporting framework and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. For this reason, adjustments were made to the relevant items for relevant periods prior to the entry into force of the Methodology taking into account the effect of the income tax.

   Any differences, for the 12-month period ending in 31 December 2019 and earlier periods, between the forecasted and actual revenue and the expenses related to the services covered by the Methodology were recognized in liabilities and assets. The amounts recognised are disclosed in note 3.

   As at 31 December 2018, the Company did not reclassify part of other non-current payables and liabilities and advances received, which by their nature, should have been classified as provisions. Due to this 'Provisions' in non-current liabilities in the statement of financial position were increased by EUR 5,383 thousand, and 'Provisions' in current liabilities were increased by EUR 2,770 thousand, while 'Other non-current payables and liabilities' and 'Advances received' in the statement of financial position were reduced in corresponding amounts.

   When correcting prior year amounts, the Company has identified a case, where it incorrectly accounted for deferred tax assets related to the regulatory accrual amounts (as well as incorrectly recognizing related expenses as deductible). Following that, while performing correction of error, the company corrected such amounts as well, which was in itself not related to correction of the regulatory accrual. Due to increased revenue after correction of error, increase in result led to increased company income tax expenses.

all amounts are in EUR thousand unless otherwise stated

4. Correction of Errors (continued)

Retrospectively corrected captions of annual statement of financial position:
Correction of year 2018

	Notes	As at 31/12/2018, before correction	(1) Correction related to recognition of revenue from regulated activities*	(1) Correction of deferred income tax liability*	(1) Correction of income tax payable related to recognition of revenue from regulated activities*	(2) Reclassification of other non-current payables and liabilities and other payables and liabilities to provisions*	As at 31/12/2018, after correction
ASSETS							
Non-current assets							
Intangible assets	6	48,597	-	-	-	-	48,597
Tangible Asset	7	476,271	-	-	-	-	476,271
Investments in associates	10	1,588	-	-	-	-	1,588
Other non-current assets	11	5,087	-	-	-	-	5,087
Investment property	9	4,212	-	-	-	-	4,212
Other financial assets	14	232	-	-	-	-	232
Total non-current assets		**535,987**	**-**	**-**	**-**	**-**	**535,987**
Current assets							
Inventories	12	3,370	-	-	-	-	3,370
Prepayments	13	3,698	-	-	-	-	3,698
Amounts receivable under contracts with customers	14	12,037	-	-	-	-	12,037
Other financial assets	15	3,787	-	-	-	-	3,787
Loans granted	16	49,950	-	-	-	-	49,950
Cash and cash equivalents	17	47,885	-	-	-	-	47,885
Total current assets		**120,727**	**-**	**-**	**-**	**-**	**120,727**
TOTAL ASSETS		**656,714**	**-**	**-**	**-**	**-**	**656,714**
EQUITY AND LIABILITIES							
Equity							
Issued capital	18	187,921	-	-	-	-	187,921
Share premium	18	89,975	-	-	-	-	89,975
Legal reserve	20	13,897	-	-	-	-	13,897
Revaluation reserve	19	20,659	-	-	-	-	20,659
Retained earnings		44,540	222	(33)	(33)	-	44,696
Result for 2018		29,644	7,170	(1,075)	(1,075)	-	34,664
Total equity		**386,636**	**7,392**	**(1,108)**	**(1,108)**	**-**	**391,812**
Non-current liabilities							
Borrowings	22	33,619	-	-	-	-	33,619
Lease liabilities	23	34	-	-	-	-	34
Grants	24	171,039	-	-	-	-	171,039
Provisions	29	723	-	-	-	5,383	6,106
Other non-current amounts payable and liabilities		10,614	(4,598)	-	-	(5,383)	633
Deferred tax liabilities		23,466	-	1,108	-	-	24,574
Total non-current liabilities		**239,495**	**(4,598)**	**1,108**	**-**	**-**	**236,005**
Current liabilities							
Borrowings	21	4,417	-	-	-	-	4,417
Lease liabilities	23	138	-	-	-	-	138
Trade payables	27	13,425	-	-	-	-	13,425
Contract liabilities	28	6,562	(2,794)	-	-	(2,765)	1,003
Income tax payable	26	1,128	-	-	1,108	-	2,236
Provisions	29	1,744	-	-	-	2,770	4,514
Other amounts payable and liabilities	30	3,169	-	-	-	(5)	3,164
Total current liabilities		**30,583**	**(2,794)**	**-**	**1,108**	**-**	**28,897**
Total liabilities		**270,078**	**(7,392)**	**1,108**	**1,108**	**-**	**264,902**
TOTAL EQUITY AND LIABILITIES		**656,714**	**-**	**-**	**-**	**-**	**656,714**

* Corrections affect Financial statements of year 2018 (see above for the disclosures of the reasons of corrections provided by the Company)

all amounts are in EUR thousand unless otherwise stated

4. Correction of Errors (continued)

Retrospectively corrected captions of annual statement of financial position (continued):
Correction of year 2017

	Notes	As at 01/01/2018, before correction	(1) Correction related to recognition of revenue from regulated activities*	(1) Correction of deferred income tax liability*	(1) Correction of income tax payable related to recognition of revenue from regulated activities*	(2) Reclassification of other non-current payables and liabilities to provisions*	As at 01/01/2018, after correction
ASSETS							
Non-current assets							
Intangible assets		15,238	-	-	-	-	15,238
Tangible Asset		496,818	-	-	-	-	496,818
Investments in associates		1,535	-	-	-	-	1,535
Other non-current assets		3,236	-	-	-	-	3,236
Other financial assets		1,799	-	-	-	-	1,799
Total non-current assets		**518,626**	**-**	**-**	**-**	**-**	**518,626**
Current assets							
Inventories		5,580	-	-	-	-	5,580
Prepayments		3,479	-	-	-	-	3,479
Amounts receivable under contracts with customers		17,216	-	-	-	-	17,216
Other financial assets		15,757	(289)	-	-	-	15,468
Loans granted		14,930	-	-	-	-	14,930
Cash and cash equivalents		60,700	-	-	-	-	60,700
Total current assets		**117,662**	**(289)**	**-**	**-**	**-**	**117,373**
TOTAL ASSETS		**636,288**	**(289)**	**-**	**-**	**-**	**635,999**
EQUITY AND LIABILITIES							
Equity							
Issued capital		184,174	-	-	-	-	184,174
Share premium		85,660	-	-	-	-	85,660
Legal reserve		12,871	-	-	-	-	12,871
Revaluation reserve		2,289	-	-	-	-	2,289
Retained earnings		68,880	222	(33)	(33)	-	69,036
Total equity		**353,874**	**222**	**(33)**	**(33)**	**-**	**354,030**
Non-current liabilities							
Borrowings		34,039	-	-	-	-	34,039
Lease liabilities		172	-	-	-	-	172
Grants		177,875	-	-	-	-	177,875
Provisions		-	-	-	-	6.002	6.002
Other non-current amounts payable and liabilities		6,704	(511)	-	-	(6.002)	191
Deferred tax liabilities		17,475	-	33	-	-	17,508
Total non-current liabilities		**236,265**	**(511)**	**33**	**-**	**-**	**235,787**
Current liabilities							
Borrowings		21,208	-	-	-	-	21,208
Lease liabilities		138	-	-	-	-	138
Trade payables		17,380	-	-	-	-	17,380
Contract liabilities		1,135	-	-	-	-	1,135
Income tax payable		2,883	-	-	33	-	2,916
Provisions		528	-	-	-	-	528
Other amounts payable and liabilities		2,877	-	-	-	-	2,877
Total current liabilities		**46,149**	**-**	**-**	**33**	**-**	**46,182**
Total liabilities		**282,414**	**(511)**	**33**	**33**	**-**	**281,969**
TOTAL EQUITY AND LIABILITIES		**636,288**	**(289)**	**-**	**-**	**-**	**635,999**

* Corrections affect Financial statements of year 2018 (see above for the disclosures of the reasons of corrections provided by the Company)

all amounts are in EUR thousand unless otherwise stated

4. Correction of Errors (continued)

Retrospectively corrected captions of Income Statement and Statement of Comprehensive Income:

Correction of year 2018

	Notes	From 01/01/2018 to 31/12/2018 before correction	(1) Correction related to recognition of revenue from regulated activities*	(1) Correction of deferred income tax liability	(1) Correction of income tax payable related to recognition of revenue from regulated activities	aftereffect of correction
Revenue and other income						
Revenue from contracts with customers	31	129,358	7,170	-	-	136,528
Other income	32	1,293		-	-	1,293
		130,651	**7,170**	**-**	**-**	**137,821**
Operating expenses						
Purchases of electricity or related services		(33,067)	-	-	-	(33,067)
Gas, bio-fuel and heavy fuel expenses		(28,827)	-	-	-	(28,827)
Cost of inventory sold		(2,371)	-	-	-	(2,371)
Depreciation and amortisation	6, 7, 8, 24	(19,034)	-	-	-	(19,034)
Salaries and related expenses		(8,824)	-	-	-	(8,824)
Repair and maintenance expenses		(5,571)	-	-	-	(5,571)
Emission allowance revaluation and release (expenses)/income		8,214	-	-	-	8,214
Expenses (income) on impairment of other non-current assets		1,851	-	-	-	1,851
Inventory write-down (allowance)/reversal		(225)	-	-	-	(225)
(Impairment) reversal of property, plant and equipment		(190)	-	-	-	(190)
Other expenses	39	(6,123)	-	-	-	(6,123)
Operating expenses, total		**(94,167)**	**-**	**-**	**-**	**(94,167)**
OPERATING PROFIT		**36,484**	**7,170**	**-**	**-**	**43,654**
Finance income (expenses):						
Finance income		168	-	-	-	168
Finance (expenses)		(1,568)	-	-	-	(1,568)
		(1,400)				**(1,400)**
Share of results of associates	10	**123**	**-**	**-**	**-**	**123**
PROFIT BEFORE TAX		**35,207**	**7,170**	**-**	**-**	**42,377**
Income tax and deferred tax expenses		(5,563)	-	(1,075)	(1,075)	(7,713)
NET PROFIT FOR THE YEAR		**29,644**	**7,170**	**(1,075)**	**(1,075)**	**34,664**
Other comprehensive income (loss) that will not be subsequently reclassified to retained earnings (loss)		18,872	-	-	-	18,872
COMPREHENSIVE INCOME FOR THE YEAR		**48,516**	**7,170**	**(1,075)**	**(1,075)**	**53,536**
Basic and diluted earnings per share (in EUR)		**0.046**				**0.054**
Weighted average number of shares		**644,463,173**				**644,463,173**

all amounts are in EUR thousand unless otherwise stated

4. Correction of Errors (continued)

Retrospectively corrected captions of Income Statement and Statement of Comprehensive Income:

Correction of 4nd quarter of year 2018

	Notes	From 01/10/2018 to 31/12/2018 before correction	(1) Correction related to recognition of revenue from regulated activities*	(1) Correction of deferred income tax liability	(1) Correction of income tax payable related to recognition of revenue from regulated activities	aftereffect of correction
Revenue and other income						
Revenue from contracts with customers		33,432	2,499	-	-	35,931
Other income		740	-	-	-	740
		34,172	**2,499**	**-**	**-**	**36,671**
Operating expenses						
Purchases of electricity or related services		(10,141)	-	-	-	(10,141)
Gas, bio-fuel and heavy fuel expenses		(6,465)	-	-	-	(6,465)
Cost of inventory sold		(2,371)	-	-	-	(2,371)
Depreciation and amortisation		(5,062)	-	-	-	(5,062)
Salaries and related expenses		(2,556)	-	-	-	(2,556)
Repair and maintenance expenses		(166)	-	-	-	(166)
Emission allowance revaluation and release (expenses)/income		(3,287)	-	-	-	(3,287)
Inventory write-down (allowance)/reversal		16	-	-	-	16
(Impairment) reversal of property, plant and equipment		(219)	-	-	-	(219)
Other expenses		(1,618)				(1,618)
Operating expenses, total		**(31,869)**	**-**	**-**	**-**	**(31,869)**
OPERATING PROFIT		**2,303**	**2,499**	**-**	**-**	**4,802**
Finance income (expenses):						
Finance income		77	-	-	-	77
Finance (expenses)		(1,161)	-	-	-	(1,161)
		(1,084)				**(1,084)**
Share of results of associates		**(61)**	-	-	-	**(61)**
PROFIT BEFORE TAX		**1,158**	**2,499**	**-**	**-**	**3,657**
Income tax and deferred tax expenses		1,725	-	(375)	(375)	975
NET PROFIT FOR THE YEAR		**2,883**	**2,499**	**(375)**	**(375)**	**4,632**
Other comprehensive income (loss) that will not be subsequently reclassified to retained earnings (loss)		5,474	-	-	-	5,474
COMPREHENSIVE INCOME FOR THE YEAR		**8,357**	**2,499**	**(375)**	**(375)**	**10,106**
Basic and diluted earnings per share (in EUR)		**0.0045**				**0.007**
Weighted average number of shares		**644,463,173**				**644,463,173**

all amounts are in EUR thousand unless otherwise stated

4. Correction of Errors (continued)

Retrospectively corrected captions of cash flow statement:

	Notes	From 01/01/2018 to 31/12/2018 before correction	From 01/01/2018 to 31/12/2018 after correction	From 01/01/2018 to 31/12/2018 Difference
Net profit		29,644	34,664	5,020
Adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortisation expenses	6,7,8	27,481	27,481	-
Loss on impairment of property, plant and equipment (reversal of impairment)	7	(44)	(44)	-
Result of revaluation of non-current assets		334	334	-
Inventory write-down/(reversal)		225	225	-
Expenses/(income) of revaluation of emission allowances		(10,783)	(10,783)	-
Other impairment		138	138	-
Share of (profit) of associates	10	(123)	(123)	-
Income tax expenses		2,748	3,823	1,075
Change in deferred income tax liability		2,815	3,890	1,075
Depreciation of grants	24	(8,447)	(8,447)	-
Value of grants arising on recognition of impairment of property, plant and equipment	24	(769)	(769)	-
(Decrease) increase in provisions		2,292	(5,192)	(7,484)
(Gain) loss on disposal/write-off of non-current assets (other than financial assets) disposal/write-off		(3)	(3)	-
Elimination of results of financing and investing activities:				-
- Interest received		(132)	(132)	-
- Interest paid		498	498	-
- Gain on disposal of part of business		(528)	(528)	-
Working capital adjustment:				
(Increase) decrease in trade receivables and other amounts receivable		13,038	13,038	-
(Increase) decrease in inventories and prepayments		2,074	2,074	-
Increase (decrease) in amounts payable and advance amounts received		3,799	4,113	314
Income tax (paid)		(3,117)	(3,117)	-
Net cash flows from (to) operating activities		**61,140**	**61,140**	**-**
Cash flows from/(used in) investing activities				
(Purchase) of property, plant and equipment and intangible assets		(4,744)	(4,744)	-
Proceeds from sale of property, plant and equipment and intangible assets		1,113	1,113	-
Disposal of investments in associates		4,049	4,049	-
Sale of a part of business		2,000	2,000	-
Loans granted		(35,020)	(35,020)	-
Interest received		130	130	-
Dividends received		70	70	-
Net cash flows used in investing activities		**(32,402)**	**(32,402)**	**-**
Cash flows from/(used in) financing activities				
Repayments of borrowings		27,922	27,922	-
Repayments of borrowings		(45,133)	(45,133)	-
Finance lease payments		(138)	(138)	-
Interest (paid)		(498)	(498)	-
Dividends (paid)		(23,706)	(23,706)	-
Net cash flows from (used in) financing activities		**(41,553)**	**(41,553)**	**-**
Net increase/(decrease) in cash and cash equivalents		**(12,815)**	**(12,815)**	**-**
Cash and cash equivalents at the beginning of the period		**60,700**	**60,700**	**-**
Cash and cash equivalents at the end of the period		**47,885**	**47,885**	**-**

all amounts are in EUR thousand unless otherwise stated

5. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (foreign exchange risk, fair value interest rate risk and cash flow interest rate risk and securities price risk).

As from 31 December 2018, there was no change in risk management or risk management policy.

Financial instruments by category

Financial assets	As at 31/12/2019	As at 31/12/2018
Amounts receivable under contracts with customers	15,845	12,037
Other receivables	16,329	2,556
Loans granted	49,971	49,950
Cash and cash equivalents	58,501	47,885
Other non-current amounts receivable	628	232
Financial assets measured at amortised cost	**141,274**	**112,660**
Financial assets compulsorily measured at fair value through profit or loss	**-**	**2,000**
In total	**141,274**	**114,660**

Financial liabilities	As at 31/12/2019	As at 31/12/2018
Loans received	25,734	38,036
Lease liabilities	5,745	172
Other non-current borrowings	542	633
Trade payables	17,978	13,425
Other amounts payable and liabilities	1,011	1,026
Financial liabilities measured at amortised cost	**51,010**	**53,292**
In total	**51,010**	**53,292**

Credit risk

As at 31 December 2019 and 2018, exposure to credit risk arose from the following items:

Financial assets	As at 31/12/2019	As at 31/12/2018
Financial assets	141,274	114,660
In total	**141,274**	**114,660**

The Company's exposure to credit risk arising from amounts receivable is limited because the major buyers are reliable customers. As at 31 December 2019 and 2018, trade receivables neither past due nor impaired were of high credit quality. The Company is exposed to significant credit risk concentration, because credit risks are shared among 5 main customers accounting for approximately up to 99% of total trade receivables of the Company. More details about credit risk arising from amounts receivable are provided in Notes 13 and 14.

Exposure to credit risk arising from cash at bank is limited because the Company conducts transactions with the banks with high credit ratings awarded by international credit rating agencies. The Company holds cash balances and term deposits in accounts of the major banks in Lithuania awarded with 'A-' and higher external credit rating by the rating agency Fitch Ratings.

Liquidity risk

Liquidity risk is managed by planning the movement of cash flows of the Company. In order to manage the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and the short-term cash flows (inflows and outflows). Unwithdrawn balances of loans are disclosed in Note 21.

As at 31 December 2019, the Company's current ratio (current assets/current liabilities) and quick ratio (current assets – inventories)/current liabilities) were 4.02 and 3.99, respectively (31 December 2018: 4.18 and 4.06, respectively).

The table below summarises the maturity profile of the Company's non-derivative financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Balances with repayment terms up to 12 months approximate their carrying amounts, because the impact of discounting is insignificant.

all amounts are in EUR thousand unless otherwise stated

5. Financial risk management (continued)

	Within the first year	Within the second year	Three to five years	After five years
31 December 2019				
Borrowings	4,820	4,763	13,948	3,658
Lease liabilities	402	364	864	15,374
Trade and other payables	18,989	99	193	92
31 December 2018				
Borrowings	4,898	4,820	14,118	16,317
Lease liabilities	148	36	-	-
Trade and other payables	16,127	101	197	186

Interest rate risk

Revenues and cash flows of the Company are affected by fluctuations in the market interest rates as all borrowings of the Company were subject to variable interest rates as of 31 December 2019. Increase in interest rate risk is mostly affected by non-current borrowings. All borrowings bear variable interest rates which are linked to EURIBOR. Intervals of repricing of interest rates are disclosed in Note 21.

If interest rates on withdrawn balances of borrowings of the Company had been higher/lower by 1 p.p., net profit for the year 2019 would have been EUR 107 thousand (2018: EUR 107 thousand) lower/higher.

Foreign exchange risk

The Company has no significant assets or liabilities denominated in currencies other than the euro. The Company does not use any financial instruments to manage foreign exchange risk.

Securities price risk

Investments in associates in the Company's financial statements are accounted for using the equity method by adjusting their carrying amounts by the Company's share of profit or loss of associates. The increase/decrease in the carrying amount of these investments directly affects the financial performance of the Company. The Company has impact on the results of its associates by taking part in the formation of the management policy of operations of these companies.

Fair value of financial instruments

Trade and other amounts receivable, trade and other debts, non-current and current debts represent the major portion of the Company's financial assets and financial liabilities not carried at fair value. The fair value of the Company's financial assets and financial liabilities designated as at fair value through profit or loss is based on prices in the active market.

The fair value is defined as the amount at which an asset or services could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. The fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, short-term loans granted, current trade and other accounts payable and current borrowings approximates their fair value;
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. As at 31 December 2019, the Company had non-current borrowings from Luminor and SEB Bank bearing variable interest rates (Note 21). The fair value of a non-current borrowing bearing variable interest rates approximates its carrying amount, provided that the margin on such loan corresponds to the margins currently prevailing in the market.
- The fair value of non-current amounts receivable and payable is determined with reference to the current interest rates available for the loans with the same maturity profile. As at 31 December 2019, the discount rate applied to the Company's non-current amounts receivable and payable approximated the market interest rate.

all amounts are in EUR thousand unless otherwise stated

6. Intangible assets

Dynamics of the Company's intangible assets during the year ended 31 December 2019 and 2018 provided below:

	Computer software	Emission allowances	Other intangible assets	In total
As at 31 December 2017				
Acquisition cost	1,394	14,830	123	16,347
Accumulated amortisation	(988)	-	(121)	(1,109)
Net book value at 31 December 2017	**406**	**14,830**	**2**	**15,238**
Period ended 31 December 2018				
Opening net book value	406	14,830	2	15,238
Additions	89	-	-	89
Grants received (Note 24)	-	2,555	-	2,555
Emission allowances utilised	-	(908)	-	(908)
Revaluation of emission allowances	-	31,816	-	31,816
Amortisation charge	(191)	-	(2)	(193)
Net book value as at 31 December 2018	**304**	**48,293**	**-**	**48,597**
As at 31 December 2018				
Acquisition cost	1,483	48,293	103	49,879
Accumulated amortisation	(1,179)	-	(103)	(1,282)
Net book value at 31 December 2018	**304**	**48,293**	**-**	**48,597**
Period ended 31 December 2019				
Opening net book value	304	48,293	-	48,597
Additions	64	-	3	67
Decrease after transfer of an in-kind contribution	(215)	-	-	(215)
Grants received (Note 24)	-	4,131	-	4,131
Emission allowances utilised (Note 29)	-	(987)	-	(987)
Revaluation of emission allowances	-	368	-	368
Amortisation charge	(72)	-	(1)	(73)
Net book value at 31 December 2019	**81**	**51,805**	**2**	**51,888**
As at 31 December 2019				
Acquisition cost	695	51,805	126	52,626
Accumulated amortisation	(614)	-	(124)	(738)
Net book value at 31 December 2019	**81**	**51,805**	**2**	**51,888**

Acquired emission allowances are recognised at cost, and emission allowances obtained by the Company free of charge are recognised based on market (Stock Exchange) prices at the date of transfer of ownership to the Company. The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. Following the initial recognition, emission allowances (acquired at an acquisition cost and obtained free of charge) are remeasured at fair value based on the active market prices at the end of each reporting period. On revaluation of emission allowances, any increase in carrying amount, which is in excess of the acquisition cost, is added to the revaluation reserve within equity, whereas any decrease in carrying amount, which is excess of the previously accumulated amount in the reserve, is recognised through the statement of profit and loss and other comprehensive income as current loss. Emission allowances acquired and emission allowances obtained free of charge are accounted for by the Company separately. Upon the realisation of emission allowances, the positive balance in the revaluation reserve is recognised directly within retained earnings.

all amounts are in EUR thousand unless otherwise stated

7. Property, plant, and equipment

Dynamics of the Company’s Property, plant, and equipment during the year ended 31 December 2019 and 2018 provided below:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro-Power Plant, Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other property, plant and equipment	Construction -in-progress	In total
As at 31 December 2017												
Acquisition cost	1,880	657	4,119	207,297	389,195	388,095	-	138	46	172	2,112	993,711
Accumulated depreciation	-	(56)	(1,587)	(94,508)	(216,483)	(77,082)	-	(122)	(45)	(117)	-	(390,000)
Accumulated impairment	-	-	-	-	(106,670)	-	-	-	-	-	(223)	(106,893)
Net book value at 31 December 2017	**1,880**	**601**	**2,532**	**112,789**	**66,042**	**311,013**	**-**	**16**	**1**	**55**	**1,889**	**496,818**
Period ended 31 December 2018												
Opening net book value	1,880	601	2,532	112,789	66,042	311,013	-	16	1	55	1,889	496,818
Additions	-	-	-	10	25	21	-	10	2	-	4,858	4,926
Asset used to pay for share capital	-	-	-	-	-	-	3,850	-	-	-	-	3,850
Revaluation	(35)	9	(538)	-	(96)	-	-	-	-	-	-	(660)
Sales	-	-	-	-	(8)	(1,060)	-	-	-	-	-	(1,068)
Write-offs	-	-	-	(5)	(29)	-	(9)	-	-	-	-	(43)
Reversal of impairment	-	-	-	-	44	-	-	-	-	-	-	44
Reclassifications between items	-	-	-	3,666	1,586	180	-	-	-	-	(5,432)	-
Reclassification from/to inventories	-	-	-	(116)	(234)	42	-	-	-	-	-	(308)
Depreciation charge	-	(14)	(122)	(7,130)	(5,046)	(14,551)	(397)	(12)	(1)	(15)	-	(27,288)
Net book value at 31 December 2018	**1,845**	**596**	**1,872**	**109,214**	**62,284**	**295,645**	**3,444**	**14**	**2**	**40**	**1,315**	**476,271**
As at 31 December 2018												
Acquisition cost	1 845	666	3,581	210,852	383,882	387,278	3,841	148	49	172	1,538	993,852
Accumulated depreciation	-	(70)	(1,709)	(101,638)	(215,286)	(91,633)	(397)	(134)	(47)	(132)	-	(411,046)
Accumulated impairment	-	-	-	-	(106,312)	-	-	-	-	-	(223)	(106,535)
Net book value at 31 December 2018	**1,845**	**596**	**1,872**	**109,214**	**62,284**	**295,645**	**3,444**	**14**	**2**	**40**	**1,315**	**476,271**

all amounts are in EUR thousand unless otherwise stated

7. Property, plant and equipment (continued)

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other property, plant and equipment	Construction -in-progress	In total
Period ended 31 December 2019												
Opening net book value	1,845	596	1,872	109,214	62,284	295,645	3,444	14	2	40	1,315	476,271
IFRS 16 adoption impact – reclassification to right-of-use asset*	-	-	-	-	(446)	-	-	-	-	-	-	(446)
Additions	-	-	-	152	25	71	23	3	-	-	505	779
Write-offs	-	-	(1)	(220)	(2)	(9)	-	-	-	-	-	(232)
Revaluation	-	-	-	-	96	-	-	-	-	-	-	96
Reversal of impairment	-	-	-	-	45	-	-	-	-	-	-	45
Impairment	-	-	-	-	(78)	-	-	-	-	-	-	(78)
Reclassifications between items	-	-	-	245	128	37	22	-	-	-	(432)	-
Reclassification from/to inventories	-	-	-	43	(2)	22	-	-	-	-	-	63
Depreciation charge	-	(14)	(96)	(6,225)	(4,618)	(14,739)	(529)	(3)	(1)	(12)	-	(26,237)
Net book value at 31 December 2019	**1,845**	**582**	**1,775**	**103,209**	**57,432**	**281,027**	**2,960**	**14**	**1**	**28**	**1,388**	**450,261**
As at 31 December 2019												
Acquisition cost	1,845	596	1,871	210,729	383,377	387,395	3,886	151	48	172	1,611	991,681
Accumulated depreciation	-	(14)	(96)	(107,520)	(263,680)	(106,368)	(926)	(137)	(47)	(144)		(478,932)
Accumulated impairment	-	-	-		(62,265)						(223)	(62,488)
Net book value at 31 December 2019	**1,845**	**582**	**1,775**	**103,209**	**57,432**	**281,027**	**2,960**	**14**	**1**	**28**	**1,388**	**450,261**

** Reclassified following the coming into effect of IFRS 16 from 01/01/2019 (Note 2.2).*

all amounts are in EUR thousand unless otherwise stated

7. Property, plant and equipment (continued)

The table below presents the carrying amounts of the Company's property, plant and equipment that would have been recognised if the cost method had been used in accounting for assets as at 31 December 2019 and 2018:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other property, plant and equipment	Construction-in-progress	In total
As at 31 December 2019												
Net book amount	1,699	148	1,914	103,210	57,431	281,028	2,959	12	1	26	1,381	449,809
As at 31 December 2018												
Net book amount	1,699	153	2,045	109,214	62,188	295,644	3,444	12	2	34	1,315	475,750

The table below presents the cost of acquisition of fully depreciated property, plant and equipment (to residual value) used by the Company as at 31 December 2019 and 2018:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other property, plant and equipment	Construction-in-progress	In total
As at 31 December 2019												
Net book amount	-	-	-	19,945	85,729	3	3	535	22	80	-	106,317
As at 31 December 2018												
Net book amount	-	-	-	4,901	78,872	3	-	524	21	76	-	84,397

all amounts are in EUR thousand unless otherwise stated

7. Property, plant and equipment (continued)

As at 31 December 2019, no independent valuation was performed for the Company's assets carried at revalued amount, because, in the opinion of the Company's management, the fair values of the assets did not differ significantly from their carrying amounts.

Assets carried at revalued amount are attributed to Level 3 in the fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Land	-	-	1,845	1,845
Buildings	-	-	582	582
Structures and equipment	-	-	1,775	1,775
Vehicles	-	-	14	14
Computer hardware, communication and other office equipment	-	-	29	29
Other property, plant and equipment				
Carrying amount at 31 December 2019	**-**	**-**	**4,245**	**4,245**

As at 31 December 2018, independent valuation was performed for the Company's assets carried at revalued amount, because, in the opinion of the Company's management, the fair values of the assets differed significantly from their carrying amounts, and the difference was recognised accordingly.

Assets carried at revalued amount are attributed to Level 2 in the fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Land	-	1,845	-	1,845
Buildings	-	596	-	596
Structures and equipment	-	1,872	-	1,872
Vehicles	-	14	-	14
Computer hardware, communication and other office equipment	-	42	-	42
Other property, plant and equipment				
Carrying amount at 31 December 2018	**-**	**4,369**	**-**	**4,369**

At 31 December 2018, the independent property valuers APUS TURTAS UAB determined the market value of the Company's assets stated at revalued amount. The measurement was performed using the comparative value and the cost approach. The measurement of the land, buildings and constructions was performed using the comparable transaction approach. The valuers considered the type, purpose, location and physical characteristics of the property to determine the basis for comparable transactions. The cost per square meter is a basic value used for measurement. When determining the market value of land, buildings and structures, the valuers applied weightings which were used to adjust the basis of comparable transactions. Additionally, valuators applied locality weightings (Approved by the Order No 495 of the Director of the State Enterprise Centre of Registers on 27 September 2018 'REGARDING MASS VALUATION OF REAL ESTATE 2018 DATA AND LOCALITY WEIGHTINGS IN ACCORDANCE WITH 1 JANUARY 2019 APPROVAL OF ASSET PURPOSE AND LOCATIONS'), physical condition weightings and area weightings.

As at 31 December 2019, the outstanding capital expenditure commitments under the contracts amounted to approximately EUR 1,040 thousand (there were no outstanding capital expenditure commitments under the contracts as at 31 December 2018).

As at 31 December 2019, the Company pledged to the banks property, plant and equipment with the residual value of EUR 21,032 thousand at the reporting date (31 December 2018: EUR 21,978 thousand) (Note 22).

8. Right-of-use assets

Dynamics of the Company's right-of-use assets during the year ended 31 December 2019 provided below:

	Land	Buildings	Vehicles	In total
Period ended 31 December 2019				
Opening net book value	-	-	-	-
IFRS 16 adoption impact – reclassification from property, plant and equipment*	-	-	446	446
Additions:	**5,287**	**156**	**451**	**5,894**
Whereof: recognition as right-of-use asset as at 01/01/2019	4,210	156	442	4,808
Whereof: lease contracts signed from 01/01/2019 to 31/12/2019.	1,077	-	9	1,086
Write-offs and disposals	-	-	(15)	(15)
Depreciation charge	(87)	(39)	(170)	(296)
Net book value at 31 December 2019	**5,200**	**117**	**712**	**6,029**
As at 31 December 2019				
Acquisition cost	5,265	156	1,152	6,573
Accumulated depreciation	(65)	(39)	(440)	(544)
Net book value at 31 December 2019	**5,200**	**117**	**712**	**6,029**

** Reclassified after the coming into effect of IFRS 16 from 01/01/2019 (Note 2.2)*

all amounts are in EUR thousand unless otherwise stated

8. The right-of-use assets (continued)

The Company's lease expenses are recognised in the statement of profit and loss and other comprehensive income as follows:

	As at 31/12/2019	As at 31/12/2018
Depreciation charge	302	-
Interest charges	195	2
Current lease expenses (other expenses)	1	-
Low-value lease expenses (other expenses)	2	-
Leased asset written-off (finance expenses)	15	-
Lease expenses, total:	**515**	**2**

9. Investment property

Dynamics of the Company's investment property during the year ended 31 December 2019 and 2018 provided below:

	Buildings	Buildings	Machinery and equipment	Other property, plant and equipment	In total
Period ended 31 December 2018	-	-	-	-	-
Additions	3,731	100	4	377	4,212
Net book value at 31 December 2018	**3,731**	**100**	**4**	**377**	**4,212**
Period ended 31 December 2019					
Opening value	3,731	100	4	377	4,212
Change in fair value	(202)	(37)	(2)	(153)	(394)
Net book value at 31 December 2019	**3,529**	**63**	**2**	**224**	**3,818**

On 27 February 2018, the independent property valuers NILL NILL UAB determined the market value of the assets of Vilnius thermal power plant No 3. At the date of valuation, i.e. 13 February 2018, the market value was EUR 8,062 thousand (incl. both investment property and non-current assets). On 30 March 2018, after the shareholder Ignitis Group UAB paid by contribution of assets for the new issue of 12,919,014 shares by way of in-kind contribution, the above mentioned non-current assets, a part of which under the accounting policies is attributable to investment property, were transferred to the Company. Assets classified as investment property (referred to above), buildings and constructions allocated to it with permanently installed machinery and equipment.

Investment property is attributed to Level 2 of fair value hierarchy.

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Buildings	-	3,529	-	3,529
Structures and equipment	-	289	-	289
Carrying amount at 31 December 2019	**-**	**3,818**	**-**	**3,818**

As described above part of property contribution was classified as investment property. The property portfolio consisting of real estate and movable property was subject to valuation. Valuation was carried out by independent property valuer APUS TURTAS UAB. Fair value of the investment property amounted to 3,818 as at 17 April 2019 (valuation date). Based on the judgement of the management, no significant changes in market conditions were observed and the fair value of the investment property as at 31 December 2019 remained similar to the value set by the valuers.

The valuation of movable property was based on cost method, which was chosen on the basis that the property being valued has special purpose and has no analogous comparative transactions. The valuators have chosen the most conservative, transparent and easily verifiable asset valuation method, as in this case the method has the most objectively verifiable data and the price determined by this method is the least doubtful. The cost of restoration of assets has been determined using a calculation model for the creation of the property being valued, since the valuators have all data about total acquisition costs of property being valued. Valuator determined the value of physical depreciation of the property being valued. The calculations are indexed using the consumer annual price index.

Real estate valuation was done by applying a comparative method using information about past transactions. To determine the base of comparable transactions, valuators have taken into consideration the type, purpose, location and physical characteristics of the property. To determine market value of real estate, valuator applied weightings to adjust base of comparable transactions. Locality weightings (Approved by the Order No 495 of the Director of the State Enterprise Centre of Registers on 27 September 2018 'REGARDING MASS VALUATION OF REAL ESTATE 2018 DATA AND LOCALITY WEIGHTINGS IN ACCORDANCE WITH 1 JANUARY 2019 APPROVAL OF ASSET PURPOSE AND LOCATIONS'), physical condition weightings and area weightings were applied.

Investment property is attributed to Level 2 of fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Buildings	-	3.731	-	3.731
Structures and equipment	-	481	-	481
Carrying amount at 31 December 2018	**-**	**4.212**	**-**	**4.212**

9. Investment property (continued)

The Company has leases on all investment property consisting of buildings, structures and equipment. The terms of the leases are from 1 to 5 years. Lease income recognised by the Company during 2019 amounts to EUR 384 thousand (in 2018: EUR 421 thousand).

The Company has no restrictions on the disposal of its investment properties by earning rental income and no contractual obligations to construct, develop or repair it. The lease term for every single contract does not constitute the major part of the economic life of the asset, and the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset, therefore, the Company retains substantially all the risks and rewards incidental to ownership of an underlying asset and accounts for as an operating lease

10. Investments

As at 31 December 2019 and 2018, the Company had no subsidiaries.

The Company's investments into associates comprised the following:

Company	Registered office address	Company's ownership interest As at 31/12/2019	Company's ownership interest As at 31/12/2018	Profile of activities
Geoterma BUAB from 26/03/2019 (Bankrupt)	Lypkių st. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
Ignitis Grupės Paslaugų Centras UAB	Juozapavičiaus st. 13, Vilnius, Lithuania	22.23%	20.01%	Information technology services
Verslo Aptarnavimo Centras UAB	P. Lukšio st. 5B, LT-08221 Vilnius, Lithuania	15.00%*	15.00%	Public procurement, accounting and employment relations administration services

On 28 June 2019, the Company has acquired 897,326 shares of Ignitis Grupės Paslaugų centras UAB by making a payment-in-kind – Asset Management System, evaluated by an independent valuer UAB APUS TURTAS, which determined that the market value of the valued asset as at the valuation date (17 January 2019) was EUR 260 thousand.

In the second quarter of 2019, an associate's share capital has been increased as follows:

Associate	Issue date	Number of newly issued shares*	Nominal value per share, EUR	Total issue price, EUR thousand	Amount paid up, EUR thousand	Date of amendment to Articles of Association
Ignitis Grupės Paslaugų Centras UAB	As at 19/03/2019	897,326	0.29	260	260	As at 28/06/2019
Total:				**260**	**260**	

** Newly issued shares attributable to the Company*

On 31 December 2019, the reorganisation of the associate Verslo Aptarnavimo Centras UAB was finalised by merging the company, which ceased its activities without the liquidation procedure, with Ignitis Grupės Paslaugų Centras UAB which continues its activities. The management is still evaluating the effect of this merger to the Company's financial statements, however, under preliminary assessment, no significant change is expected.

The Company accounts for investments into associates using the equity method.

Changes of the Company's investments into associates comprised the following:

2019	Carrying amount As at 31/12/2018	(Decrease) increase in value	The Company's share of results of operations	Dividends received	Carrying amount at 31/12/2019
Geoterma UAB, bankrupt	-	-	-	-	-
Ignitis Grupės Paslaugų Centras UAB	1,446	260	166	(65)	1807
Verslo Aptarnavimo Centras UAB	142	-	49	(18)	173
In total	**1,588**	**260**	**215**	**(83)**	**1,980**

10. Investments (continued)

2018	Acquisition cost	(Decrease) increase in value	The Company's share of results of operations	Carrying amount at 31/12/2018
Geoterma BUAB	2,142	(2,142)	-	-
Ignitis Grupės Paslaugų Centras UAB	1,287	189	(30)	1,446
Verslo Aptarnavimo Centras UAB	87	95	(40)	142
In total	**3,516**	**(1,858)**	**(70)**	**1,588**

all amounts are in EUR thousand unless otherwise stated

10. Investments (continued)

In its financial statements as at 31 December 2019, the Company accounted for investments into associates using the equity method. As at 31 December 2019, the equity of Geoterma UAB was negative, but the Company was not committed to cover this loss. Accordingly, its share was not accounted for.

Movements of the Company's investments in associates during the year ended 31 December 2019 and 2018:

	2019	2018
Carrying amount at 1 January	**1,588**	**1,535**
Acquisition of associates	260	-
Dividends of associates	(83)	(70)
Share of financial performance result of associates – profit (loss)	215	123
Carrying amount at 31 December	**1,980**	**1,588**

Summarised statement of financial position of associates as at 31 December 2019 (unaudited) and 2018:

Summarised	Ignitis Grupės Paslaugų Centras UAB		Verslo Aptarnavimo Centras UAB		Geoterma UAB	
Statement of Financial Position	2019	2018	2019	2018	2019	2016*
					N/A	
Current assets and liabilities						
Cash and cash equivalents	421	1,156	209	1,837		39
Other current assets	4,765	4,138	4,123	1,761		246
Total current assets	**5,186**	**5,294**	**4,332**	**3,598**		**285**
Borrowings	(2,228)	(2,522)	-	-		-
Other current liabilities	(3,315)	(3,455)	(4,027)	(2,764)		(3,353)
Total current liabilities	**(5,543)**	**(5,977)**	**(4,027)**	**(2,764)**		**(3,353)**
Non-current assets and liabilities						
Non-current assets	9,472	7,951	2,254	134		5,822
Grants and subsidies	-	-	-	-		(3,708)
Financial liabilities	-	-	-	-		-
Other non-current liabilities	(1,033)	(157)	(1,380)	-		(394)
Total non-current assets	**8,439**	**7,794**	**874**	**134**		**1,720**
Net assets	**8,082**	**7,111**	**1,179**	**968**		**(1,348)**

** UAB Geoterma went bankrupt and failed to report for three consecutive years.*

Summarised statement of profit and loss and other comprehensive income of associates as at 31 December 2019 (unaudited) and 2018:

Summarised	Ignitis Grupės Paslaugų Centras UAB		Verslo Aptarnavimo Centras UAB		Geoterma UAB	
Income Statement	2019	2018	2019	2018	2019	2016*
					N/A	
Revenue	14,045	16,170	14,203	11,323		1,228
Depreciation and amortisation	(2,981)	(2,805)	(716)	(1)		(381)
Interest income	9	-	8	-		-
Interest expenses	(10)	(13)	(20)	-		(40)
Profit (loss) before tax	**941**	**576**	**411**	**257**		**(446)**
Income tax benefit/(expenses)	(164)	(108)	(86)	(61)		10
Net profit (loss)	**777**	**468**	**325**	**196**		**(456)**
Other comprehensive income	**-**	**-**	**-**	**-**		**-**
Total comprehensive income (loss) for the year	**777**	**468**	**325**	**196**		**(456)**
Dividends received from the associate	**65**	**30**	**18**	**40**		**-**

** UAB Geoterma went bankrupt and failed to report for three consecutive years.*

Summarised financial information of associates as at 31 December 2019 (unaudited) and 2018:

Summarised	Ignitis Grupės Paslaugų Centras UAB		Verslo Aptarnavimo Centras UAB		Geoterma UAB	
Financial Information	2019	2018	2019	2018	2019	2016*
					N/A	
Net assets at the beginning of the period As at 1 January	7,111	6,792	977	1,021		(892)
Formation/dissolution of share capital/reserves	(194)	(148)	(123)	(268)		-
Profit/(loss) for the year	777	468	325	196		(456)
Other comprehensive income	-	-	-	-		-
Net assets at the end of the period As at 31 December	**8,082**	**7,111**	**1,179**	**949**		**(1,348)**
Ownership interest	22.23%	20.00%	15.00%	15.00%	23.44%	23.44%
Investments in associate	**1,807**	**1,446**	**177**	**142**		(316)
Carrying amount	**1,807**	**1,446**	**177**	**142**		**-**

** UAB Geoterma went bankrupt and failed to report for three consecutive years.*

all amounts are in EUR thousand unless otherwise stated

11. Other non-current assets

Dynamics of the Company's other non-current assets during the year ended 31 December 2019 and 2018 provided below:

	As at 31/12/2019	As at 31/12/2018
emission allowances to be received in future	9,702	9,702
Emission allowances returned	(4,615)	(4,615)
Less: allowance	-	-
Closing book value	**5,087**	**5,087**

As at 31 December 2011, 400,000 units of emission allowances were lent under the provisions of the lending agreement signed with STX Services BV on 1 December 2009. The agreement is valid until 2021. Additional 650,000 units of emission allowances were lent on 16 April 2012 under the provisions of the lending agreement signed with CF Partners (UK) LLP on 13 April 2012. On 7 April 2015, CF Partners (UK) LLP returned 650,000 units of emission allowances. There were no changes in 2019 and 2018.

12. Inventories

As at 31 December 2019 and 2018, the Company's inventories were as follows:

	As at 31/12/2019	As at 31/12/2018
Heavy fuel oil	204	2,350
Spare parts and other inventories	2,729	2,749
Biofuel	342	264
Goods for resale	296	296
In total	**3,571**	**5,659**
Less: write-down of inventories to net realisable value	(2,273)	(2,289)
Carrying amount at 31 December	**1,298**	**3,370**

The cost of the Company's inventories stated at net realisable value as at 31 December 2019 amounted to EUR 1.851 thousand (2018: EUR 2,478 thousand).

Movements in impairment of inventories during the periods ended 31 December 2019 and 31 December 2018 are shown in the table below:

	2019	2018
Inventory write-downs on 1 January	**2,289**	**2,064**
Inventory impairment allowance during the reporting period	114	598
Reversal of inventory impairment allowance	(130)	(373)
Inventory impairment allowance at the end of the period	**2,273**	**2,289**

The inventory impairment allowance expenses and reversal of inventory impairment allowance were included in operating expenses in the statement of profit or loss and other comprehensive income. In 2019 and 2018, the Company made additional write-downs to net realisable value for obsolete and slow-moving spare parts stored at the warehouse. In 2019 and 2018, reversal of inventory impairment allowance was recognised for inventories that were utilised and moved to emergency reserve. The reversal was included in operating expenses.

As at 31 December 2019 and 2018, there were no inventories pledged as collateral by the Company.

13. Advances paid

As at 31 December 2019 & 2018 the Companies advances paid consisted of :

	As at 31/12/2019	As at 31/12/2018
Advances paid for services	12.030	7
Market deposit	3.222	2.965
Deferred expenses	329	156
Advances paid for inventories and spare parts	3	570
Net book value as at December 31	**15.584**	**3.698**

all amounts are in EUR thousand unless otherwise stated

14. Amounts receivable under contracts with customers

The Company's trade receivables under contracts with customers comprised amounts receivable from customers for goods sold and services rendered:

	As at 31/12/2019	As at 31/12/2018
Receivables for electricity	15,304	12,403
Receivables for sale of heat	545	657
In total	**15,849**	**13,060**
Less: Expected credit losses	(4)	(1,023)
Carrying amount	**15,845**	**12,037**

As at 31 December 2019 and 2018, the fair value of trade receivables approximated their carrying amount. The fair value of trade receivables is attributed to Level 3 in the fair value hierarchy.

Dynamics of the impairment of trade receivable in the years ended 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Carrying amount at 1 January	**1,023**	**381**
Change in impairment in retained earnings upon first-time adoption of IFRS 9	-	21
Restated balance as at 01 January 2018	**1,023**	**402**
Reversal of allowance for doubtful trade receivables	(1,022)	(131)
Recognised as doubtful receivables in the reporting period	3	178
Reclassified from non-current doubtful debts	-	574
Closing book value	**4**	**1,023**

Expected credit losses are recognised as amounts receivable which are assessed for credit risk on a collective basis. The Company uses the loss ratio matrix.

To measure expected credit losses of amounts receivable, the Company uses the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years. In this regard, the following loss ratio matrix was applied by the Company as at 31 December 2019:

As at 31 December 2019	Not past due	Past due from 1 to 30 days	Past due from 31 to 60 days	Past due from 61 to 90 days	Past due more than 90 days
Loss ratio	9.96%	13.31%	55.19%	100%	100%

The Company's trade receivables under contracts with customers as at 31 December 2019, which were assessed using the loss coefficient matrix on a collective basis:

2019	Carrying amount before credit losses	Impairment
Not past due	40	4
Past due from 1 to 30 days	2	-
Past due from 31 to 60 days	-	-
Past due from 61 to 90 days	-	-
Past due more than 90 days	-	-
Total receivables under contracts with customers	**42**	**4**

As at 31 December 2019, trade receivables that were not past due and were assessed on an individual basis, amounted to EUR 15,807 thousand. During 2019, impairment of amounts receivables of EUR 1,022 thousand was reversed, because the deferment agreements were signed with the individually assessed customers and they pay on schedule.

The Company's trade receivables under contracts with customers as at 31 December 2018, which were assessed using the loss ratio matrix on a collective basis:

2018	Carrying amount before credit losses	Impairment
Not past due	152	41
Past due from 1 to 30 days	23	7
Past due from 31 to 60 days	11	6
Past due from 61 to 90 days	8	8
Past due more than 90 days	233	233
Total receivables under contracts with customers	**427**	**295**

As at 31 December 2018, trade receivables that were not past due and were assessed on an individual basis, amounted to EUR 11,905 thousand. As at 31 December 2018, the remaining amount of EUR 728 thousand was past due for more than 90 days; an impairment was recognised on this amount.

all amounts are in EUR thousand unless otherwise stated

14. Amounts receivable under contracts with customers (continued)

As at 31 December 2019 and 2018, no trade receivables were pledged as collateral by the Company.
As at 31 December 2019 and 2018, the fair value of trade receivables under contracts with customers the approximated their carrying amount.

15. Other financial assets

As at 31 December 2019 and 2018, the Company's other non-current financial assets comprised the following:

	As at 31/12/2019	As at 31/12/2018
Non-current amounts receivable for capacity reserve (from contracts with customers)	475	-
Amounts receivable on emission allowances lent	-	52
Receivables for apartments	56	83
Other receivables	97	97
In total	**628**	**232**
Less: Expected credit losses	-	-
Closing book value	**628**	**232**

Movements in allowance for doubtful other non-current amounts receivable during the periods ended 31 December 2019 and 2018 were as follows:

	As at 31/12/2019	As at 31/12/2018
Carrying amount at 1 January	**-**	**574**
Reversal of impairment	-	(574)
Closing book value	**-**	**-**

As at 31 December 2019 and 2018, the Company's other current financial assets comprised the following:

	As at 31/12/2019	As at 31/12/2018
Other receivables	1,170	985
Receivables for disposal of shares and part of business	-	2,000
Accrued revenue related to the capacity reserve and PSO services (Note 3)	15,566	-
VAT receivable from the state budget	858	898
Receivable excise on heavy fuel	35	333
In total	**17,629**	**4,216**
Less: Expected credit losses	(407)	(429)
Closing book value	**17,222**	**3,787**

Dynamics in allowance for doubtful other current amounts receivable during the periods ended 31 December 2019 and 2018 were as follows:

	As at 31/12/2019	As at 31/12/2018
Carrying amount at 1 January	**429**	**338**
Reversal of impairment	(117)	-
Recognised as doubtful receivables in the reporting period	95	91
Closing book value	**407**	**429**

The ageing analysis of the Company's receivables under contracts with customers is as follows:

2019	Carrying amount before credit losses	Impairment
Not past due	115	13
Past due from 1 to 30 days	93	68
Past due from 31 to 60 days	5	5
Past due from 61 to 90 days	66	66
Past due more than 90 days	131	131
Total receivables under contracts with customers	**410**	**283**

As at 31 December 2019, other financial assets that were not past due and were assessed on an individual basis, amounted to EUR 160 thousand. As at 31 December 2019, the remaining amount of EUR 124 thousand was past due for more than 90 days; an impairment was recognised on this amount.

all amounts are in EUR thousand unless otherwise stated

16. Loans granted

The Company entered into cash pool agreement, under which the Company has granted short-term loans to Ignitis Group UAB companies for the amount of EUR 49,971 thousand (31 December 2018: EUR 49,950 thousand). These loans are subject to market interest rate with the maturity for up to one year (short-term). The purpose of the agreement is effective management of the cash balances at the level of Ignitis Group UAB.

	As at 31/12/2019	As at 31/12/2018
Loans granted to related companies (cash pool)	49,971	49,950
Carrying amount	**49,971**	**49,950**

As at 31 December 2019, the Company assessed whether credit risk of recipients of loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on a collective and individual basis has increased significantly.

17. Cash and cash equivalents

The Company's cash and cash equivalents comprise as follows:

	As at 31/12/2019	As at 31/12/2018
Cash at bank and on hand	58,501	47,885
Carrying amount	**58,501**	**47,885**

The fair values of the Company's cash approximate the carrying amount.

Based on the loan agreement signed with Luminor Bank AB, the Company pledged current cash balances and future inflows to bank accounts opened with this bank. As at 31 December 2019, the balance of pledged cash amounted to EUR 18.607 thousand (31 December 2018: EUR 15,066 thousand).

18. Issued capital and share premium

As at 31 December 2019 and 2018, issued capital of the Company amounted to EUR 187,920,762 and it was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

On 26 March 2018, the General Meeting of the Company's Shareholders was held during which a decision was passed to increase the Company's authorised share capital by EUR 3,747 thousand through the issue of 12,919,014 shares with the nominal value of EUR 0.29 each. With the issue price set at EUR 0.624 per share, Ignitis Gamyba AB accounted for share premium in the amount of EUR 4,314,950.94. Ignitis Group UAB committed to pay for the acquired shares by way of an in-kind contribution, i.e. by using Vilnius Thermal Power Plant No 3, as a whole complex of technological equipment and territories, the value of which was EUR 8,061,465.

As at 31 December 2019 and 2018, the Company's shareholder structure was as follows:

	Share capital As at 31/12/2019		Share capital As at 31/12/2018	
Shareholders	**(EUR)**	**%**	**(EUR)**	**%**
Ignitis Group UAB	181,938,103	96.82	181,938,103	96.82
Other shareholders	5,982,659	3.18	5,982,659	3.18
In total	**187,920,762**	**100.00**	**187,920,762**	**100.00**

Ignitis Group UAB is wholly owned (100%) by the State of Lithuania, represented by the Lithuanian Ministry of Finance.

	Share capital		Share premium	
	(shares) 2019	(shares) 2018	(EUR) 2019	(EUR) 2018
Number of shares at the beginning of the period	648,002,629	635,083,615	89,975,083	85,660,132
Number of shares at the end of the period	**648,002,629**	**648,002,629**	**89,975,083**	**89,975,083**

19. Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment and emission allowances due to increase in value.

Dynamics of the Company's revaluation reserve during the year ended 31 December 2019 and 2018 were as follows:

	Revaluation reserve	Deferred income tax	Less: deferred income tax
Balance as at 31 December 2017	**2,693**	**(404)**	**2,289**
Depreciation of revaluation reserve	(34)	5	(29)
Revaluation of property, plant and equipment	(384)	58	(326)
Revaluation of emission allowances	22,031	(3,306)	18,725
Balance as at 31 December 2018	**24,306**	**(3,647)**	**20,659**
Balance as at 31 December 2018	**24,306**	**(3,647)**	**20,659**
Depreciation of revaluation reserve	(18)	3	(15)
Revaluation of emission allowances	(106)	16	(90)
Balance as at 31 December 2019	**24,182**	**(3,628)**	**20,554**

20. Legal reserve

The legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the issued capital.

As at 31 December 2019, the Company's legal reserve amounted to EUR 15,379 thousand (31 December 2018: EUR 13,897 thousand).

21. Dividends per share

On 27 December 2016, the Board of Ignitis Group UAB, a company holding 96.82% of the Company's shares, approved the dividend policy of the Ignitis Group companies which establishes the uniform net profit appropriation principles to be applicable to all companies of the group. In accordance with the established procedure, the Company's proposal regarding the allocation of dividends depends on the Company's ratio on return on equity, financial capacities to pay dividends, implementation of economic projects important to the State and other circumstances.

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 27 September 2019, a decision was made to pay out dividends of EUR 0.029 per share for January–June 2018, amounting to EUR 18,792 thousand in total.

Approved dividends per share are provided below:

	As at 31/12/2019	As at 31/12/2018
Dividends (EUR '000)	25,272	23,795
Weighted average number of shares (units)	648,002,629	644,463,173
Dividends per share (EUR)	**0.039**	**0.037**

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 26 March 2018, a decision was made to pay out dividends of EUR 0.014 per share for January–June 2018, amounting to EUR 8,891 thousand in total.
During the extraordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 28 September 2018, a decision was made to pay out dividends of EUR 0.023 per share for January–June 2018, amounting to EUR 14,904 thousand in total.
During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 12 April 2019, a decision was made to pay out dividends of EUR 0.01 per share for January–June 2018, amounting to EUR 6,480 thousand in total.

22. Borrowings

The Company's borrowings by maturity grouping are as follows:

	As at 31/12/2019	As at 31/12/2018
Non-current borrowings		
Loan from Luminor Bank AB, in EUR, to be repaid by 31 March 2027	7,662	8,888
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	13,655	24,731
Total non-current borrowings	**21,317**	**33,619**
Current borrowings and current portion of non-current borrowings		
Loan from Luminor Bank AB, in EUR, to be repaid by 31 March 2027	1,226	1,226
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	3,191	3,191
Total current borrowings and current portion of non-current borrowings	**4,417**	**4,417**

To secure the repayment of loans, the Company pledged its property, plant and equipment, cash balances and future inflows to bank accounts (Notes 7 and 17).

On 21 February 2014, the Company concluded a loan agreement with SEB Bankas AB for maximum amount of EUR 158,000 thousand. The purpose of this agreement was to refinance three loans under the credit agreements with the banks operating in Lithuania and the European Bank for Reconstruction and Development. The loan is to be repaid by 23 February 2024. The Company made an early repayment of part of loan to SEB Bankas AB and signed a new loan agreement with the SEB Bankas AB on 5 July 2017 for the amount of EUR 60,000 thousand.

all amounts are in EUR thousand unless otherwise stated

22. Borrowings (continued)

Under this agreement, the loan granted by SEB Bankas AB under the credit agreement of 21 February 2014 was refinanced as of 20 November 2018, the outstanding balance of the loan being EUR 27.9 million, and part of property, plant and equipment (CCU, Units 7 and 8 of the Reserve Power Plant) was released from pledge as collateral to secure the repayment of the loan. Repayment term – 6 July 2027.

On 26 June 2013, the Company concluded a loan agreement with Nordea Bank AB Lithuania Branch (currently Luminor Bank AB) for the amount of EUR 25,000 thousand. The loan is to be repaid by 31 March 2027.

The average interest rate payable on the Company's borrowings was 1.43% in 2019 (2018: 1.44%).

As at 31 December 2019, the fair value of the Company's borrowings was approx. EUR 24,101 thousand (31 December 2018: the fair value of the Company's borrowings was approx. EUR 35,181 thousand). The fair value was estimated using a discount rate of 3.00% (31 December 2018: 3.22%). The fair value of borrowings is attributed to Level 2 in the fair value hierarchy.

The table below presents data on the Company's borrowings by interest rate repricing intervals:

	As at 31/12/2019	As at 31/12/2018
Every 1 to 3 months	16,846	27,922
Every 3 to 6 months	8,888	10,114
Total borrowings:	**25,734**	**38,036**

23. Lease liabilities

The Company's lease liabilities and their dynamics:

	2019	2018
Opening book value	**172**	**310**
Recognition of lease liabilities under IFRS 16	4,808	-
Lease contracts concluded	1,086	-
Termination of lease (write-off of debt and accrued interest)	-	-
Interest charges	195	-
Lease payments (principal portion and interest)	(516)	(138)
Carrying amount at 31 December	**5,745**	**172**
Non-current lease liabilities	5,559	34
Current lease liabilities	186	138

The Company's future payments under leases were as follows:

	As at 31/12/2019	As at 31/12/2018
Minimum payments		
Within one year	402	146
Two to five years	1,228	36
After five years	15,374	-
In total	**17,004**	**184**
Future finance costs		
Within one year	(216)	(12)
Two to five years	(852)	-
After five years	(10,191)	-
In total	**(11,259)**	**(12)**
Carrying amount	**5,745**	**172**

The fair value of the lease liabilities approximates their carrying amount.

all amounts are in EUR thousand unless otherwise stated

24. Grants

The balance of grants includes grants received to finance the acquisition of assets. Dynamics of the account of grants during the year ended 31 December 2019 and 2018 were as follows:

	Asset-related grants			
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	In total
Balance as at 01 January 2018	**26,780**	**149,896**	**1,199**	**177,875**
Depreciation of immovable property, plant and equipment	(628)	(7,819)	-	(8,447)
Grants received	-	-	2,555	2,555
Reversal of grants on recognition of impairment of property, plant and equipment (Note 3)	-	(769)	-	(769)
Grant for emission allowances utilised	-	-	(175)	(175)
Balance as at 31 December 2018	**26,152**	**141,308**	**3,579**	**171,039**
Balance as at 1 January 2019	**26,152**	**141,308**	**3,579**	**171,039**
Grants received	-	16	4,131	4,147
Depreciation of immovable property, plant and equipment	(423)	(7,948)		(8,371)
Grant for emission allowances utilised	-		(93)	(93)
Balance as at 31 December 2019	**25,729**	**133,376**	**7,617**	**166,722**

During 2019, the Company's asset-related grants decreased by EUR 8,371 thousand (2018: EUR 8,447 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of profit and loss and other comprehensive income.

In 2019, the Company received emission allowances on a gratuitous basis in the amount of EUR 4,131 thousand (in 2018: EUR 2,555 thousand) (Note 2.12).

25. Other non-current amounts payable and liabilities

The Company's other non-current amounts payable comprised as follows:

	As at 31/12/2019	As at 31/12/2018 restated*)
Non-current payables to suppliers	542	633
In total	**542**	**633**

* *Some of the amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

The fair values of other non-current amounts payable and liabilities approximate their carrying amounts.

26. Current and deferred income tax

Income tax expense as at 31 December 2019 and 2018 comprised as follows:

	As at 31/12/2019	As at 31/12/2018 restated*)
Income tax expense components		
Current income tax	7,524	4,011
Adjustment to previous year income tax	-	(121)
Deferred income tax (benefit)/expenses	334	3,823
Adjustment to previous year deferred income tax	-	-
Income tax (benefit) expenses for the reporting period	**7,858**	**7,713**

* *Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

Dynamics of deferred income tax assets and liabilities during the reporting period are as follows:

all amounts are in EUR thousand unless otherwise stated

26. Income tax and deferred income tax (continued)

Deferred tax assets	Property, plant and equipment revaluation/deemed cost (decrease in value)	Accrued expenses	Income to be refunded ;	Impairment of assets	Revaluation of emission allowances	Total
As at 31 December 2017*	**34,078**	**452**	**2,910**	**4,697**	**1,397**	**43,534**
Recognised in the statement of profit and loss and	(1,667)	334	(667)	(1,277)	(1,397)	(4,674)
As at 31 December 2018*	**32.411**	**786**	**1.135**	**3.420**	**-**	**37.752**
As at 31 December 2018	**32.411**	**786**	**1.135**	**3.420**	**-**	**37.752**
Recognised in the statement profit and loss	(1.774)	255	(1.135)	(1.091)	-	(7.752)
As at 31 December 2019	**30.637**	**1.041**	**-**	**2.329**	**-**	**34.007**

Deferred income tax liabilities	Revaluation Deemed cost (increase in value)	Difference in depreciation rates	Tax relief on acquisition of property, plant and equipment	Revaluation of emission allowances	Total
As at 31 December 2017*	**(39,989)**	**(18,553)**	**(2,240)**	**(227)**	**(61,009)**
Recognised in the statement of profit and loss	**2,175**	395	89	(770)	1,889
Recognised in other comprehensive income	**99**		-	(3,305)	(3,206)
As at 31 December 2018*	**(37,715)**	**(18,158)**	**(2,151)**	**(4,302)**	**(62,326)**
As at 31 December 2018	**(37,715)**	**(18,158)**	**(2,151)**	**(4,302)**	**(62,326)**
Recognised in the statement of profit and loss	**2,189**	370	89	821	3,469
Recognised in other comprehensive income	**-**	-	-	16	16
As at 31 December 2019	**(35,526)**	**(17,788)**	**(2,062)**	**(3,465)**	**(58,841)**

Deferred income tax, net, as at 31 December 2017*	**(17,598)**
Deferred income tax, net, as at 31 December 2018*	**(24,574)**
Deferred income tax, net, as at 31 December 2019	**(24,834)**

Deferred income tax asset was offset with deferred income tax liability in the Company's statement of financial position as they relate to the same taxation authority.

Deferred income tax recognised in the statement of financial position as at 31 December 2019 and 2018 comprised the following:

	As at 31/12/2019	As at 31/12/2018 (restated*)
Deferred tax assets	-	-
Deferred tax liabilities	24,834	24,574
Deferred income tax liability, net	**24,834**	**24,574**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

The deferred income tax as at 31 December 2019 and 2018 was measured at income tax rate of 15%.

As at 31 December 2019, the Company had no accumulated unrealised tax losses.

Income tax expense disclosed in the statement of profit or loss and other comprehensive income relating to the result of the current reporting period may be reconciled to income tax expense that would arise using an enacted income tax rate applicable to profit before income tax:

	As at 31/12/2019	As at 31/12/2018 (restated*)
Profit before income tax	50,650	42,377
Income tax calculated at a rate of 15%	7,598	6,357
Adjustment to previous year income tax	-	(121)
Income tax relief for the investment project	-	(1,103)
Tax effects of (non-)taxable income and (non-)deductible expenses	260	2,580
Income tax	**7,858**	**7,713**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

all amounts are in EUR thousand unless otherwise stated

27. Trade payables

The Company's trade payables comprise as follows:

	As at 31/12/2019	As at 31/12/2018
Debts for electricity and related services	955	914
Amounts payable for contractual works, other services	14,735	8,971
Amounts due for gas and fuel oil	2,096	2,612
Amounts payable for property, plant and equipment	-	182
Other payables	192	746
In total	**17,978**	**13,425**

The fair value of trade payables approximates their carrying amounts.

28. Contract liabilities

The Company's contract liabilities as at 31 December 2019 and 2018 consisted of:

	As at 31/12/2019	As at 31/12/2018 restated*)
Other advances received	27	1,003
Prepayments for solar power plants	14	-
In total	**41**	**1,003**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

29. Provisions

Dynamics of the current year portion of provisions during the year ended 31 December 2019 and 2018 were as follows:

	As at 31/12/2019	As at 31/12/2018 restated*)
Long term provisions	9,681	6,106
Short term provisions	7,209	4,514
Provisions in total:	**16,890**	**10,620**

The movement of provisions between 2018 and 2019 is presented in the table below:

	Emission allowances**	PSO Provision	Provision for capacity reserve and system services	Decommissioning provision***	Provision for pension payments	Other provisions	Other provisions
As at 31 December 2017.	**528**	**4,983**	-	-	**416**	**75**	**6,002**
Increase per period	894	**2,730**	-	1,573	176	-	5,373
Used in period	(908)	**(159)**	-	-	(64)	(4)	(1,135)
Used emission allowances revaluation	380	-	-	-	-	-	380
As at 31 December 2018.	**894**	**7,554**	**-**	**1,573**	**528**	**71**	**10,620**
Increase per period	478	-	12,718	1,431	99		14,726
Used in period	(987)	(7,554)	-	-	(1)	(7)	(8,549)
Used emission allowances revaluation	93	-	-	-	-	-	93
As at 31 December 2019.	**478**	**-**	**12,718**	**3,004**	**626**	**64**	**16,890**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

** In the statement of profit or loss and other comprehensive income, expenses of provisions for emissions were reported net of used government grants (Note 24).

*** As at 31 December 2019, a liability was accumulated in relation to the dismantling of units 5 and 6 and chimneys at the Elektrėnai Complex. The gross amount of the liability was equal to EUR 3,004 thousand, whereof: non-current liabilities accounted for EUR 1,610 thousand, and current liabilities accounted for EUR 1,394 thousand.

The dismantling of units 5, 6 and chimneys was initiated mainly due health and safety reasons. The Company publicly announced its intention to carry out the works, currently a public call for tender was launched. For the above reasons, the Company has an irrevocable obligation, therefore, provisions were recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

As at 31 December 2018, a liability was accumulated in relation to the dismantling of units 5 and 6 and chimneys at the Elektrėnai Complex. The gross amount of the liability was equal to EUR 1,573 thousand, whereof: non-current liabilities accounted for EUR 723 thousand, and current liabilities accounted for EUR 850 thousand.

all amounts are in EUR thousand unless otherwise stated

30. Other amounts payable and liabilities

The Company's other amounts payable comprised the following:

	As at 31/12/2019	As at 31/12/2018
Dividends payable	965	866
Other amounts payable and current liabilities	47	148
Vacation reserve	775	685
Payroll related liabilities	915	930
Taxes payable	463	527
Accrued expenses from purchases of electricity	-	8
Liability from future contract	950	-
Carrying amount	**4.115**	**3,164**

The fair value of other accounts payable approximates their carrying amounts.

31. Revenue from contracts with customers

Revenue recognised from contracts with customers:

	As at 31/12/2019	As at 31/12/2018 (restated*)
Revenue from sale of electricity	56,315	63,316
Income from capacity reserve services	44,645	50,428
Other system services	23,528	15,392
Revenue from supply of thermal energy	3,631	3,911
Sale of inventory	4,291	1,860
Other operating income	2,568	1,621
Total revenue	**134,978**	**136,528**

** Some of the amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

All revenue from agreements concluded with customers is calculated with regard to the price of the transaction as defined in the agreement. The Company usually receives payments immediately after rendering respective services. In rare cases, the terms of delayed payment might be agreed upon, however, any delay of payments cannot exceed 12 months, and therefore, the transaction price is not adjusted in view of the financing impact on revenue recognition. The Company's revenue from the main activity is earned either by providing services to Lithuanian entities, or by selling the electricity on the Nord Pool AS market, however, as the transactions are carried out in the Lithuanian price zone, the Company's management considers such sales to be in the local Lithuanian market.

32. Other income

The Company's other income as at 31 December 2019 and 2018 were as follows:

	As at 31/12/2019	As at 31/12/2018 (restated*)
Other income**	9,456	104
Property rental income	543	589
Sanctions	527	69
Sale of a part of business	-	528
Gain on disposal of property, plant and equipment	-	3
In total	**10,526**	**1,293**

** Some of the amounts listed above differ from the amounts within the financial statements for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*
**On 11 February 2019, the Ministry of Finance of the Republic of Lithuania transferred to the Company the compensation of EUR 9,276 thousand for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project, which was implemented over the years 2005 – 2009, of the public limited liability company Lietuvos Elektrinė (Lithuanian Power Plant) (the rights and obligations of which were taken over by the Company) titled "Installation of low pressure Nox burners and burner's management system, with installation of interlocks for heating control and protection against explosions". This compensation was awarded to the Republic of Lithuania by the court of the Great Britain.

all amounts are in EUR thousand unless otherwise stated

33. Segment reporting

The Company's management analyses the Company's operations by separating them into regulated activities and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, balancing and regulation, capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, electricity production at Kaunas Algirdas Brazauskas Hydro Power Plant and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Total revenue of segments is generated from external customers. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses. Articles of the Statement of financial position are not divided by segments.

The primary performance measure is adjusted EBITDA, which is calculated based on data presented in the financial statements prepared in accordance with IFRS as adjusted for selected items which are not recognised under IFRS.

Information on the Company's segments for the year ended 31 December 2019 is presented below:

2019	Regulated activity	Commercial activities	In total
Revenue from sale of electricity	1,469	54,846	56,315
Income from capacity reserve services	43,256	1,389	44,645
Other system services	23,528	-	23,528
Revenue from supply of thermal energy	3,631	-	3,631
Sale of inventory	-	4,291	4,291
Other operating income	-	2,568	2,568
Other income	-	10,526	10,526
Total revenue of segments	**71,884**	**73,620**	**145,504**
Purchases of electricity, gas for trade and related services, gas and heavy fuel oil	(25,709)	(30,627)	(56,336)
Operating expenses	(12,825)	(7,753)	(20,578)
EBITDA	**33,350**	**35,240**	**68,590**
Management's adjustments			
Compensation from the Ministry of Finances*	-	(9,276)	(9,276)
Change in market value of open financial derivative instruments	-	431	431
Management's adjustments related to permissible profit from regulated activities**	(5,736)	-	(5,736)
Adjusted EBITDA* **	**27,614**	**26,395**	**54,009**
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(13,597)	(4,638)	(18,235)
Increase (decrease) in value of non-current and other assets	-	786	786
Revaluation of emission allowances and provisions	-	(431)	(431)
Operating profit	**19,753**	**30,957**	**50,710**
Finance income			373
Finance (expenses)			(648)
Share of results of associates			215
Profit before income tax			**50,650**

* Management's adjustments used in calculating adjusted EBITDA*** are related to compensation for the indemnification of potentially inflicted damage by Alstom Power Ltd in 2005–2009.

** Adjustments made by the management reflect changes in revenue (and, consequently, EBITDA) from the Company's regulated activity if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. Based on the judgement of the management, adjusted EBITDA is a more accurate reflection of results allowing to better compare the results obtained in different periods, as it reflects the Company's actual results of reporting period, eliminating the effect of mismatches between the costs, forecasted by NERC for current periods (for calculation of prices for regulated services) and actual costs and eliminating the difference between the allowable and actual return on investments for the periods, which may have a positive or negative effect on the results of the current year.

*** Adjusted EBITDA – additional elimination of the management's adjustments from EBITDA is made. EBITDA = Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.

Information on the Company's segments for the year ended 31 December 2018 is presented below:

all amounts are in EUR thousand unless otherwise stated

33. Segment reporting (continued)

2018 (restated*)	Regulated activity	Commercial activities	In total
Revenue from sale of electricity	4,597	58,719	63,316
Income from capacity reserve services	49,017	1,411	50,428
Other system services	15,392	-	15,392
Revenue from supply of thermal energy	3,911	-	3,911
Sale of inventory	-	1,860	1,860
Other operating income	-	1,621	1,621
Other income	-	1,293	1,293
Total revenue of segments	**72,917**	**64,904**	**137,821**
Purchases of electricity, gas for trade and related services, gas and heavy fuel oil	(32,173)	(32,813)	(64,986)
Operating expenses	(13,428)	(6,893)	(20,321)
EBITDA	**27,316**	**25,198**	**52,514**
Management's adjustments			
Management's adjustments related to permissible profit from regulated activities**	(7,170)	-	(7,170)
Disposal of shares, part of business	-	(528)	(528)
Adjusted EBITDA* **	**20,146**	**24,670**	**44,816**
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(14,023)	(5,011)	(19,034)
Increase (decrease) in value of non-current and other assets	-	(610)	(610)
Revaluation of emission allowances and provisions	-	10,784	10,784
Operating profit	**13,293**	**30,361**	**43,654**
Finance income			168
Finance (expenses)			(1,568)
Share of results of associates			123
Profit before income tax			**42,377**

* *Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*
** Adjustments made by the management reflect changes in revenue (and, consequently, EBITDA) from the Company's regulated activity if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. Based on the judgement of the management, adjusted EBITDA is a more accurate reflection of results allowing to better compare the results obtained in different periods, as it reflects the Company's actual results of reporting period, eliminating the effect of mismatches between the costs, forecasted by NERC for current periods (for calculation of prices for regulated services) and actual costs and eliminating the difference between the allowable and actual return on investments for the periods, which may have a positive or negative effect on the results of the current year.
*** Adjusted EBITDA – additional elimination of the management's adjustments from EBITDA is made. EBITDA = Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.

Revenue from customers accounting for 10% or more of the Company's total revenue:

	2019	2018
Baltpool UAB	39,247	27,961
Litgrid AB	72,949	53,691
In total	**112,196**	**81,652**

34. Finance income

As at 31 December 2019 and 2018, the Company's finance income comprised the following:

	As at 31/12/2019	As at 31/12/2018
Interest income	306	132
Other finance income	67	36
Finance income, total	**373**	**168**

35. Financial expenses

As at 31 December 2019 and 2018, the Company's finance expenses comprised the following:

	As at 31/12/2019	As at 31/12/2018
Interest expenses	(414)	(498)
Other finance expenses	(234)	(1,070)
Finance expenses, total	**(648)**	**(1,568)**

36. Related party transactions

As at 31 December 2019 and 31 December 2018, the parent company was Ignitis Group UAB The disclosures comprise transactions and balances of these transactions with the parent company, its subsidiaries (directly and indirectly controlled), entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

In 2019, the Company had significant transactions with the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania or entities controlled by the Republic of Lithuania. Other related parties of the Company are EPSO G UAB Group companies controlled by the Republic of Lithuania.

The Company's transactions with related parties conducted during the period from January to December 2019 and balances arising on these transactions as at 31 December 2019 are presented below:

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
	As at 31/12/2019	As at 31/12/2019	As at 31/12/2019	2019	2019
Associates of the Company	207	124	429	1,504	6
Group companies of Ignitis Group	2,438	909	49,542	14,652	986
Parent company Ignitis Group UAB	42	-	-	486	-
State-controlled EPSO G UAB Group companies	2,677	14,173	-	28,612	112,196
Impairment	-	(124)	-	-	-
In total	**5,364**	**15,082**	**49,971**	**45,254**	**113,188**

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 96,623 thousand during January– December 2019; EUR 10,814 thousand during January–December 2018) and sales (EUR 101,633 thousand during January–December 2019; EUR 83,358 thousand during January–December 2018) of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transactions in the Company's sales revenue.

The Company's transactions with related parties between January and December 2018 and the balances arising on these transactions as at 31 December 2018 are presented below:

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
	As at 31/12/2018	As at 31/12/2018	As at 31/12/2018	2018	2018
Associates of the Company	159	143	660	1,077	9
Group companies of Ignitis Group	1,498	2,023	49,290	10,314	2,187
Parent company Ignitis Group UAB	60	-	-	8,603	24
State-controlled EPSO G UAB Group companies	2,923	11,714	-	31,331	118,772
Impairment	-	(124)	-	-	-
In total	**4,640**	**13,756**	**49,950**	**51,325**	**120,992**

Terms of transactions with related parties

Sales to and purchases from related parties are made on an equal footing with the arm's length principle. The payment terms set range from 30 to 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash.

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

The major sale transactions during the years ended 31 December 2019 and 2018 comprised transactions with LITGRID AB and BALTPOOL UAB. Transactions with state-owned entities other than those controlled by the Ministry of Finance included regular business transactions and therefore they are not disclosed.

37. Compensation to key management personnel

In 2019 and 2018, key management personnel included the chief executive officer and the directors of services (including the acting directors of services).

	2019	2018
Employment-related payments (EUR'000)	308	262
Whereof: Other significant payments to key management personnel (EUR'000)	3	43
Number of key management personnel as at 31 December	4	4

all amounts are in EUR thousand unless otherwise stated

38. Employee benefits and related social security contributions

	2019	2018
Wages and salaries	8,522	6,435
Change in vacation accrual	283	112
Termination benefits	149	191
Social security contributions	(4)	2,051
Change in social security contributions on accrued vacation reserve	(147)	35
In total	**8,803**	**8,824**

39. Other expenses

	2019	2018
Other expenses	2,482	1,975
Operating taxes	1,822	1,914
Business support and management services	1,325	1,087
Asset protection	323	596
Insurance	165	232
Audit	67	38
Rent	26	143
Impairment (reversal of impairment) of amounts receivable	(1,041)	138
In total	**5,169**	**6,123**

Services rendered to the Company by the auditor:

	2019	2018
Audit of the financial statements under the agreements	65	30
Assurance and other related services	-	2
Expenses of other services	2	6
In total	**67**	**38**

40. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

	Carrying amount		Fair value	
	In total	Level 1	Level 2	Level 3
Carrying amount at 31 December 2018				
Financial assets				
Amounts receivable under contracts with customers	12,037	-	-	12,037
Other financial assets	4,019	-	-	4,019
Loans granted	49,950	-	-	49,950
Cash and cash equivalents	47,885	47,885	-	-
Financial assets, total	**113,891**	**47,885**	**-**	**66,006**
Financial liabilities				
Borrowings	(38,036)	-	-	(38,036)
Lease liabilities	(172)	-	-	(172)
Non-current liabilities	(13,425)	-	-	(13,425)
Total financial liabilities	**(51,633)**	**-**	**-**	**(51,633)**
Carrying amount at 31 December 2019				
Financial assets				
Amounts receivable under contracts with customers	15,845	-	-	15,845
Other financial assets	17,850	-	-	17,850
Loans granted	49,971	-	-	49,971
Cash and cash equivalents	58,501	58,501	-	-
Financial assets, total	**142,167**	**58,501**	**-**	**83,666**
Financial liabilities				
Borrowings	(25,734)	-	-	(25,734)
Lease liabilities	(5,745)	-	-	(5,745)
Non-current liabilities	(17,978)	-	-	(17,978)
Total financial liabilities	**(49,457)**	**-**	**-**	**(49,457)**

all amounts are in EUR thousand unless otherwise stated

41. Basic and diluted earnings per share (in EUR)

Basic and diluted earnings per share in 2019 and 2018 were as follows:

	2019	2018 (restated*)
Net profit for the year attributable to shareholders	42,792	34,664
Weighted average number of shares (units)	648,002,629	644,463,173
Basic and diluted (loss)/earnings per share (in EUR)	**0.066**	**0.054**

** Some of the amounts listed above differ from the amounts within condensed interim financial information for the year ended 31 December 2018 and reflect the adjustments disclosed in Note 4.*

42. Net debt reconciliation

This note sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt balances as at 31 December 2019 and 31 December 2018:

	2019	2018
Cash and cash equivalents	(58,501)	(47,885)
Cash investments	(50,490)	(49,950)
Borrowings payable within one financial year (including overdraft)	4,417	4,417
Borrowings payable after one year	21,317	33,619
Net debt	**(83,257)**	**(59,799)**
Cash and cash investments	(108,991)	(97,835)
Borrowings with variable interest rate	25,734	38,036
Net debt	**(83,257)**	**(59,799)**

For the purpose of net debt calculation, borrowings comprise only debts to financial institutions and other debts relating to financing, and excluding lease liabilities.

The Accounting Standards do not provide a definition of net debt ratio, because, when considering the amendment to IAS 7, the standard-setting body did not gain consensus on the definition of that term and what should or should not be included in the calculation of net debt.

Reconciliation of net debt balances and cash flows from financing activities of 2019 and 2018:

	Other assets		Liabilities arising from financing activities			
	Cash/overdraft	Cash investments *	Current loans	Current portion of non-current loans	Non-current portion of non-current borrowings	In total
Net debt as at 1 January 2018	**(60,700)**	**(14,930)**	**-**	**21,208**	**34,039**	**(20,383)**
Cash flows	12,815	(35,020)	-	-	(17,211)	(39,416)
Other non-cash changes	-	-	-	(16,791)	16,791	-
Net debt as at 31 December 2018	**(47,885)**	**(49,950)**	**-**	**4,417**	**33,619**	**(59,799)**
Cash flows	(10,616)	(540)	-	-	-	(11,156)
Loans repaid	-	-	-	(12,301)	-	(12,301)
Interest charges	-	-	13	402	-	415
Interest paid	-	-	(13)	(402)	-	(415)
Other non-cash changes	-		-	12,301	(12,302)	(1)
Net debt as at 31 December 2019	**(58,501)**	**(50,490)**	**-**	**4,417**	**21,317**	**(83,257)**

* Cash investments are financial assets that include short-term investments recognised as loans at amortised cost. Their cash flows are classified as cash flows from investing activities.

As from 1 January 2017, there is a requirement to explain the changes in financial liabilities, the cash flows from which were or will be classified as cash flows from financial activities in the statement of cash flows. The disclosure above contains more information than that required under IAS 7, because it includes asset, which is treated by the Company as part of net debt.

43. Contingent liabilities and assets

Based on a press release of the European Commission, the Company informs that on 3 September 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Company in the context of a strategic reserve measure. The Company's management is not aware of any circumstances that could result in potential significant liabilities for the Company in this respect.

Guarantees issued and received

As at 31 December 2019, no other guarantees were granted or received by the Company from or to other entities.

all amounts are in EUR thousand unless otherwise stated

43. Contingent liabilities and assets (continued)

Litigations

Dispute over resolutions adopted by the NERC relating to revenue from the regulated activities is disclosed in Note 3.

On 16 May 2019, the plaintiff JUMPS UAB brought an action before the court of first instance with a view to obtaining a declaration that the plaintiff cannot be, or should be, subject to excessive damages under the contract for the sale of property. The amount of the claim is EUR 392,854. In the Company's view, the claim is unfounded and the penalties are properly imposed under the penalty clause in the contract with the plaintiff. The amount received is recognized as income in the statement of profit and loss and other comprehensive income under 'Other income'.

44. Capital management

Capital consists of the equity capital disclosed in the statement of financial position.

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, to repay capital to shareholders or issue new shares. As at 31 December 2019, no changes were made in the objectives, policies or processes of capital management.

on 27 December 2016 he Board of Ignitis Group UAB companies approved a common dividend policy, which sets uniform principles for the payment of dividends for all the group companies. 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. According to dividend policy, appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant 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. A company is not obliged to distribute dividends only when it incurs net loss. A company will not pay any dividends when its financial debts at the end of the reporting period are equal to or exceed four times EBITDA amount for the last twelve months as from the end of the reporting period.

Dividends will not be paid if the Group 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, and also if a company becomes insolvent or would become insolvent upon payment of dividends. The Company will also be able not to pay dividends if its ratio of financial debts to equity becomes equal to or exceeds 1.0.

According to the Law on Companies of the Republic of Lithuania, equity of the Company must account for at least ½ of the amount of the authorised share capital. There were no other externally imposed capital requirements on the Company. As at 31 December 2019 and 2018, the Company complied with the aforementioned requirement.

45. Subsequent events

There were no significant events after 31 December 2019 and until the date of approval of the financial statements, except for:

On 3 October 2019, the Project Management Committee of Verslo Aptarnavimo Centras UAB and Ignitis Grupės Paslaugų Centras UAB by implementing strategic plan approved by the Board on 21 January 2019 to optimise the management and governance of Verslo Aptarnavimo Centras UAB and Ignitis Grupės Paslaugų Centras UAB has decided to approve a project plan which provides that these companies continue as one company as from 1 January 2020. During the reorganisation Verslo Aptarnavimo Centras UAB, which ceased its activities without the liquidation procedure, was merged with Ignitis Grupės Paslaugų Centras UAB which continues its activities. The assets, rights and obligations of Verslo Aptarnavimo Centras UAB are transferred to the company Ignitis Grupės Paslaugų Centras UAB, and the shareholders of the reorganised company, except for Ignitis Grupės Paslaugų Centras UAB, receive in return the shares of Ignitis Grupės Paslaugų Centras UAB for no consideration, and accordingly, the share capital of Ignitis Grupės Paslaugų Centras UAB is increased. Following cumulative conditions are satisfied, the reorganisation was finalised 31 December 2019. Verslo aptarnavimo centras UAB was removed from the Register of Legal Entities on 02 January 2020.
Information on the company involved in the reorganization (Ignitis Grupės Paslaugų Centras UAB) and the company being reorganized (Verslo aptarnavimo centras UAB) before and after the reorganisation on 1 January 2020:

	Before reorganisation		After reorganisation
	Ignitis Grupės Paslaugų Centras UAB	Verslo Aptarnavimo Centras UAB	Ignitis Grupės Paslaugų Centras UAB
Issued capital (EUR)	6,960,000	580,000	7,914,645
Number of shares (units)	24,000,000	2,000,000	27,291,878
Nominal value per share (EUR)	0.29	0.29	0.29

On 20 December 2019, UAB "Ignitis Grupė" has signed a guarantee agreement with the Company, by which it unconditionally guaranteed for the payment in case of default of UAB "Gamybos Optimizavimas" in the amount of EUR 5,000 thousand . The Guarantee term comes in effect on 1 January 2020.

On 3 January 2020, Vilnius Regional District Court has announced that it has filed a lawsuit by several minority shareholders of Ignitis Gamyba AB, seeking a declaration of invalidity of a decision of the Extraordinary General Meeting of Shareholders of Ignitis Gamyba AB (held on 4 Demcember 2019). During the meeting it was decided to delist the shares of Ignitis Gamyba AB. The court granted interim measures and suspended the decision in question of the Extraordinary General Meeting of Shareholders of Ignitis Gamyba AB until the court reaches a decision in this civil case.

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