

2019-09-05 No.

## CERTIFICATION STATEMENT

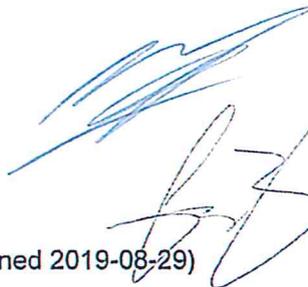
Referring to the provisions of the Article 23 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Lietuvos energijos gamyba, AB Rimgaudas Kalvaitis, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration, and Giedruolė Guobienė, Head of Accounting services center of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, Lietuvos energijos gamyba, AB condensed Interim Financial Information for six-month period ended 30 June 2019 prepared according to International Accounting Standard 34 "Interim financial reporting" adopted by the European Union, give a true and fair view of Lietuvos energijos gamyba, AB assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the six-month period includes a fair review of the activities business development as well as the condition of Lietuvos energijos gamyba, AB and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer



Rimgaudas Kalvaitis

Finance and Administration Director



Mindaugas Kvekšas

UAB Verslo aptarnavimo centras,  
Head of Accounting services center,  
acting under Order No. IS19-102 (signed 2019-08-29)

Giedruolė Guobienė

2019

## LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S INTERIM REPORT AND CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019  
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



GAMYBA



Group of energy  
companies

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Translation note:

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

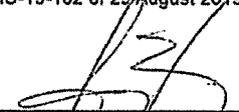
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The financial statements were approved as at 5 September 2019 by Lietuvos Energijos Gamyba AB General Manager, Finance and Administration Director, and Head of accounting services center of Verslo Aptarnavimo Centras UAB (acting under Order No IS-19-102 of 29 August 2019):

  
Rimgaudas Kalvaitis  
General Manager

  
Mindaugas Kvekšas  
Finance and Administration Director

  
Giedrūtė Guobienė  
Head of accounting services center of  
Verslo Aptarnavimo Centras UAB,  
acting under Order No IS-19-102 of 29  
August 2019



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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of "Lietuvos energijos gamyba", AB

### Report on the Audit of the Condensed Interim Financial Information

#### Opinion

We have audited the accompanying condensed interim financial information of „Lietuvos energijos gamyba“, AB, (hereinafter the Company), which comprise the condensed interim statement of financial position as of 30 June 2019, the condensed interim statements of comprehensive income for three and six months periods then ended, the condensed interim statement of changes in equity for six months period then ended, the condensed interim statement of cash flows for six months period then ended, and notes to the condensed interim financial information.

In our opinion, the accompanying condensed interim financial information is presented fairly, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", adopted by the European Union.

#### Basis for opinion

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

#### Other information

Other information consists of the information included in the Company's Interim Report for six months period ended 30 June 2019 other than the condensed interim financial information and our auditor's report thereon. Management is responsible for the other information presentation.

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

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

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

- ▶ The financial information included in the Company's Interim Report corresponds to the financial information included in the condensed interim financial information for the for the same period then ended; and
- ▶ The Company's Interim Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

## Other matters

Financial statements of „Lietuvos energijos gamyba“, AB for the year ended 31 December 2018 were audited by other auditor, who on March 15, 2019 issued a unmodified opinion on financial statements mentioned above.

## Responsibilities of management and those charged with governance for the condensed interim financial information

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with 34<sup>th</sup> International Accounting Standard “Interim Financial Reporting”, adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of condensed interim financial information that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor’s responsibilities for the audit of the condensed interim financial information

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

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

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

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

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

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

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



Inga Gudinaite  
Auditor's licence  
Nr. 000366

5 September 2019

2019

# LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2019



Lietuvos  
energija

GAMYBA



Lietuvos  
energija

Group of energy  
companies

[www.le.lt](http://www.le.lt)

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### **Reporting period covered by the interim report**

The interim report provides information to the shareholders, creditors and other stakeholders of Lietuvos Energijos Gamyba, AB (hereinafter, “the Company”) about the Company’s operations for the period from January to June 2019.

### **Legal basis for the interim report**

The interim report of Lietuvos Energijos Gamyba AB 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 presented in the interim report**

<b>Job title</b>	<b>Full name</b>	<b>Telephone number</b>
Lietuvos Energijos Gamyba, AB, CEO	Rimgaudas Kalvaitis	+370 5 278 2907
Lietuvos Energijos Gamyba, AB, Director of Finance and Administration	Mindaugas Kvekšas	+370 5 278 2907

### **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, based on which it was prepared, are available at the head office of Lietuvos Energijos Gamyba, AB (Elektrinės str. 21, Elektrėnai), on working days from Mondays through Thursdays 7:30–16:30, and on Fridays 7:30–15:15.

The report is also available on the Company’s website at [www.gamyba.le.lt](http://www.gamyba.le.lt) and the website of AB Nasdaq Vilnius stock exchange at [www.nasdaqbaltic.com](http://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.gamyba.le.lt](http://www.gamyba.le.lt)) and the website of AB Nasdaq Vilnius stock exchange ([www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)).

## KEY OPERATING AND FINANCIAL INDICATORS OF LIETUVOS ENERGIJOS GAMYBA

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" on the Company's website.

		6 months of 2019	6 months of 2018	Change	
				+/-	%
<b>KEY OPERATING INDICATORS</b>					
Volume of generated electricity	<i>TWh</i>	0,35	0,44	-0,09	-21,02
<b>KEY FINANCIAL INDICATORS</b>					
Revenue	<i>EUR thousand</i>	76,381	63,617	12,764	20.06
Costs of purchase of electricity, fuel and related services	<i>EUR thousand</i>	21,613	25,486	-3,873	-15.20
Operating expenses <sup>1</sup>	<i>EUR thousand</i>	10,153	8,542	1,611	18.86
EBITDA <sup>2</sup>	<i>EUR thousand</i>	42,170	29,589	12,581	42.52
EBITDA margin <sup>3</sup>	%	55.2	46.5	8.7 p. p.	
Adjusted EBITDA <sup>4</sup>	<i>EUR thousand</i>	29,169	27,126	2,043	7.53
Adjusted EBITDA margin <sup>5</sup>	%	46.0	44.4	1.7 p. p.	
Net profit (loss)	<i>EUR thousand</i>	28,425	23,607	4,818	20.41
		30/06/2019	30/06/2018	Change	
				+/-	%
Total assets	<i>EUR thousand</i>	676,156	647,611	28,545	4.41
Equity	<i>EUR thousand</i>	416,658	382,677	33,981	8.88
Financial debts	<i>EUR thousand</i>	28,046	46,882	-18,836	-40.18
Net debt <sup>6</sup>	<i>EUR thousand</i>	-38,090	-23,106	-14,984	64.85
Return on equity (ROE) <sup>7</sup>	%	13.6	12.3	1.3 p. p.	
Equity level <sup>8</sup>	%	61.6	59.1	2.5 p. p.	
Net debt / 12-month EBITDA	%	-45.2	-39.0	-6.1 p. p.	
Net debt / Equity	%	-9.1	-6.0	-3.1 p. p.	
Asset turnover <sup>9</sup>	%	22.6	19.6	2.9 p. p.	
Gross liquidity ratio <sup>10</sup>	%	481.3	301.0	180.3 p. p.	

<sup>1</sup> Operating expenses less 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, costs of write-offs of property, plant and equipment and sale of stocks.

<sup>2</sup> Profit (loss) before tax + financial activities costs – financial activities income – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.

<sup>3</sup> EBITDA / Revenues.

<sup>4</sup> EBITDA result is reported after the adjustments made by management by eliminating the impact of one-off factors, also considering the change in revenue (and, consequently, EBITDA) of the Company's regulated services, if any, that would have been recognized to be within the allowable sum based on accounted accordingly to NERC methodologies, taking into account allowable return on investment and actual cost of providing services. These adjustments are made aiming to disclose the results of the Company's operating activities after the elimination of the impact of non-typical, one-off factors or factors that are not directly related to the current reporting period. All adjustments made by management are disclosed in the Company's interim and annual reports.

<sup>5</sup> Adjusted EBITDA / Revenues.

<sup>6</sup> 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.

<sup>7</sup> Net profit (loss), restated annual value / Equity at the end of the period.

<sup>8</sup> Equity at the end of the period / Total assets at the end of the period.

<sup>9</sup> Revenue / Total assets at the end of the period.

<sup>10</sup> Short-term assets at the end of the period / short-term financial liabilities at the end of the period.

## MANAGEMENT'S REPORT

Dear customers, shareholders, partners and employees,

During the first two quarters of 2019, the results of Lietuvos Energijos Gamyba were significantly affected by a very dry summer and longer lasting fish spawning period. Even though production volumes decreased in Kruonis Hydroelectric Power Plant (hereinafter, Kruonis PSHP) and Algirdas Brazauskas' Hydroelectric Power Plant (hereinafter, Kaunas HPP), the main financial results of Lietuvos Energijos Gamyba remained positive during the first two quarters of 2019.

Compared to the same period of 2018, the Company's revenue grew by one fifth – to EUR 76.4 million. Sales income increased by 4.7%, mostly due to a very favourable difference between night and day electricity rates and with the positive result of disposal of fuel oil inventories. Due to these reasons, the Company's adjusted EBITDA increased by 7.5%.

Other profitability indicators of Lietuvos Energijos Gamyba were operating profit margin, profit before tax margin and net profit margin changed slightly from January to June of 2019 compared to last year, however, operating profit margin, profit before tax and net profit increased. In 2019, the latter made up EUR 28.4 million or EUR 20.4% more in the first two quarters than in the same period in 2018.

The Company's financial and operating indicators are presented in greater detail in this report below. In addition, we overview the most significant events of the half-year and changes in management.

Constant priorities of the Company are reliable strategic generation and appropriate preparation for the upcoming synchronisation with the continental European networks. In May, we successfully participated in Lithuanian energy system restoration after an accident and in an isolated performance test of a part of the system, which proves that we are prepared to act on time and ensure provision of electricity to the country's consumers.

In addition, we continue the preparational works for a possible development of Kruonis PSHP by installing the 5<sup>th</sup> hydro unit – analyses of socioeconomic and technological alternatives are carried out. In order to assess the possible electricity and heating production capacity modernisation alternatives in Vilnius Combined Heat and Power Plant and to get prepared for the upcoming power market mechanism auctions, a report of assessment of environmental impact has been prepared and submitted for assessment.

After the new performance strategy 2030 has been approved at the end of the last year, Lietuvos Energijos Gamyba has paid great attention to one of the key parts of it – innovation projects. We have started developing a 1 MW remote solar power plant project that will enable residents of private homes and apartment buildings to become producing electricity consumers (prosumers). The opportunity to expand the project by another 3 MW in the near future is under evaluation. Public procurement procedures are underway and installation work should start at the end of 2020. A new project of one 1.2 MW storage unit installation has been implemented in Kaunas HPP. We plan that the storage unit will begin its operations in the II q. of 2020, while at the moment, procurement procedures, required for the installation processes, take place. Preparational works of floating solar power plants in Kruonis PSHP successfully started.

I am glad that during the first half of the year we continued to provide vital systematic services of good quality to the whole region. A successful implementation of such region-wide innovative projects as energy storage unit and floating solar power plant will let us not only create greater value to the shareholders of Lietuvos Energijos Gamyba but also contribute to the development of renewable resources in Lithuania and raise the bar for the innovativeness of state-owned companies.

**Rimgaudas Kalvaitis**  
Chairman of the board, CEO,  
Lietuvos Energijos Gamyba AB

## MOST SIGNIFICANT EVENTS OF THE COMPANY

### Events of the reporting period

On 21 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. The 21 January 2019 was the last day she took the position at 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. Operating in synergy with the plant, the new storage system would become the first and the biggest innovation of this kind in the Baltic States. The public procurement procedure for acquiring equipment parts of the aforementioned storage system is to be initiated by the Company.

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 additional funding from the Lithuanian Business Support Agency (LBSA). The total amount of EUR 235 thousand has 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 through the actions carried out by Alstom Power Ltd while implementing Lietuvos Elektrinė, AB Fuel Gas Desulphurisation (FGD) project, implemented from 2005 to 2009. The reparation has been ordered for the Republic of Lithuania by the court of the United Kingdom. It is planned that, after evaluating the necessary tax liabilities, the aforementioned reparation shall be used for the partial coverage of the debt related to the Fuel Gas Desulphurisation (FGD) project.

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 12 March 2019, the Company received a letter from Lietuvos Energija, UAB, informing that after the approval of the Supervisory Board of Lietuvos Energija, 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.

On 13-15 March 2019, the Company successfully **tested the reserve production units** of the Elektrėnai Complex. For testing, the 7<sup>th</sup> unit was first turned on, and after two days the 8<sup>th</sup> unit was tested. These units of the Elektrėnai Complex are preserved in 2019, but will be ready for work and together with the combined cycle unit will play a very 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 the new member of the Board** Rimgaudas Kalvaitis. The elected member of the Board of the Company started his duties as of the end of the meeting of the Company's Supervisory Board that elected him. At the same day, after the meeting of the Supervisory Board, the Management Board of the Company has elected Kalvaitis as the Chairman of the Management Board and CEO of the Company.

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 Company's profit for the year 2018** (the dividends are to be paid for the period from July to December 2018).

On 24 April 2019, Lietuvos Energija, UAB, which owns 96.82% of shares of the Company, and acts as a parent company of Lietuvos Energija Group (hereinafter – the Group), announced about the submitting of applications to register following figurative and word trademarks: Ignitis, Ignitis power, **Ignitis gamyba**, Ignitis renewables, Ignitis grupė, Ignitis group. Applications were submitted to the European Union Intellectual Property Office (EUIPO) and State Patent Bureau of the Republic of Lithuania. The main aim of this change is to consolidate different trademarks owned by Lietuvos Energija, UAB and the Group into one modern international trademark, and optimise the expenses dedicated to the communication in a long run. It is intended to start using the new trademark on the second half of the year.

On 9 May 2019, the Company invited the society to get acquainted with the assessment report on environmental impact of **Vilnius Combined Heat and Power Plant (hereinafter, Vilnius Power Plant-3) modernisation**. Seven possible technological modernisation alternatives of Vilnius Power Plant-3 are analysed, including the technologies of combined cycle unit, energy storage unit (battery), gas turbines, etc. with the aim to assess a probable effect on the environment, public health and protected values.

On 18 and 19 May 2019, Kruonis PSHP, Kaunas HPP and Elektrėnai combined cycle unit (hereinafter, CCU) performed a test of Lithuanian electricity system restoration after a total failure and a **performance test of an isolated part of the system**. During the test, Lithuanian electricity system was divided into four isolated islands. Simulating electricity provision system failure, the provision of electricity in the central part of Lithuania has been restored from Kaunas HPP and Kruonis PSHP.

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 collaborate and maintain a constructive process.

### Subsequent events

On 26 July 2019, the Extraordinary General Meetings of the Shareholders of the Company adopted a decision to elect **the Independent member of the Supervisory Board**. Edvardas Jautautas was elected, he will be the Independent member until the end of the Supervisory Board term.

On 27 August 2019, the Extraordinary General Meeting of Shareholders of the Company adopted the resolution to change the name of the Company to AB Ignitis Gamyba and approved the new wording of the Articles of Association of the Company.

More information on these and other events significant to the Company are presented in greater detail below in this report or on the Company's website [www.gamyba.le.lt](http://www.gamyba.le.lt).

## ANALYSIS OF PERFORMANCE AND 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" on the Company's website.

		6 month 2019	6 month 2018	6 month 2017	6 month 2016 <sup>1</sup>	6 month 2015 <sup>1</sup>
<b>FINANCIAL INDICATORS</b>						
Revenue from contracts with customers	EUR thousand	66,241	63,287	63,306	69,148	98,033
Other income	EUR thousand	10,140	330	466	20,176	9,344
EBITDA <sup>2</sup>	EUR thousand	42,170	29,589	27,084	21,655	28,334
Adjusted EBITDA <sup>3</sup>	EUR thousand	29,169	27,126	27,084	21,655	28,334
Operating profit	EUR thousand	33,618	28,488	10,328	23,037	22,762
Net profit (loss) for the period	EUR thousand	28,425	23,607	10,283	17,794	19,256
Profit before tax	EUR thousand	33,576	28,339	9,966	22,790	21,659
Cash flows from operations	EUR thousand	33,619	28,898	26,543	40,014	10,548
Financial debts	EUR thousand	28,046	46,882	59,857	137,069	154,280
<b>RATIOS</b>						
Liabilities / equity		0.62	0.69	1.07	1.33	1.45
Financial debts / equity		0.07	0.12	0.17	0.38	0.42
Financial debts / assets		0.04	0.07	0.08	0.16	0.17
<b>LOAN COVERAGE RATIO</b>						
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) <sup>4</sup>		3.97	3.33	0.37	2.31	2.93
<b>PROFITABILITY RATIOS</b>						
Operating profit margin	%	44.01	44.78	16.20	25.79	21.20
Profit before tax margin	%	43.96	44.55	15.63	25.51	20.17
Net profit margin	%	37.21	37.11	16.12	19.92	17.93
Return on equity	%	13.64	12.34	5.82	9.87	10.55
Return on assets	%	8.41	7.29	2.81	4.23	4.31
Return On Capital Employed (ROCE)	%	12.78	10.99	4.98	7.15	7.42
Earnings per share	EUR	0.044	0.036	0.016	0.028	0.030
P/E (share price / earnings)		6.04	7.96	19.36	10.90	12.75

<sup>1</sup> Comparative indicators were not recalculated.

<sup>2</sup> Profit before tax – interest income + interest expenses – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + cost of write-offs + result of disposal of a part of the business.

<sup>3</sup> EBITDA result is reported after the adjustments made by management by eliminating the impact of one-off factors, also considering the change in revenue (and, consequently, EBITDA) of the Company's regulated services, if any, that would have been recognized to be within the allowable sum based on accounted accordingly to NERC methodologies, taking into account allowable return on investment and actual cost of providing services. These adjustments are made aiming to disclose the results of the Company's operating activities after the elimination of the impact of non-typical, one-off factors or factors that are not directly related to the current reporting period. All adjustments made by management are disclosed in the Company's interim and annual reports.

<sup>4</sup> Refinanced loan were not included in the calculation of the ratio.

From January to June of 2019, the Company's adjusted EBITDA and adjusted EBITDA margin has increased, compared to the same period in 2018. This change is illustrated in Figure 1 below in the section "January to June 2015-2019",

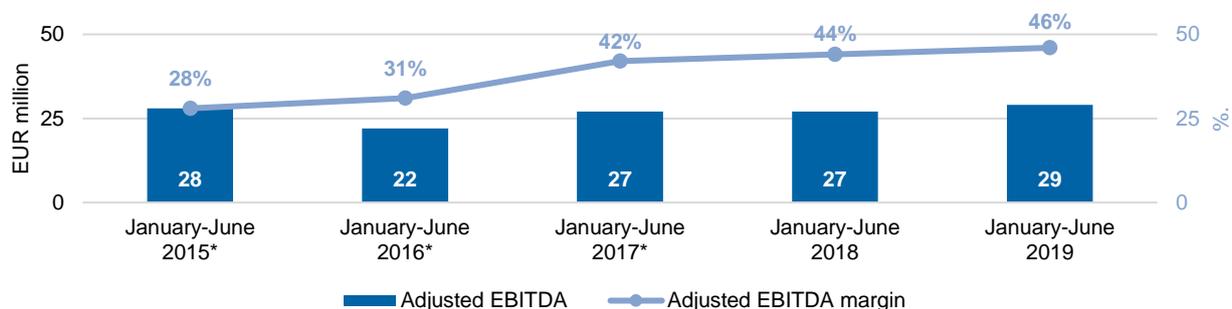
which presents EBITDA dynamics (see Figure 1). Other profitability ratios of the Company (operating profit margin, profit before tax margin) were also slightly lower from January to March of 2019, compared to the period from January to

March of 2018, however, operating profit, profit before tax and net profit increased from January to March of 2019 mainly due to a compensation which was transferred by the Ministry of Finance.

From January to June of 2019, compared to the same period in 2018, the Company's adjusted EBITDA increased despite

lower production volumes in Kaunas HPP. The increase in adjusted EBITDA was a result of increase in Kruonis PSHP gross profit after generation margin increased, of a positive result of disposal of fuel oil and increased volumes of regulated services provided by Elektrėnai complex.

Figure 1  
**The Company's adjusted EBITDA and adjusted EBITDA margin dynamics**



\* Comparative indicators were not recalculated.

### Statement of financial position

The Company's liabilities to financial institutions amounted to EUR 28.0 million as at 30 June 2019. They included liabilities under long-term loan agreements.

### Statement of comprehensive income

#### Revenue

The Company's sales revenue from contracts with customers from January to June of 2019 amounted to EUR 66.2 million. Income from electricity trading, balancing power, regulation power, power reserve and income from sale of heat energy accounted for the largest part of sales revenue. The Company's revenue from contracts with customers increased by 4.7% from January to June 2019, compared to the same period in 2018. Such decrease was mostly caused by sales of oil and scrap metal (from January to June 2019 these sales amounted to EUR 5.5 million).

The Company's regulated revenue for January-June 2019, i.e. electricity and heat energy generation at Elektrėnai Complex and power reserve services provided at Elektrėnai Complex and Kruonis PSHP, accounted for 48% of the Company's total revenue (From January to June 2018, 56%).

#### Expenses

From January to June of 2019, expenses incurred by the Company amounted to EUR 42.8 million (EUR 42.5 million before revenue/costs from revaluation of emission allowances). Expenses of purchasing electricity and related services as well as expenses of purchasing fuel for electricity generation accounted for the major part of the Company's expenses (EUR 21.6 million or 50.8%). From January to June of 2018, such expenses made up 58.6% of expenses or EUR 25.5 million. From January to June of 2019, the Company's depreciation and amortisation expenses amounted to EUR 9.1 million (in January-June 2018, EUR 9.3 million).

Operating expenses from January to June of 2019 amounted to EUR 10.2 million and exceeded the same amount of the same period in 2018 by 18.9% or EUR 1.6 million. This occurred mainly due to the provision for the costs of dismantling projects in the Elektrėnai Complex.

#### Profit

From January to June of 2019, the Company's adjusted EBITDA increased by EUR 2.0 million, compared to the same period in 2018, and from January to June of 2019, the Company's adjusted EBITDA margin amounted to 46.0% (in January- June 2018, 44.4%).

From January to June of 2019, the Company earned EUR 33.6 million of profit before tax, and net profit amounted to EUR 28.4 million. From January to June of 2018, the Company earned EUR 23.6 million of net profit.

### Statement of cash flows

From January to June of 2019, the Company's net cash flows from operating activities amounted to EUR 33.2 million, compared to EUR 28.9 million in January-June of 2019.

Both in 2019 and in 2018, the Company's cash flows from financing activities were negative and amounted to EUR 17.1 million and EUR 17.8 million, respectively.

### Investments in non-current assets

From January to June of 2019, the Company's investments in property, plant and equipment and non-current intangible assets amounted to EUR 0.3 million, while from January to June of 2018, it amounted to EUR 3.3 million. In 2019, investments were mainly allocated for major repair works of the second unit of Kruonis PSHP.

**Overview of activities of the Company's power plants**

The Company brings together the state-owned electricity generating facilities, namely, the reserve power plant and the combined cycle unit in Elektrėnai Complex, Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP), Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP) and Vilnius Third Combined Heat and Power Plant (Vilnius PP-3), which was taken over from Lietuvos Energija, UAB, since 31 March 2018. The main objective of the Company is to contribute to ensuring the country's energy security by consolidating production capacity.

The biofuel boiler house built in the Elektrėnai Complex enables the Company to produce heat energy to satisfy the

needs of Elektrėnai town and Kietaviškės greenhouses, and the needs of its own.

Trade of electricity produced by the Company (i.e. the environment of communication between the producers and suppliers of electricity) is conducted under the agreement by Gamybos optimizavimas, UAB.

The Company provides balancing services, as well as system services to the Lithuanian transmission system operator LITGRID AB (hereinafter, the TSO).

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

Figure 2  
**Activities of the Company's power plants**

<b>Elektrėnai Complex</b> Reserve power plant and combined cycle unit	<b>Kruonis Pumped Storage Hydroelectric Plant</b>	<b>Kaunas Algirdas Brazauskas Hydroelectric Power Plant</b>	<b>Vilnius Third Combined Heat and Power Plant</b>
 <p><b>Capacity – 1055 MW*</b></p> <p>The power plant assures tertiary and strategic reserves to ensure safe electricity supply and reserves of the energy system.</p> <p>Units 1–4 of the reserve power plant have been dismantled (with total capacity of 150 MW each). Dismantling of units 5 and 6 (300 MW each) was started in the beginning of 2017.</p> <p>The most effective – combined cycle unit (455 MW) – provides tertiary reserve service in the scope of 260 MW in 2019. Strategic reserve is not ordered, so as of 1 January 2019 unit 8 of Elektrėnai Complex has been preserved (the 7th block has been preserved since 1 January 2018). In 2019, periodic short-term technological testing of the equipment is foreseen.</p> <p>Heat is produced in steam and biofuel boiler houses.</p>	 <p><b>Capacity – 900 MW</b></p> <p>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. It can start an autonomous operation in case of the total system failure</p> <p>As the need for regulation increases, and on completion of the power links with Sweden and Poland, the power plant provides more system services.</p> <p>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.</p>	 <p><b>Capacity – 100.8 MW</b></p> <p>Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.</p> <p>Depending on natural conditions, the plant produces green energy and provides system services.</p> <p>Kaunas HPP contributes to the balancing of electricity generation and consumption, and levels out the power system. Like Kruonis PSHP, Kaunas HPP that can start an autonomous operation in case of the total system failure.</p> <p>Production volumes of Kaunas HPP in 2019 mostly depends on the flow of the Nemunas. The aim is to make the most of flexible power plant production during the peak hours of the market.</p>	 <p><b>Electricity capacity – 360 MW</b>  <b>Heat capacity – 603 MW</b></p> <p>The operations of the power plant were discontinued with effect from 31 December 2015.</p>

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

The Company sets accessibility goals to the Company. A piece of equipment is considered as accessible when electricity is produced or they are fully capable to produce. It is expected that the average annual accessibility of CCU in 2019 will be at least 97.8%, Kruonis PSHP at least 90.2%

and Kaunas HPP at least 92.5%. The Company will also seek the power plants to participate in experiments under the program set by a TSO.

**Key performance indicators**

**Production of generation and system service indicators from January to June of 2019**

From January to June of 2019, the Company produced electricity and heating energy, provided tertiary active power reserve service in Elektrėnai complex, secondary emergency reserve service in Kruonis HPP and other systemic services (they are presented in greater detail in the Company's annual reports).

The Company has permissions of indefinite maturity to produce electricity. From January to June of 2019, compared with the period from January to June of 2018, the production and sales of electricity has decreased by 21% (see Figure 3) in the power plants controlled by the Company. In total, 0.350 TWh of electricity was produced and sold in the power plants controlled by the Company from January to June of 2019 (0.444 TWh of electricity from January to June of 2018).

Production volumes of **Kauno HPP** decreased due to a hydrological drought, resulting in decreased inflow of Nemunas. At the beginning of the year, there was little snow, it melted gradually, therefore, a flood did not occur. In spring, sales of electricity produced here decreased by one third, compared to the same period last year. Compared to 2018, this year April was especially dry, electricity produced in Kaunas HPP and sold decreased by half. In total and from January to June of 2019, Kaunas HPP produced 26% less of electricity than from January to June of 2018 (respectively, 0.172 TWh and 0.232 TWh). The activity of this power plant, as well as Kruonis PSHP, has been impacted by a prolonged fish spawning period, during which the fluctuation of water levels in Kaunas Reservoir is limited due to environmental requirements.

From January to June of 2019, sales of electricity produced in **Kruonis PSHP** decreased by 17%, to 0.169 TWh (From January to June of 2018, 0.204 TWh). Decreased volumes of Kruonis PSHP production were mainly caused by repair works.

From January to June of 2019, the Company sold 0.028 TWh and bought 0.010 TWh of Kruonis HAE regulatory elec-

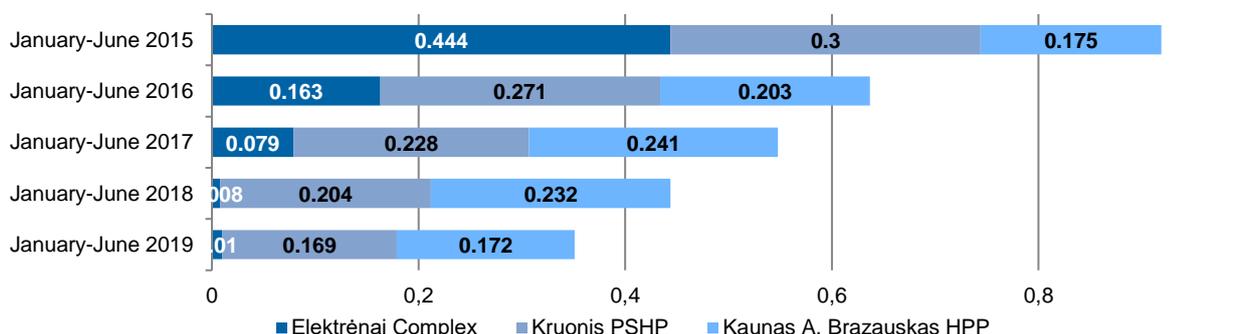
tricity (the service is necessary to balance the electricity excess/shortage in the energy system). From January to June of 2018, respectively, 0.034 TWh and 0.015 TWh.

Another systemic service provided by Kruonis PSHP is the secondary power reserve, i.e. power of equipment or hydro units, supported by the producer, activated within 15 minutes. This service is needed more often: from January to June of 2019, there were 52 instances of such service. From January to June of 2018, this service that ensures the security of electricity provision has been activated 16 times, but for longer periods. This reserve, which in 2019 is provided by two Kruonis PSHP aggregates (400 MW), is activated by transmission system operator when the volume of electricity coming to Lithuania decreases and needs to be compensated. From January to June of 2019, the Company sold approximately 1.737 TWh of the secondary power reserve, the same as from January to June of 2018.

From January to June of 2019, **Elektrėnai complex** generated 0.010 TWh of electricity, which was a little more than from January to June of 2018, when 0.008 TWh was produced. The biggest part of it was produced during the equipment tests.

In 2019, the most effective mechanism in Elektrėnai complex is combined cycle unit, which provides tertiary active power reserve service of 260 MW. It is the power of generating units, supported by the producer, which is activated within 12 hours. This reserve is activated by TSO. The Block is always ready to be launched, therefore, upon request, it would strongly contribute to the security of electricity system security. The Combined cycle unit can produce in residual power (the power which remains from the one allocated to the tertiary reserve service), but not lower than the block's technical minimum (which is 160 MW). Mostly – at the cold time of the year. From January to June of 2019, the Company sold approximately 1.122 TWh of tertiary power reserve, which is almost the same as from January to June of 2018 (1.129 TWh).

**Figure 3**  
**Electricity produced in the power plants managed by the Company and sold (TWh)**



## FACTORS THAT IMPACT THE COMPANY'S FINANCIAL INDICATORS

### Activity environment

The main customers of the Company are TSO (all systemic services provided), National Energy Regulatory Council (hereinafter, NERC; providing regulatory services to the Company, representing the interests of electricity consumers), "Nord Pool" (hereinafter, NP) market participants (the service is electricity production), Elektrėnų Komunalinis Ūkis, UAB and Kietaviškių gausa, UAB (the service is heating energy production).

The Company performs its activities in Lithuania, however, selling its electricity through the market, it participates in regional market of North Europe.

Change in gross domestic product makes the highest impact to the increasing energy demand as well as to the competitive environment. In the past few years, gross domestic product increased in the European Union. Both the banks operating in Lithuania and European Commission forecasts that in the upcoming years, economy will still grow, however, due to the increasing contingencies all around the world, gross domestic product will increase slowly. For example, based on the forecasts of European Commission, gross domestic product in Lithuania will increase by 2.7% in 2019, by 2.4% in 2020 (it increased to 3.4% in 2018)<sup>1</sup>.

The electricity price in the Lithuanian market zone of Nord Pool market from January to June of 2019 on average cost

### Company's strategy

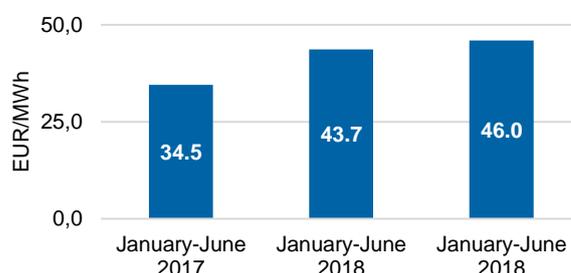
The Company operates its activities based on the Company's strategy, reviewed and updated at the end of 2018.

**The strategy highlights that the most significant activity of the Company is strategic generation as a base for seeking the goals of the growth of the entire Lietuvos Energija group.**

The main objective set for the Company is to contribute to successful synchronization of the Baltic States with the network system of continental Europe, to preserve capacities

more than in the previous years (see Figure 4). This makes a positive impact to the Company's results, as the produced energy is sold more expensive in the market.

Figure 4  
**Electricity prices in Lithuanian price zone of NP market**  
(Source: Nord Pool)



From January to June of 2019, the difference of day and night rates of electricity was favourable to the Company, which resulted in a better result of Kruonis PSHP production, even though the production volumes decreased, the increased generation margin compensated for it

The price for emission allowances from January to June of 2019 increased significantly, compared to 2018, which resulted in positive results of the Company.

of reliable local electricity production and to develop new capacities in Lithuania. It is also foreseen in the strategy that while playing its major role, i.e. ensuring a reliable and effective strategic generation, the Company will contribute significantly to the implementation of the LE 2030 strategy in the area of green generation and implantation of innovations. 10 strategic solutions are provided in the Company's strategy, those are specific projects and operation areas planned for the period 2019-2030.

The document of the Company's operational strategy for 2019-2030 is available on the Company's website ([link](#)).

Figure 5  
**The Company's strategic directions for 2019-2030**

<b>MISSION</b>			
We are a reliable and advanced energy generation company providing services required for energy system security.			
Quality services (the TSO, suppliers, consumers, shareholders)	Improvement of operating efficiency	Business development	Self-development, team and staff performance
<b>VISION</b>			
We seek to become a competitive international excellence centre for energy generation.			

<sup>1</sup> Source: European Commission. European Economic Forecast Spring 2019.

## **Achievement of the Company's objectives in 2019**

In 2019, the Company is aiming to meet the shareholders' expectations and to ensure profitable activity of the Company (Objective No. 1) as well as an effective control of expenses (Objective No. 2). As every year, the security of reliable work of power plants is relevant (Objective No. 3). As every year, the security of reliable work of power plants is relevant (Objective No. 4). The fifth objective

## **Research and development projects**

For the purpose of implementing a technologically and economically feasible investment policy, the Company conducts long-term strategic planning that helps 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 (until 2020) by the Company:

- Installation of unit 5 at Kruonis PSHP (if market conditions appear to be favourable);
- Installation of energy storage unit in Kaunas HPP.
- Installation of solar power plant (1 MW) in Obeniai area;
- Dismantling of chimneys 1 and 2 in Elektrėnai;
- Cleaning the fuel area.

The following passages will contain projects that underwent significant changes or success from January to June of 2019.

### **Installation of hydro unit 5 at Kruonis PSHP**

The Company assesses the possibilities for the expansion of Kruonis PSHP with the installation of the fifth hydro unit. The results of the analysis show that under the 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 list of projects of common interest (PCI) in the EU in 2017. This made it possible to apply for EU support under the Connecting Europe Facility (CEF). In January 2018, the European Commission approved of a partial funding for studies on the power plant's poles site and infrastructure. The aim of these studies is to assess whether the current condition of the poles site, on which the new pipeline would be constructed, meets the requirements established in the design. Partial funding of the feasibility study of the fifth unit of Kruonis PSHP was also approved by the European Commission in October 2018. This study will aim to select the best technological solution of the unit that will be suitable for today's market conditions and will meet the ever-changing needs in the context of network synchronization with continental Europe. It will also cover a socio-economic analysis of the project. In 2019, under the 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 CPI for the period of year 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 works in the electricity sector. The project will be continued having resolved the issues related to the projected demand for power reserve when operating in the isolated network during the preparation for synchronisation and after synchronization, as well as technical requirements established for the facility ensuring such a power reserve.

of the Company for 2019 is to improve employee experience – it will be measured using a unified methodology in the entire Lietuvos Energija group. From January to June of 2019, no factors, which could serve as a base for assumptions that the Company's objectives will not be met, were observed.

### **Solar power plant in the reservoir of Kruonis PSHP**

In cooperation with scientists of Kaunas University of Technology (KTU), the Company plans to implement a unique innovation in the region – solar power plant floating on 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 the uninterrupted 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. We plan to carry out these works until the end of 2021. We have applied for the support necessary to turn this innovative idea into reality from the European Union's funds.

When the performance data on the experimental power plant is 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. More than 300 ha area of upper reservoir of Kruonis PSHP could be used to build it. The power plant's construction would adjust to the changing water level in the reservoir, would be resistant to waves 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.

In 2019, the Company plans to install a few testing points in the upper reservoir of Kruonis PSHP, which would make it possible to evaluate the workload of the pantone part during winter (due to ice and floating water level). If the test is successful, it is planned to establish an experimental power plant at full capacity (60 kW) in 2020.

### **Energy storage unit at Kaunas HPP**

The Company plans to install the battery energy storage system with capacity of one 1.2 MW in Kaunas A. Brazauskas' Hydroelectric Power Plant. If the project of synergy of the hydroelectric power plant and the battery energy storage system was implemented successfully, it would be the first innovation of such type and the battery energy storage system would be among the biggest in the Baltic States. The battery energy storage system would use unique algorithm to maintain stable frequency of the electric network and to balance short-term changes in the capacity of the hydro-unit.

At the moment, the service of frequency regulation in the Baltic States is usually provided by the Russian power plants functioning in the post-Soviet ring BRELL of energy system. The battery energy storage system project is a solid step for Lithuania in guaranteeing independent service of frequency regulation inside the country – this service will become of major importance to Lithuania after 2025, when the Baltic States will get disconnected from the ring BRELL and will get connected to the networks of

continental Europe. The successfully implemented project of synergy of the hydroelectric power plant and the battery energy storage system could serve as an excellent source of primary reserve and would allow offering high quality service to transmission system operator.

Although installation of battery energy storage system with the capacity of one megawatt would be a pilot project in our region, the battery energy storage systems of lithium ions with bigger capacity (20 megawatts and above) have already become popular in the USA, Australia and part of the Western European countries. As the need for systemic services is growing in the Baltic States, the technology of battery energy storage systems could be adjusted to much more powerful units of Kruonis PSHP in the future.

The Company is planning to conclude the competition of public procurement for equipment of the battery energy storage system in September 2019.

#### **Installation of solar power plant (1 MW) in Obeniai area**

It is planned to install one of these power plants (in the beginning – capacity of 1 MW) in the Company's land near Elektrėnai complex, while creating the platform, where each resident of the country will be able to become the owner of the solar power plant. It would contribute to the strategy of the Company and LE (Lietuvos Energija) of 2030 and Lithuania's aim to develop the green energy, meanwhile contributing to the strengthening of national generation.

It is planned to sign the contract for the installation of the system in September. At the moment, other preparational works are carried out as well (the fence, the alarm system and the like). A part of those works is being performed by the Company.

#### **Risk factors and their management**

The risk management model, which is applicable across the whole Lietuvos Energija group, has been based on the main principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk management - Principles and guidelines).

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

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

The risk management principles established by Lietuvos Energija are consistently applied throughout the entire Lietuvos Energija group. The uniform risk management principles ensure that the management personnel of the Lietuvos Energija group 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.

In order to ensure that risk management information and decision agreement with the recent developments and changes in the Company's activities, the Company's risk level is reassessed each year during a specified time period and risk management actions

#### **Dismantling of chimneys 1 and 2 in Elektrėnai**

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 on dismantling this chimney is expected to be signed in autumn 2019. The works of dismantling a chimney of the height of 250 meters will begin at the end of 2019. 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.

#### **Cleaning the fuel area**

The Company decided to withdraw from using fuel oil in Elektrėnai complex structures. The need for reserve fuel during the cold season will be provided for with natural gas. Therefore, in the beginning of 2019, the Company sold all the amount of their owned fuel oil. In order to clean the area, in 2019, fuel area cleaning works have been initiated by cleaning the open contaminating sources. From 2019 to 2021, the Company plans to perform the dismantling of reinforcing units of fuel oil tanks, fuel oil pumping pipelines and reinforced concrete structures, cleaning of drainage pits of reception tanks, drainage trays, reinforcement troughs of reception troughs and to dismantle the emptying overhead.

are established. In addition, the Company monitors new risk factors on a quarterly basis and defines additional actions, if needed.

In order to effectively manage risk factors that the Company faces, the Company applies the three lines of defence principle in determining a clear division of the responsibilities for risk management and control between the Company's managing and supervising bodies and structural branches or functions. This model is presented elaborately in the Company's annual report of 2018 ([link](#)). It also contains the areas discussed in 2018, while performing the assessment of the risk factors of 2019, where the Company focuses and coordinates the main risk management instruments and initiatives, and it also contains a list of the principal risk factors and management directions for the year 2019.

In 2019, risk factors, such as "market changes and competitiveness" and "Regulation and performance" occurred as follows:

- Since 2019, the Company no longer provides SPI (strategic reserve services) services. Most likely there will not be any demand for such services until the creation of a new power mechanism.
- European Commission has 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. The Company actively participates in the investigation by providing all the necessary information.

From January to June of 2019, there were no occurrences of other significant risks of the Company, which are presented in detail in the annual report of 2018 ([link](#), page 26).

## INFORMATION ON THE COMPANY'S SHARE CAPITAL AND SECURITIES

### Share capital and issued securities

At the end of the reporting period (as at 30 June 2019), the Company's share capital amounted to EUR 187,920,762.41 and was divided into 648,002,629 ordinary shares with the par value of EUR 0.29 each. All shares have been fully paid

ISIN code LT0000128571. Ticker - LNR1L.

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

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

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

On 1 September 2011, the Company's shares were admitted for listing on the Baltic Main List of Nasdaq Vilnius. The Company's shares are traded on Nasdaq Vilnius Stock Exchange ("VSE").

### Structure of share capital (Based on the data as of 30 June 2019)

Class of shares	Number of shares	Par value per share, EUR	Total par value, EUR	% of authorised share 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

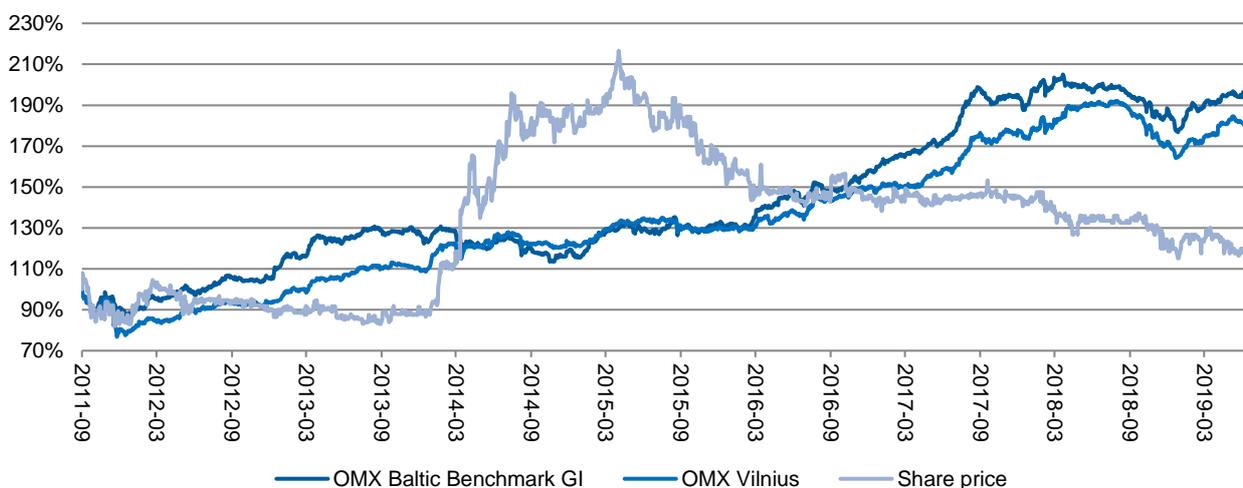
	6 month 2015	6 month 2016	6 month 2017	6 month 2018	6 month 2019	
Last trading session price, EUR	0.773	0.611	0.627	0.58	0.53	
Maximum price, EUR	0.940	0.713	0.655	0.64	0.565	
Minimum price, EUR	0.765	0.611	0.600	0.54	0.505	
Average price, EUR	0.853	0.649	0.627	0.698	0.536	
Amount, units	365,042	268,263	439,408	538,428	231,203	
Turnover, EUR M	0.31	0.17	0.28	0.32	0.12	
Capitalisation, EUR M	The Company	490.92	388.04	389.20	375.84	343.44
	Baltic Main List	4,731,07	4,712,59	5,223,61	6,047,81	5,422,56



Figure 7  
The Company's share price and turnover dynamics between the trading start date and the end of the reporting period



Figure 8  
Dynamics of the Company's share price, OMX Vilnius and OMX Baltic Benchmark Indices



## Shareholder structure

As at 31 December 2018, in total, the Company had 5,886 shareholders.

On 19 July 2019, on the reporting date of the General Meeting of the Shareholders, the total number of the Company's shareholders was 5,875.

### Shareholders holding more than 5% of the Company's shares (as at 30 June 2019)

Shareholder's Name	Class of shares	Number of shares	Portion of authorised share capital (%)	Portion of shares with voting rights (%)
<b>Lietuvos Energija, UAB</b> Company code – 301844044 Žvejų str. 14, 09310 Vilnius	Ordinary registered shares	627,372,769	96.82	96.82
Other shareholders	Ordinary registered shares	20,629,860	3.18	3.18
<b>TOTAL</b>	Ordinary registered shares	648,002,629	100	100

### 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 av. 12, LT-01103 Vilnius,  
Tel. 1528 or +370 5 268 2800.

### Dividends and dividend policy

The **dividend policy** of Lietuvos Energija Group was approved in 2016, which also applies to the Company and is published on the Company's website under the section "For investors".

**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 almost EUR 6,48 million in dividends for the six-month period ended on 31 December 2018. EUR 0.01 014 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.

The Company's net profit from continuing operations in 2018 was EUR 29.64 million, and accordingly, the indicator of dividends paid for this period/ net profit was 0.72.

## CORPORATE SOCIAL RESPONSIBILITY

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, Lietuvos Energijos Gamyba follows the Social Responsibility Policy approved for the Lietuvos Energija group. This document defines the general principles of responsible operation and provisions to be followed when creating a culture and practice of socially responsible business developed in a sustainable manner.

The Company makes social responsibility purposeful by pursuing target-oriented and consistent activities in the following areas:

- relationship with employees,
- relationship with the public,
- environment protection,
- activity in the market.

The Company follows the Ten Principles of the UN Global Compact defining the responsibilities of businesses in the areas of human rights, employee welfare, environment protection, anti-corruption, and aims at reducing its impact on environment, community, other businesses, taking part in resolving economic, social and environmental issues by common effort, and contributing to community development and economic growth. These generally accepted guidelines of responsible behaviour serve as clear and strong reference for the Company in developing its activities in a socially responsible manner.

The Company kindly and free of charge accepts tours to their managed objects as follows: KCB, Kruonis PSHP and Kaunas HPP. In this manner, the Company aims to contribute to the society and especially education of energetics provided to youngsters. From January to June of 2019, more than 900 visitors visited from various entities, schools, other institutions. Within the aforementioned period, most tours took place in Kruonis PSHP.

The Company's employees are encouraged to share their experience with the society. This year, on Energetics Day, for the second time an initiative took place, when the employees of the group visited various Lithuanian schools and presented the profession of energetic and an effective use of energy to more than a thousand of students. In total, Lietuvos Energijos Gamyba employees visited approximately 10 schools.

### Environmental Protection

The Company is committed to protecting the environment in its operations, sparingly using the natural resources, introducing advanced, efficient and environmentally friendly technologies, complying with the environmental laws and regulations, and implementing preventive measures to reduce the adverse impact upon the environment in a professional manner.

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 Reservoir and the Nemunas

River downstream the Kaunas 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 of units are organized by means of video conferences in order to reduce both transport costs and environmental pollution. Sparing use and sorting of electronic equipment and paper used for operations is encouraged at the Company so 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 company's approved resource saving plan, actions are being taken to reduce the need for self-managed resources.

### Compliance with the environmental management standard

The Company complies with environmental management standard ISO 14001:2015. This globally recognized certificate indicates that the Company meets the requirements for the identification, monitoring, management and improvement of the main environmental protection aspects. The certificate is valid for the products and services provided by the Company's power plants in Elektrėnai, Kruonis and Kaunas. This means that the strict global environmental requirements are met by each of the power plant operations, such as 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.

Integrated pollution prevention and control requirements are met by air, surface water, underground water, soil pollution monitoring and safety measures.

In May 2019, a major repair of domestic wastewater treatment plants has been performed in Kruonis PSHP and aeration system has been updated. After the repair, wastewater will be treated even more effectively.

### Recycling

Recycling bins and special containers for old batteries and minor electronic equipment have been installed at the Company's divisions in Elektrėnai, Kruonis and Kaunas as well at the offices in Vilnius. A modern recycling yard at Elektrėnai Complex enables to recycle 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.

From January to June of 2019, at the power plants managed by the Company, 59 tons of hazardous waste, more than 4.051 tons of non-hazardous waste were transferred, approximately 2.725 tons of ferrous and approximately 118 tons of non-ferrous metals were sold. 47 tons of household waste were collected.

## THE COMPANY AND ITS MANAGEMENT BODIES

### Information about the Company and its contact details

<b>Name</b>	Lietuvos Energijos Gamyba, AB (until 5 August 2013, Lietuvos Energija, AB)
<b>Legal form</b>	Public company; private legal person with limited civil liability
<b>Registration date and place</b>	20 July 2011, Register of Legal Persons of the Republic of Lithuania
<b>Company code</b>	302648707
<b>Address of the registered office</b>	Elektrinės str. 21, LT-26108 Elektrėnai
<b>Telephone</b>	+370 5 278 2907
<b>Fax</b>	+370 5 278 2906
<b>E-mail</b>	<a href="mailto:info@le.lt">info@le.lt</a>
<b>Website</b>	<a href="http://www.gamyba.le.lt">www.gamyba.le.lt</a>

### Nature of the Company's principal activity

Energy generation and supply. The Company has the right to 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;
- Kruonis Pumped Storage Hydroelectric Plant;
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant;
- Vilnius Third Combined Heat and Power Plant (since 31 March 2018).

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

### Information about the Company's branches and representative offices

The Company has no branches or representative offices.

### Subsidiaries and associates

The Company belongs to Lietuvos Energija, 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 Lietuvos Energija, UAB, holds 96.82% of the Company's shares.

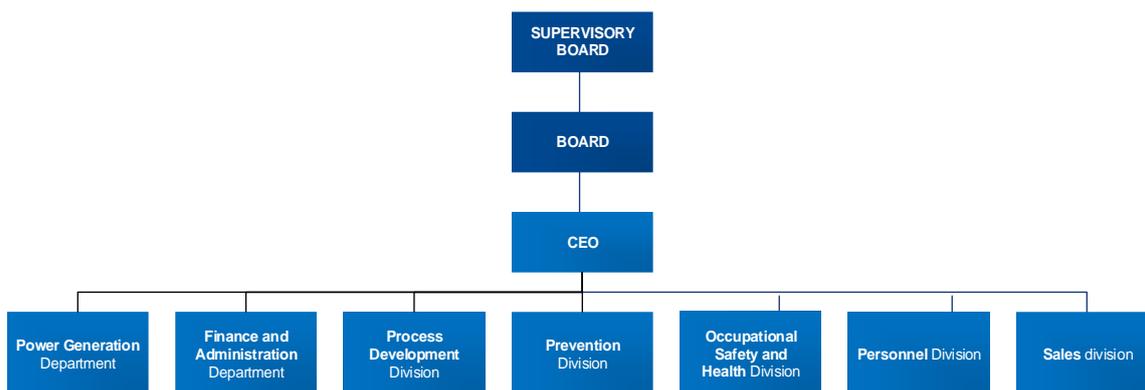
As at the reporting date, the Company had no subsidiaries and had ownership interest jointly with other entities in the following entities: Verslo aptarnavimo centras, UAB, Technologijų ir inovacijų centras, UAB and an entity Geoterma, UAB, which is undergoing bankruptcy (see the table below).

	<b>Technologijų ir Inovacijų Centras UAB</b>	<b>Verslo Aptarnavimo Centras UAB</b>	<b>Geoterma UAB (under bankruptcy)</b>
<b>Name</b>	A. Juozapavičiaus g. 13, Vilnius, Lithuania	P. Lukšio g. 5B, Vilnius, Lithuania	Lypkių g. 17, Klaipėda, Lithuania
<b>Registration date</b>	4 December 2013	30 July 2014	1 March 1996
<b>Company code</b>	303200016	303359627	123540818
<b>Contacts</b>	+370 5 278 2272, <a href="mailto:info@etic.lt">info@etic.lt</a>	+370 5 259 4400, <a href="mailto:vac@le.lt">vac@le.lt</a>	+370 46 326 163, <a href="mailto:info@geoterma.lt">info@geoterma.lt</a>
<b>Website</b>	<a href="http://www.etic.lt">www.etic.lt</a>	<a href="http://vac.le.lt">http://vac.le.lt</a>	<a href="http://www.geoterma.lt">www.geoterma.lt</a>
<b>Ownership interest</b>	20.26%	15%	23.44%
<b>Main activities</b>	Provision of information technology and telecommunication services to energy companies.	Organization and execution of public procurement, provision of accounting, labor relations administration, customer service, human resources administration, legal services, operational efficiency consulting and training.	Gheothermal heating plant.

### Information on major related party transactions

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

Figure 9  
Structure of the Company (as at 30 June 2019)



\* After the end of the reporting period, on 15 July 2019, the structure was changed: Sales Division eliminated and Business Development Department established..

### Information about the Company's management bodies

Based on the Articles of Association effective as at 30 June 2019, the management bodies of the Company include as follows:

- 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](#)".

Information on election of management bodies and compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius is made available together with the Annual Report. Changes related to the Company's management bodies adopted during the reporting period are detailed below.

### The General Meeting of Shareholders

Four General Meetings of Shareholders of the Company were held from 1 January, 2019 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 adopted the resolution to elect Mr. Edvardas Jatautas as an independent member of the Supervisory board of the Company. Mr. Jatautas started his activities upon the end of the General Meeting of Shareholders that elected him.
4. On 27 August 2019, the Extraordinary General Meeting of Shareholders of the Company adopted the resolution to change the name of the Company to AB Ignitis Gamyba and approved the new wording of the Articles of Association of the Company.

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 section "[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 Chairman of the Supervisory Board is elected by the members of the Supervisory Board from among themselves.

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

- On 12 March, 2019, the Company received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, 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.
- During the reporting period, no new member of the Supervisory Board of the Company was elected. After the reporting period, Mr. Edvardas Jatautas has been elected

as an independent member of the Supervisory board of the Company

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

Overall 9 meetings of the Supervisory Board were held from January to June of 2019. All of them were attended by all members of the Supervisory Board who were elected at that time.

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)**

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)
<b>Dominykas Tučkus</b> Chairman	26 March 2018 – 25 March 2022		<ul style="list-style-type: none"> <li>Lietuvos Energija UAB, Member of the Board, Director for Infrastructure and Development.</li> <li>LITGAS UAB, Chairman of the Board (until 1 January 2019).</li> <li>Lietuvos Energijos Tiekimas UAB, Chairman of the Board (until August 28, 2018), Member of the Board (from August 28, 2018).</li> <li>Energijos Tiekimas UAB, Chairman of the Board (until June 14, 2018), Member of the Board (from June 14, 2018).</li> <li>Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board.</li> <li>Eurakras UAB, Chairman of the Board</li> <li>Tuulueenergija OU, Chairman of the Board</li> <li>Vilnius Third Combined Heat and Power Plant, Member of the Board (from March 19, 2018).</li> <li>Lietuvos Energija Renewables UAB, Member of the Board (since January 3, 2019).</li> <li>KŪB Smart Energy Fund powered by Lietuvos Energija, Member of the Advisory Committee.</li> </ul>	–
<b>Živilė Skibarkienė</b> Member	26 March 2018 – 25 March 2022	–	<ul style="list-style-type: none"> <li>Lietuvos Energija, UAB, Member of the Board, Director for Organizational Development.</li> <li>Verslo Aptarnavimo Centras, UAB, Member of the Board (since April 4, 2018, Chairwoman since September 26, 2018).</li> <li>Technologijų Ir Inovacijų Centras, UAB, Chairwoman of the Board (until September 26, 2018).</li> <li>Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (from December 10, 2018).</li> </ul>	–
<b>Rimgaudas Kalvaitis</b> Independent Member	26 March 2018 – 27 March 2019	–	<ul style="list-style-type: none"> <li>Technology Competence Center, UAB, Director (until 27 March 2019).</li> <li>Lietuvos Radijo ir Televizijos Centras, UAB, Independent Member of the Board (until October 2018).</li> <li>Luno, UAB, consultant (until 27 March 2019).</li> </ul>	–

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

Based on Articles 21 and 25 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 period of his activities (until 27 March, 2019), the independent member received a monthly remuneration of EUR 771 (before taxes) for the activities carried out in the Supervisory Board. No other payments were made.

## The Company's Board

The Board is a collegial management body of the Company, elected by the Supervisory Board. The Board reports to the Supervisory Board and the General Meeting of Shareholders. The Board elects its Chairman from among its members.

### 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 from 21 January, 2019. E. Čiužaitė also resigned from the position of Chairwoman of the Board from 21 January, 2019.
- The Company initiated a public selection of a new CEO. 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 Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, 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 end of term of office of the current Board of the Company expected as at the date of publication of this report is 2 April 2022.

Overall 16 meetings of the Board were held from January to June of 2019. All of them were attended by all elected members of the Board.

The table below presents more detailed information on the members of the Board of the Company; the description of their education and professional experience is available on the Company's website, under the section "[Company Management](#)".

### Members of the Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)	Monthly remuneration for the activities of the member of the Board (before taxes, EUR)
<b>Eglė Čiužaitė</b> Chairwoman of the Board, CEO	3 April 2018 – 21 January 2019*	–	<ul style="list-style-type: none"> <li>- Geoterma UAB (Lypkių str. 53, Klaipėda, Lithuania, c. c. 123540818), Member of the Board (until 23 March 2018)</li> <li>- Sponsorship Foundation of Lietuvos Energija (Žvejų str. 14, Vilnius, Lithuania, c. c. 303416124), Member of the Board.</li> <li>- Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 303200016), Member of the Board. (until January 21, 2019).</li> </ul>	–	981
<b>Darius Kucinas</b> Member of the Board, Director of Power Generation	3 April 2018 – 2 April 2022	–	–	–	1,300
<b>Mindaugas Kvekšas</b> Member of the Board, Director of Finance and Administration	3 April 2018 – 2 April 2022	–	<ul style="list-style-type: none"> <li>- Verslo Aptarnavimo Centras UAB (P. Lukšio str. 5B, Vilnius, Lithuania, c. c. 303359627), Member of the Board</li> <li>- Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 3030200016), Member of the Board</li> </ul>	–	1,300

**Rimgaudas Kalvaitis**

Chairman of the Board, CEO	27 March 2019 – 2 April 2022	–	–	–	1,815
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**The Company's Management**

The Chief Executive Officer is a one-man management body of the Company. The Chief Executive Officer organises and directs operations of the Company, acts on its behalf, and has the right to conclude transactions single-handedly, except for the cases established in the Articles of Association and prescribed by law. The scope of competence and the procedure for election and re-election of the Chief Executive Officer are prescribed by law, other legal acts and the Articles of Association of the Company.

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

	Fixed monthly remuneration (average, before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)
To the CEO Eglė Čiužaitė (in office until 21 January, 2019)	6,059	2,741
To the acting CEO Darius Kucinas (in office from 22 January, 2019 to 27 March, 2019)	4,137	–
To the CEO Rimgaudas Kalvaitis	5,500	–
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. From January to June 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 Lietuvos Energija group of companies. They have the competence to submit conclusions, opinions and suggestions to the Supervisory Board of Lietuvos Energija. 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 term of office of four years. The activities of the committees apply to Lietuvos Energija and its directly and indirectly controlled subsidiaries, including the Company, as well as other legal persons with different legal status, over which Lietuvos Energija directly or indirectly may have significant influence.

The following committees of the Supervisory Board are operating in Lietuvos Energija:

- The **Audit committee** is responsible for submission of objective and impartial conclusions and suggestions regarding audit, transactions with related parties, 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 **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 **Nomination and remuneration committee** is responsible for submission of conclusions and suggestions about nomination, revocation of the management and supervisory bodies of the group 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 the respective opinion. The committee's functions also cover formation of general 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 on ad hoc basis (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.).

As at the date of publication of this report, the committees of Risk management and business ethics supervision, Audit, and Nomination and remuneration were operating in Lietuvos Energija.

### 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	Name of employer, job position
<b>Andrius Pranckevičius</b> Chairperson Independent member	–	April 2018– April 2020	- AB „Linas Agro Group“ Deputy General Manager and Member of the Board; - PF Kekava CEO and Member of the Board
<b>Darius Daubaras</b> Independent member	–	April 2018– April 2020	- Saudi Aramco (oil and gas industry company), Finance and Project Development Department, Senior Adviser
<b>Šarūnas Rameikis</b> Independent member	–	April 2018– April 2020	- R.Mištauto ir T.Milickio Law Firm „Konsus“, Lawyer

The term of office of the incumbent Risk Management and Business Ethics Supervision Committee will end on 23 April, 2022. Overall 9 meetings of the Risk Management and Business Ethics Supervision Committee were held in the reporting period.

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

Committee member	Number of shares held at the Company (%)	Term of office	Name of employer, job position
<b>Irena Petruškevičienė</b> Chairperson Independent member	–	October 2017 – October 2021	- The Authority of Audit, Accounting, Property Valuation and Insolvency Management, Member of Audit Supervision Committee. - European Stability Mechanism (ESM), Member of Auditors Board. - Lietuvos Geležinkeliai, AB, Member of the Audit Committee. - MAXIMA GRUPĖ, UAB, Member of the Audit Committee.
<b>Danielius Merkinas</b> Independent member	–	October 2017– October 2021	- NNT Termo, UAB, CEO, Chairman of the Board. - NNL 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
<b>Aušra Vičkačkienė</b> Member	–	October 2017– October 2021	- Lithuanian Ministry of Finance, Asset Management Department, Director
<b>Ingrida Muckutė</b> Member (since 23 March, 2018)	–	March 2018– October 2021	- The Ministry of Finance of the Republic of Lithuania, Head of Reporting, Audit, Property Valuation and Insolvency Management Division
<b>Šarūnas Radavičius</b> Independent member (since 23 March, 2018)	–	March 2018– October 2021	

The term of office of the incumbent Audit Committee will end on 12 October 2021. Overall 9 meetings of the Audit Committee were held in in the reporting period.

### 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	Name of employer, job position
<b>Daiva Lubinskaitė-Trainauskienė</b> Chairperson Independent Member	–	September 2017 - September 2021	- UAB „Thermo Fisher Scientific Baltics“ Director of Human Resources - Personnel Management Professionals Association, Member of the Management Board
<b>Aušra Vičkačkienė</b> Member	–	September 2017 - September 2021	- Lithuanian Ministry of Finance, State Asset Management Department, Director
<b>Daiva Kamarauskienė</b> Member	–	March 2019 - September 2021	- Lithuanian Ministry of Finance, Budget Department, Director
<b>Lėda Turai-Petrauskienė</b> Independent Member	–	March 2018 - September 2021	- L-CON Global UAB, leadership training partner, shareholder

The term of office of the incumbent Nomination and Remuneration Committee will end on 21 September 2021. Overall 7 meetings of the Nomination and Remuneration Committee were held in the reporting period.

## The Company's employees

As at 30 June 2019, the Company had 354 employees (including those on child care leave), as at 31 December 2018, the Company had 372 employees. The number of employees has changed as some of the employees have retired and left the Company due to this or other reasons.

Men account for 86% and women account for 14% of the Company's employees. 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 50% of all employees of the Company. About 12% of the Company's

employees are aged between 25 and 34 years. Average age of the employees of the Company is almost 49 years, average experience at the Company is 21 years.

62% of Company's employees were specialists and middle-level managers, 37% were workers, and 1% were top level managers (all managers make up approximately 10%).

Almost 55% of the Company's employees have higher education, 37% have vocational education, and 8% have secondary education.

Around 88% of the employees work in production division and approximately 12% of employees work in supporting divisions.

## Remuneration and performance management

Based on the Company's remuneration system, employees receive 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. A variable pay depends upon measurable performance results, i.e. achievement of targets or performance indicators established in respect of each job position.

The Company's employees may receive additional monetary benefits, such as extra pay for work at night, overtime work, one-off extra pay for additional work load, for exceptional performance results, innovative ideas or suggestions for improvement and their implementation, as well as social care, material support, additional paid leave, additional benefits to employees, such as health insurance or pension accumulation financed by the employer. Additional non-monetary benefits and value created to employees 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, incentives for the best employees, etc.

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 the management member and the 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 particular employee's development measures to be taken in the upcoming year, as well as career expectations.

Breakdown of headcount by category of employees and average work pay are given in the table below. The work pay amounts include fixed pay, variable pay and extra pays for exceptional performance results, for work during personal or public holidays, overtime work or work at night.

## Breakdown of headcount by category of employees and average work pay

	<b>Breakdown of headcount by category of employees as at 30 June 2019</b>	<b>Average work pay from January to June of 2019, EUR**</b>
CEO*	1	7,823
Top level management	3	5,998
Middle-level management	32	3,182
Experts, specialists	189	2,014
Workers	129	1,376
<b>Total</b>	<b>354</b>	<b>1,940</b>

\* This table presents average work pay, calculated including all payments by job position i.e. it is not the work pay for a particular employee but the average work pay for each job position. It must be noted that from January to June of 2019 there were three CEOs in LEG, they have been remunerated with the amounts presented in the table above.

\*\* Compared to data on average work pay published in the previous reports, an increase in average work pay can be observed in all categories of employees. Such increase was driven by payment of annual variable part (AVP). The Company's workers receive AVP on a monthly basis, whereas employees of other categories receive AVP on a quarterly or annual basis (in the second quarter). A similar trend of average work pay statistics is observed at the Company on a year-by-year basis.

### **Carreer opportunities**

Voluntary turnover of the Company's employees is quite low – about 1.7%. When a vacancy occurs, recruitment is announced to all the open job positions. Internal candidates are given preference to. If there are no suitable candidates within the Company or Lietuvos Energijos group entities, the recruitment is continued outside the Company. Search for

employees on the basis of internal rotation principle during 2019 resulted in promotion of 6 employees (vertical career). As a result of improvement of career opportunities for employees and encouragement of their mobility between the group entities, 6 employees moved to other group entities

### **Organisational culture, development of competences, professional training**

In view of the identified performance goals, competence assessments and need for further improvement, the Company provides opportunities for its employees to engage consistently in their personal growth by developing their professional, soft and management skills. As a result of professional training, employees refreshen their knowledge required to fulfil

their job duties and obtain the necessary certificates of professional qualification and attestations. Employees attended various seminars, internal training courses and external conferences to find out about the latest developments, innovations and best practices in their respective fields of work. From January to June of 2019, 128 employees of the Company participated in professional trainings.

### **Collective agreement, trade unions**

There are four trade unions at the Company, which are joined by 226 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 Com-

pany'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. In 2018, a new joint package of additional benefits for the entire Lietuvos Energija group came into force.

## KEY EVENTS IN THE COMPANY'S ACTIVITY

### 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 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.

## Notifications on materials events during the reporting period

7/01/2019	<u>Regarding the resignation of Eglė Čiužaitė, Chairwoman of the Board and CEO of Lietuvos Energijos Gamyba</u>
11/01/2019	<u>On adopted Resolution of the Court</u>
31/01/2019	<u>Regarding the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
31/01/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 12 months of 2018</u>
12/02/2019	<u>Regarding the financial reparation received by Lietuvos Energijos Gamyba</u>
25/02/2019	<u>Regarding the decisions of the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba, AB</u>
28/02/2019	<u>Interim information of Lietuvos Energijos Gamyba for the twelve-month period of 2018: good financial results and a new strategy</u>
28/02/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for the 1st month of 2019</u>
12/03/2019	<u>Regarding the nomination of the Chief Executive Officer of Lietuvos Energijos Gamyba, AB</u>
15/03/2019	<u>Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
27/03/2019	<u>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</u>
28/03/2019	<u>Regarding the resolutions of Lietuvos Energijos Gamyba, AB Supervisory Board</u>
29/03/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 2 months of 2019</u>
12/04/2019	<u>Regarding the resolutions of Ordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>
12/04/2019	<u>Regarding the Lietuvos Energijos Gamyba, AB, Annual Information 2018</u>
24/04/2019	<u>A notice of the new trademark applications</u>
30/04/2019	<u>Results of Lietuvos Energijos Gamyba for January-March 2019: stable profitability indicators and preparation for important projects</u>
31/05/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 4 months of 2019</u>
03/06/2019	<u>Regarding the investigation of the European Commission</u>
28/06/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 5 months of 2019</u>

## Notifications on materials events after the end of the reporting period

01/07/2019	<u>Regarding the agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
26/07/2019	<u>Regarding the resolutions of the Extraordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>
31/07/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 6 months of 2019</u>
05/08/2019	<u>Regarding the agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
27/08/2019	<u>Regarding the resolutions of the Extraordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>

# 2019

## LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED 30 JUNE 2019, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



GAMYBA



Group of energy  
companies

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Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės str. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**30 June 2019**

All amounts are presented in EUR thousand unless otherwise stated

	Notes	30/06/2019	31/12/2018 (restated*)	01/01/2018 (restated*)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	6	54,609	48,597	15,238
Property, plant and equipment	7	463,065	476,271	496,818
Investments in associates	10	1,931	1,588	1,535
Other non-current assets		5,087	5,087	3,236
Investment property	9	3,818	4,212	-
Other financial assets		192	232	1,799
Right-of-use assets	8	6,180	-	-
<b>Total non-current assets</b>		<b>534,882</b>	<b>535,987</b>	<b>518,626</b>
<b>Current assets</b>				
Inventories		1,253	3,370	5,580
Prepayments		6,669	3,698	3,479
Receivables from contracts with customers		12,010	12,037	17,216
Other financial assets		5,235	3,787	15,468
Loans granted	11	49,971	49,950	14,930
Cash and cash equivalents		66,136	47,885	60,700
<b>Total current assets</b>		<b>141,274</b>	<b>120,727</b>	<b>117,373</b>
<b>TOTAL ASSETS</b>		<b>676,156</b>	<b>656,714</b>	<b>635,999</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	12	187,921	187,921	184,174
Share premium		89,975	89,975	85,660
Legal reserve		15,379	13,897	12,871
Revaluation reserve		22,742	20,659	2,289
Retained earnings		100,641	79,360	69,036
<b>Total equity</b>		<b>416,658</b>	<b>391,812</b>	<b>354,030</b>
<b>Non-current liabilities</b>				
Borrowings	14	23,526	33,619	34,039
Lease liabilities	15	5,633	34	172
Grants	16	170,941	171,039	177,875
Provisions	17	3,782	5,598	5,034
Other non-current payables and liabilities		1,098	1,141	1,159
Deferred income tax liabilities		25,165	24,574	17,508
<b>Total non-current liabilities</b>		<b>230,145</b>	<b>236,005</b>	<b>235,787</b>
<b>Current liabilities</b>				
Borrowings	14	4,417	4,417	21,208
Lease liabilities	15	259	138	138
Trade payables		9,800	13,425	17,380
Contract liabilities		122	1,003	1,135
Income tax payable		4,920	2,236	2,916
Provisions	17	5,343	4,509	528
Other payables and liabilities		4,492	3,169	2,877
<b>Total current liabilities</b>		<b>29,353</b>	<b>28,897</b>	<b>46,182</b>
<b>Total liabilities</b>		<b>259,498</b>	<b>264,902</b>	<b>281,969</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>676,156</b>	<b>656,714</b>	<b>635,999</b>

\* Part of amounts does not agree with financial statements of 2018 due to corrections disclosed in Note 4

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės str. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
For the six-month period ended 30 June 2019

All amounts are presented in EUR thousand unless otherwise stated

	Notes	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018 (restated*)
<b>Revenue and other income</b>			
Revenue from contracts with customers	18	66,241	63,287
Other income	20	10,140	330
		<b>76,381</b>	<b>63,617</b>
<b>Operating expenses</b>			
Purchases of electricity or related services		(9,554)	(12,004)
Gas, biofuel and heavy fuel expenses		(12,059)	(13,482)
Cost of Inventory sold		(2,445)	-
Depreciation and amortisation	6,7,8,16	(9,121)	(9,336)
Wages, salaries and related expenses		(4,427)	(4,375)
Repair and maintenance expenses		(2,626)	(1,264)
Emission rights downwards revaluation and utilization (expenses)/income		(432)	5,518
Other non-current assets impairment (expenses)/income		-	2,744
Inventory write-down (allowance)/reversal		(8)	(240)
(Impairment)/reversal of property, plant and equipment		(294)	22
Other expenses	23	(1,797)	(2,712)
<b>Total operating expenses</b>		<b>(42,763)</b>	<b>(35,129)</b>
<b>OPERATING PROFIT</b>		<b>33,618</b>	<b>28,488</b>
Financial income (expenses):			
Financial income		140	61
Financial (expenses)		(348)	(281)
		<b>(208)</b>	<b>(220)</b>
Share of results of operations of associates	10	166	71
<b>PROFIT BEFORE TAX</b>		<b>33,576</b>	<b>28,339</b>
Income tax and deferred income tax expenses		(5,151)	(4,732)
<b>NET PROFIT FOR THE PERIOD</b>		<b>28,425</b>	<b>23,607</b>
Other comprehensive income (loss) that will not be reclassified to profit (loss)		2,902	5,889
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>31,327</b>	<b>29,496</b>
<b>Basic and diluted earnings per share (EUR)</b>		<b>0.044</b>	<b>0.037</b>
<b>Weighted average number of shares</b>		<b>648,002,629</b>	<b>640,865,052</b>

\* Part of amounts does not agree with condensed interim financial information of 2018 due to corrections disclosed in Note 4

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės str. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
For the three-month period ended 30 June 2019

All amounts are presented in EUR thousand unless otherwise stated

	01/04/2019- 30/06/2019	01/04/2018- 30/06/2018 (restated*)
<b>Revenue and other income</b>		
Revenue from contracts with customers	30,259	29,220
Other income	634	239
	<u>30,893</u>	<u>29,459</u>
<b>Operating expenses</b>		
Purchases of electricity or related services	(4,287)	(5,185)
Gas, biofuel and heavy fuel expenses	(5,334)	(6,053)
Depreciation and amortisation	(4,477)	(4,831)
Wages, salaries and related expenses	(2,286)	(2,205)
Emission rights downwards revaluation and utilization (expenses)/income	(975)	(663)
Emission allowance revaluation and use (expenses)/income	(434)	1,411
Other non-current assets impairment (expenses)/income	-	680
Inventory write-down (allowance)/reversal	(16)	(14)
(Impairment)/reversal of property, plant and equipment	(106)	11
Other expenses	(757)	(1,381)
<b>Total operating expenses</b>	<u>(18,672)</u>	<u>(18,230)</u>
<b>OPERATING PROFIT</b>	<b>12,221</b>	<b>11,229</b>
Financial income (expenses):		
Financial income	74	31
Financial (expenses)	(177)	(136)
	<u>(103)</u>	<u>(105)</u>
Share of results of operations of associates	78	(28)
<b>PROFIT BEFORE TAX</b>	<b>12,196</b>	<b>11,096</b>
Income tax and deferred income tax expenses	(2,399)	(2,174)
<b>NET PROFIT FOR THE PERIOD</b>	<u><b>9,797</b></u>	<u><b>8,922</b></u>
Other comprehensive income (loss) that will not be reclassified to profit (loss)	8,200	1,637
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>17,997</b></u>	<u><b>10,559</b></u>
<b>Basic and diluted earnings per share (EUR)</b>	<b>0.015</b>	<b>0.014</b>
<b>Weighted average number of shares</b>	<b>648,002,629</b>	<b>646,582,957</b>

\* Part of amounts does not agree with condensed interim financial information of 2018 due to corrections disclosed in Note 4

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės str. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the six-month period ended 30 June 2019

All amounts are presented in EUR thousand unless otherwise stated

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings (restated*)	Total equity (restated*)
<b>Balance as at 1 January 2018</b>	<b>184,174</b>	<b>85,660</b>	<b>2,289</b>	<b>12,871</b>	<b>68,880</b>	<b>353,874</b>
Corrections* (Note 4)	-	-	-	-	156	156
Impact of changes in accounting policy due to application of new IFRS	-	-	-	-	(21)	(21)
<b>Restated balance as at 1 January 2018 (restated*)</b>	<b>184,174</b>	<b>85,660</b>	<b>2,289</b>	<b>12,871</b>	<b>(69,015)</b>	<b>354,009</b>
Revaluation of emission allowances**	-	-	5,889	-	-	5,889
Net profit for the reporting period (restated*)	-	-	-	-	23,607	23,607
<b>Total comprehensive income for the period</b>	-	-	<b>5,889</b>	-	<b>23,607</b>	<b>29,496</b>
Increase in share capital (Note 12)	3,747	4,315	-	-	-	8,062
Legal reserve	-	-	-	1,026	(1,026)	-
Emission allowances utilised	-	-	(473)	-	473	-
Depreciation of revaluation reserve	-	-	(15)	-	15	-
Dividends (Note 13)	-	-	-	-	(8,891)	(8,891)
<b>Balance as at 30 June 2018 (restated*)</b>	<b>187,921</b>	<b>89,975</b>	<b>7,690</b>	<b>13,897</b>	<b>83,193</b>	<b>382,676</b>
<b>Balance as at 1 January 2019</b>	<b>187,921</b>	<b>89,975</b>	<b>20,659</b>	<b>13,897</b>	<b>74,184</b>	<b>386,636</b>
Corrections* (Note 4)	-	-	-	-	5,175	5,175
<b>Restated balance as at 1 January 2019 (restated*)</b>	<b>187,921</b>	<b>89,975</b>	<b>20,659</b>	<b>13,897</b>	<b>79,359</b>	<b>391,811</b>
Revaluation of emission allowances**	-	-	2,902	-	-	2,902
Net profit for the reporting period	-	-	-	-	28,425	28,425
<b>Total comprehensive income for the period</b>	-	-	<b>2,902</b>	-	<b>28,425</b>	<b>31,327</b>
Legal reserve	-	-	-	1,482	(1,482)	-
Emission allowances utilised	-	-	(812)	-	812	-
Depreciation of revaluation reserve	-	-	(7)	-	7	-
Dividends (Note 13)	-	-	-	-	(6,480)	(6,480)
<b>Balance as at 30 June 2019</b>	<b>187,921</b>	<b>89,975</b>	<b>22,742</b>	<b>15,379</b>	<b>100,641</b>	<b>416,658</b>

\* Part of amounts does not agree with condensed interim financial information of 2018 and 2017 due to corrections disclosed in Note 4

\*\*The market prices of emission allowances as at 01/01/2018 – 7,77 EUR/unit; 30/06/2018 – 14,95 EUR/unit; 30/06/2019 – 26,24 EUR/unit. The market price volatility is the main reason relate to the significant change of emission allowance revaluation effect. The amounts are recognized net-off deferred tax liability related to the revaluation reserve, the downwards revaluation (if such) is recorded directly to the statement of comprehensive income as described in Note 6.

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės str. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
For the six-month period ended 30 June 2019

All amounts are presented in EUR thousand unless otherwise stated

	Notes	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018 (restated*)
Net profit		28,425	23,607
<b>Reversal of non-cash expenses (income) and other adjustments:</b>			
Depreciation and amortisation expenses	6,7,8	13,308	13,637
Loss from impairment of property, plant and equipment (reversal of impairment)	7	450	(22)
Revaluation result of property, plant and equipment	7	(96)	-
Impairment (reversal) of inventory		8	240
Expenses (income) of revaluation of emission allowances		247	(8,357)
Other impairments		(1,117)	(142)
Share of (profit) of associates	10	(166)	(71)
Income tax expenses		4,843	2,441
Change in deferred income tax liability		308	2,292
Depreciation of grants	16	(4,187)	(4,300)
Increase (decrease) in provisions		(130)	(1,833)
(Gain) loss on disposal/write-off of non-current assets (other than financial assets)		16	928
Elimination of results of financing and investing activities:			
- Interest (income)		(140)	(60)
- Interest expenses		342	275
- Other (income) expenses from financial activity		6	4
<b>Changes in working capital</b>			
(Increase) decrease in trade receivables and other receivables		(2,524)	11,631
(Increase) decrease in inventories and prepayments		(932)	(77)
Increase (decrease) in payables and contract liabilities		(5,327)	(8,801)
Income tax (paid)		285	(2,494)
<b>Net cash flows from (to) operating activities</b>		<b>33,619</b>	<b>28,898</b>
<b>Cash flows from (to) investment activities</b>			
(Acquisition) of property, plant and equipment and intangible assets		(691)	(2,959)
Disposal of property, plant and equipment and intangible assets		214	8
Loans granted		(21)	(5,019)
Disposal of investments in associates		-	4,049**
Disposal of a part of the business		2,000***	2,000***
Interest received		140	50
Dividends received		83	70
<b>Net cash flows from (to) investment activities</b>		<b>1,725</b>	<b>(1,801)</b>
<b>Cash flows from (to) financing activities</b>			
Repaid borrowings		(10,093)	(8,606)
Financial lease payments		(172)	(74)
Interest (paid)		(348)	(275)
Dividends (paid)		(6,480)	(8,854)
<b>Net cash flows from (to) financing activities</b>		<b>(17,093)</b>	<b>(17,809)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>18,251</b>	<b>9,288</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>47,885</b>	<b>60,700</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>66,136</b>	<b>69,988</b>

\* Part of amounts does not agree with condensed interim financial information of 2018 and 2017 due to corrections disclosed in Note 4

\*\* Incoming payments for sold shares of subsidiary company NT Valdosa, UAB to parent company Lietuvos Energija, UAB based on shares sale-purchase agreement 27 April 2015;

\*\*\* Incoming payments according to 12 October 2015 commercial wholesale electricity trade business share sale agreement with Energijos Tiekimas, UAB.

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

All amounts are presented in EUR thousand unless otherwise stated

## 1 General information

Lietuvos Energijos Gamyba, AB is a public limited liability company registered in the Republic of Lithuania. Lietuvos Energijos Gamyba, AB (hereinafter "the Company") is a profit-seeking entity of limited civil liability, registered with the Register of Legal Entities managed by a public institution Centre of Registers. The Company's registration date is 20 July 2011, company code is 302648707 and VAT payer's code is LT100006256115. The Company has been established for an indefinite period. The Company's registered office address is Elektrinės str. 21, LT-26108, Elektrėnai, Lithuania.

The share capital of Lietuvos Energijos Gamyba, AB amounts to EUR 187,920,762.41 and is divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba, AB has been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 30 June 2019 and 31 December 2018, the Company had not acquired 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 indefinite permits 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 operation and maintenance of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Commission for Energy Control and Prices (hereinafter the Commission), Lietuvos Energijos Gamyba, AB obtained the licence of an independent electricity supplier.

This condensed interim financial information contains condensed interim financial information of Lietuvos Energijos Gamyba, AB as a separate entity. This condensed interim financial information has been prepared according to the requirements of Article 60 of the Lithuanian Law on Companies.

As at 30 June 2019 and 31 December 2018, the Company had no subsidiaries.

The Company is a part of the Lietuvos Energija group which is one of the largest state-owned groups of energy companies in the Baltic countries. Its parent company is Lietuvos Energija UAB, which owns 96.82% of the Company's shares.

As at 30 June 2019, the number of employees of the Company was 354 (as at 31 December 2018, 372).

## 2 Accounting policies

### 2.1 Basis of preparation of the condensed interim financial information

The Company's condensed interim financial information for the six-month period ended 30 June 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').

This condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Company's financial year coincides with the calendar year.

### 2.2 Accounting policy

Accounting policies applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements for 2018, except for the effect of other new standards presented below.

Income tax in the interim period is calculated using the tax rate that would be applicable to expected total annual profit.

#### a) New or amended standards and interpretations

During the reporting six-month period ended 30 June 2019, the Company has applied IFRS 16 *Leases* for the first time, which had significant impact on the Company's financial statements.

*IFRS 16, Leases* (effective for annual periods beginning on or after 1 January 2019). 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 financial leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees recognise: (a)

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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 income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently. The value of assets being transferred under the lease agreement and related lease liabilities must be stated in the Company's Statement of Financial Position.

As at 1 January 2019, the Company has applied a modified retrospective approach in accounting the impact of the first-time application of IFRS 16 on the financial statements.

The Company has evaluated the assets used under lease contracts and related liabilities based on IFRS 16.

As at 1 January 2019, the Company has accounted for right-of-use assets and liabilities that show impact of the first-time application of IFRS 16 on the Company's financial statements.

b) *Impact of the first-time application of the new standards on the items in the statement of Financial position*

Impact of the first-time application of IFRS 16 on the items in the statement of Financial position is presented in the table below:

	<i>EUR thousand</i>		
	As at 31 December 2018 (recognized until the adoption of IFRS 16)	IFRS 16	As at 1 January 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	446	(446)	-
Right-of-use assets	-	6,272	6,272
Total:	446	5,826	6,272
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	34	5,661	5,695
<b>Current liabilities</b>			
Lease liabilities	138	165	303
Total:	172	5,826	5,998

Impact of the first-time application of IFRS 16 to the Company's lease liabilities are presented in the table below:

	<b>1 January 2019</b>
<b>Future minimal payments for non-cancellable operating lease agreements as at 31 December 2018</b>	<b>16,583</b>
Weighted average incremental borrowing rate as at 1 January 2019	3.88 %
Calculated lease liabilities with applied interest rate as at 1 January 2019	5,838
To add: financial lease liabilities recognized as at 31 December 2018	172
To deduct: short-term lease recognized as expenses	6
To deduct: lease of low value assets, recognized as expenses	6
Lease liabilities recognized as at 1 January 2019	<b>5,998</b>
whereof:	
Short-term lease liabilities	303
Long-term lease liabilities	5,695
	<b>5,998</b>

Elected practical expedients on transition where the Company is a lessee

Where the Company is a lessee the following practical expedients are applied on transition on a lease-by-lease basis. The Company:

1. applies a single discount rate to a portfolio of leases with similar characteristics (such as leases with similar maturity, class of leased asset and economic environment);
2. does apply transitional period adjustments to leases of low value (less than or equal to EUR 4,000).
3. excludes initial direct costs from leases which previously were classified as operating leases by applying the standard at the commencement date to determine the value of the right-of-use assets;
4. uses prior period information, for example, in determining the lease term if the contract provides an option to extend or terminate the lease. Consistently with the IAS 8, prior period information is used only for accounting estimates and judgments and is therefore not applicable to areas such as changes in indices or rates.

IFRS 16 does not specify how a lessee should distinguish and allocate the lease and non-lease components in the contract during the transitional period when the retrospective method is applied. The Company has chosen to apply a practical measure by accounting for each lease component and any related non-lease component as a single lease component consistently with accounting policy of the Company.

All amounts are presented in EUR thousand unless otherwise stated

- **IFRS 9: Prepayment features with negative compensation (Amendment)**  
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 amortized cost or at fair value through other comprehensive income. Management assessed that adoption of new standard amendment for the first time had no significant effect on financial statements of the Company.
- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**  
The Amendments relate to whether the measurement, in particular impairment requirements, 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 Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. Management assessed that adoption of new standard amendment for the first time had no significant effect on financial statements of the Company.
- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**  
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that adoption of interpretation for the first time had no significant effect on financial statements of the Company.
- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**  
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management assessed that adoption of new standard amendment for the first time had no significant effect on financial statements of the Company.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.

- **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 Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard 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.

Management assessed that adoption of improvements for the first time had no significant effect on financial statements of the Company.

c) Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**  
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that adoption of new standard will have no significant effect on financial statements of the Company.
- **Conceptual Framework in IFRS standards**  
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.
- **IFRS 3: Business Combinations (Amendments)**  
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. At the moment Management is assessing the effect of new standard amendment on financial statements of the Company.

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- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. At the moment Management is assessing the effect of new standard amendment on financial statements of the Company.

The management of the Company does not believe that other new and amended standards and their interpretations which the Company is required to apply from 1 January 2019 will have a material effect on financial statements of the Company.

## 2.3 Right-of-use assets

Right-of-use asset is an asset that shows the Company's right to use the leased asset within the lease period. Since 1 January 2019, the Company recognises right-of-use assets for all leases, including the subleases of right-of-use assets, except for leases of intangible assets, short-term leases and low-value leases.

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

At the commencement date, a lessee measures the right-of-use asset at cost. The cost of the right-of-use asset shall comprise of the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee 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 the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises such costs as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

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

After the commencement date, the Company measures the right-of-use asset applying a cost model. Applying the cost model, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The Company applies the depreciation requirements in IAS 16 Property, Plant and Equipment in calculating the depreciation of the right-of-use asset.

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

## 2.4 Lease liabilities

### Initial measurement of lease liabilities

At the commencement date, the Company measures the 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 that rate cannot be readily determined, the Company uses the lessee's 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 Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee 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.

### Subsequent measurement of lease liabilities

After the commencement date, the Company measures 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.

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Interest on the lease liability in each period during the lease term is 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 recognises 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.

#### Reassessment of lease liabilities

After the commencement date, the Company remeasures the lease liability 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, the Company recognises 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 based on the revised lease term, or if there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option. The Company determines the revised lease payments to reflect the change in amounts payable under the purchase option.

If the lease terms have changed or if the assessment of an option to purchase an asset changes, the Company determines the revised discount rate as the interest rate implicit in the lease for the remainder of the 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, if either:

- there is a change in the amounts expected to be payable by the Company 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.

In discounting the revised lease payments, the Company uses an unchanged discount rate, unless the change in lease payments results from a change in variable interest rates. In that case, the Company uses a revised discount rate that reflects changes in the interest rate.

#### Lease modifications

The Company 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 stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone 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 does the following:

- 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 separately from other liabilities in the statement of financial position. Interest expenses of a lease liability is presented separately from the depreciation of right-of-use assets. Interest expenses of a lease liability are a component of financial costs, presented in the statement of comprehensive income.

All amounts are presented in EUR thousand unless otherwise stated

### 3 Significant accounting estimates and judgements

The preparation of the condensed interim financial information in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and disclosure of 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 (except those disclosed in Note 4) regarding the application of the accounting policies and the main sources of uncertainties in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018.

#### Impairment of property, plant and equipment

At least once a year the Company assesses 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 impaired. If any such indication exists, the Company makes an 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 30 June 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 purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. No impairment indications were identified for property, plant and equipment carried at cost, its recoverable amount exceeded its carrying amount, less grants.

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.

The same impairment test carried out in relation to this property, plant, and equipment on 31 December 2018 also revealed no indications of impairment.

#### Provisions

As emissions are made, a liability is recognised for the obligation to deliver allowances equal to emissions that have been made. This liability is a provision that is within the scope of IAS 37. It is measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. This is the present market price multiplied by the number of allowances required to cover emissions made up to the balance sheet date. 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 the actual quantities of emissions. Based on the historic experience, the Company's management does not expect any significant differences to arise between the estimated provision at 30 June 2019 and the quantity of emissions rights which will be approved in 2020.

As at 31 December 2018, a provision was recognised for the takedown of units 5 and 6 of Lithuania Power Plant and dismantling of related chimneys. The root cause of necessity to perform the above mentioned dismantling is health and safety. The Company publicly announced the intention to perform works, currently a public call for tender was launched. Because of reasons mentioned the management assessed that the Company has a constructive obligation, thus respectively provision was recognized in accordance to IAS 37 Provision, Contingent Liabilities and Contingent Assets. As at 30 June 2019 the total amount of provision amounted to EUR 2,640 thousand, out of which non-current liabilities make up EUR 1,344 thousand and current liabilities make up EUR 1,296 thousand (as at 31 December 2018 provision amounted respectively to EUR 723 thousand and EUR 850 thousand). (See Note 17).

At each reporting date, the Company assesses the provision for the takedown of units 5 and 6 and the chimneys, considering the actual expenses of takedown of units 5 and 6 and chimneys no.1 and 2 and received income from disposal of scrap.

#### Accrual of public service obligation (hereinafter "PSO") services

The Company provided PSO until 31 December 2018. Fees received for PSO were allocated for the maintenance of the infrastructure of the Elektrėnai Complex, for covering the expenses related to the testing of the necessary electricity generation facilities and for covering relatively stable expenses of facilities. 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 and the price for capacity reserve services are determined for the next calendar year by the National energy regulatory council (NERC) in view of the projected costs of the Company. The Management has assessed that the Company has a legal obligation to receive or pay outstanding amount in accordance with applicable regulations related to PSO funds.

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As at 30 June 2019, the Company recognised PSO funds of EUR 2,438 thousand (as at 31 December 2018, EUR 4,875 thousand) within 'Provisions' as non-current liability to be refunded after 12 calendar months. PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. 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, which is not included in above mentioned amounts, of EUR 86 thousand as at 31 December 2018 was recognised within 'Other financial income'. Discounting effect was not restated as at 30 June 2019 as the effect of change was immaterial. As at 30 June 2019, a payable amount of EUR 3,820 thousand (as at 31 December 2018, EUR 2,765 thousand), which will be compensated within next 12 calendar months, was recognised within 'Provisions' as other current PSO payables.

#### Regulated activity

National Energy Regulatory Council (NERC) regulates the Company's level of profitability by approving the prices of services for the next year. The level of prices depends on expected costs of the next year, expected volume of services provided, the variance between profit earned during the prior periods and the regulated amount of profit and other matters.

Actual costs incurred by the Company during the year may differ from budgeted costs at the time of the approval of prices and the actual volume of services may differ from the expected volume. As a result, the Company's actual profit may deviate from the regulated level and the difference will affect the prices of future services.

The Company does not recognise regulatory assets or liabilities that would be used to adjust the current year profit in order to arrive at the regulated level of profit, if this difference is recovered / returned only in the course of service provision in the future, based on the applicable legislation (see Note 4).

#### Legal disputes over the Commission's decisions related to regulated revenue

In 2014, the Commission 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 Commission was reversed. The amount of the contingent asset of the Company, related to the legal dispute on the resolution of the decision of the Commission of the year 2014, which declared the Company as an undertaking with significant power in the electricity generation market and therefore additionally decreased the PSO by EUR 2,51 million, as at 30 June 2019 amounted to EUR 2,51 million (this contingent asset is not recognized in the financial statements) and has not changed since 31 December 2018

#### Equity method accounting for investment in Verslo Aptarnavimo centras, UAB

The shareholders of Verslo Aptarnavimo Centras, UAB holding 5 (five) percent and more shares shall submit 1 (one) candidate to the Board of the Company, and all other shareholders holding less than 5 (five) percent - 1 (one) candidate jointly. Each member shall have one vote at the time of voting. In the event of a tie, the vote of the Chairman of the Board shall determine. As the Company has significant influence over the management of the Company, Verslo Aptarnavimo Centras, UAB as the Company has 20% effective votes in Board meetings, respectively it is considered an associate.

## 4 Correction of error

When preparing these interim financial statements the Company has performed the following prior periods correction of errors:

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

Up until 31 December 2018, the Company reported 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 previous financial year. Difference between forecasted amount set by NERC for the current financial period and factual revenue and expenses incurred was recognized as either a regulatory payable or receivable by the Company. As at 31 December 2018, Company recognized payable of EUR 4,598 thousand in the 'Other non-current payables and liabilities', and EUR 2,794 thousand in short-term 'Contract liabilities' captions of the statement of financial position captions corresponding to regulated services activity. Respectively, at 31 December 2017, Co. recognized EUR 289 thousand receivable in 'Other financial assets' caption, and EUR 511 thousand payable in 'Other non-current payables and liabilities' statement of financial position caption.

It should be noted, that up until now there is no clear regulation under current legislation if and how the Company should meet its obligation regarding settlement of the payable amount, or how the receivable allocated to the Company should be paid in case regulated activity services mentioned above were no longer being provided. When preparing financial statements for year ending at 31 December 2018, the Company's management upheld a conservative approach principle and in the statement of financial position recognized a liability composed of 2017-2018 variance between planned and factual amounts. Company's management presumed that in the event when regulated activity services would not be provided, it would be probable that current legislation amendments would be made, clarifying how Company should fulfil its obligation.

All amounts are presented in EUR thousand unless otherwise stated

In 2019, based on Independent Auditor recommendations, the Company's management performed a re-assessment of analysis of laws, regulations and applicable international financial reporting standards, in relation to regulated services. According to the fact that the current legislature does not provide guidance on if and how the Company should repay or receive the differences between projected and actual revenues and expenses for regulated services formed in prior periods, in case these services were no longer being provided, there is no basis to account such differences as either an asset or a liability in the statement of financial position. Such treatment would also not be applicable according to the conceptual system of financial reporting and IAS 37 'Provisions, Contingent Assets and Contingent Liabilities'. Due to these reasons, the correction of error of respective articles of financial statements was performed, by including the effect on income tax.

According to the Company's evaluation, during the 6-month period, ended on 30 June 2019, the actual expenses for regulated services were less than what NERC had projected for the same period by EUR 3,725 thousand amount, which was recognized as part current year Revenue from contracts with customers. Total amount of difference from prior periods as at 30 June 2019, was EUR 11,117 thousand (31 December 2019 – EUR 7,392 thousand), which the Company would have to repay if the respective NERC decisions were made. This amount is disclosed as contingent liability in Note 25.

- 2) As at 31 December 2018, the Company did not reclass part of 'Other non-current payables and liabilities' and 'Prepayments received', which, according to their nature should be classified as provisions. Due to this the long-term caption 'Provisions' of the statement of financial position was increased by EUR 4,875 thousand. Short-term caption 'Provisions' of the statement of financial position was increased by EUR 2,765 thousand. In addition to that, captions 'Other non-current payables and liabilities' and 'Prepayments received' were reduced by respective amounts.

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**Retrospectively corrected captions of condensed interim statement of financial position:**  
**Correction of year 2018**

Notes	31/12/2018 before corrections	1) Correction of amounts in other financial assets, other non-current payables and liabilities and prepayments received related to recognition of income from regulated activity*	1) Correction of deferred income tax liability*	1) Correction of income tax payable related to income recognition from regulated activity*	2) Reclassification of other non-current payables and liabilities and other payables and liabilities to provisions*	31/12/2018 after corrections
<b>ASSETS</b>						
<b>Non-current assets</b>						
	6	48,597				48,597
Intangible assets						
Property, plant and equipment	7	476,271				476,271
Investments in associates	10	1,588				1,588
Other non-current assets		5,087				5,087
Investment property	9	4,212				4,212
Other financial assets		232				232
<b>Total non-current assets</b>		<b>535,987</b>	-	-	-	<b>535,987</b>
<b>Current assets</b>						
Inventories		3,370				3,370
Prepayments		3,698				3,698
Receivables from contracts with customers		12,037				12,037
Other financial assets	11	3,787				3,787
Loans granted		49,950				49,950
Cash and cash equivalents		47,885				47,885
<b>Total current assets</b>		<b>120,727</b>	-	-	-	<b>120,727</b>
<b>TOTAL ASSETS</b>		<b>656,714</b>	-	-	-	<b>656,714</b>
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
	12	187,921				187,921
Share capital		89,975				89,975
Share premium		13,897				13,897
Legal reserve		20,659				20,659
Revaluation reserve		44,540	222	(33)	(33)	44,696
Retained earnings		29,644	7,170	(1,075)	(1,075)	34,664
Result of 2018						
<b>Total equity</b>		<b>386,636</b>	<b>7,392</b>	<b>(1,108)</b>	<b>(1,108)</b>	<b>391,812</b>
<b>Non-current liabilities</b>						
Borrowings	14	33,619				33,619
Lease liabilities	15	34				34
Grants	16	171,039				171,039
Provisions	17	723			4,875	5,598
Other non-current payables and liabilities		10,614	(4,598)		(4,875)	1,141
Deferred income tax liabilities		23,466		1,108		24,574
<b>Total non-current liabilities</b>		<b>239,495</b>	<b>(4,598)</b>	<b>1,108</b>	-	<b>236,005</b>
<b>Current liabilities</b>						
Borrowings	14	4,417				4,417
Lease liabilities	15	138				138
Trade payables		13,425				13,425
Prepayments received		6,562	(2,794)		(2,765)	1,003
Income tax payable		1,128			1,108	2,236
Provisions	17	1,744			2,765	4,509
Other payables and liabilities		3,169				3,169
<b>Total current liabilities</b>		<b>30,583</b>	<b>(2,794)</b>	-	<b>1,108</b>	<b>28,897</b>
<b>Total liabilities</b>		<b>270,078</b>	<b>(7,392)</b>	<b>1,108</b>	<b>1,108</b>	<b>264,902</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>656,714</b>	-	-	-	<b>656,714</b>

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

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**Retrospectively corrected captions of condensed interim statement of financial position (continued):**  
**Correction of year 2017**

	Notes	01/01/2018 before corrections	1) Correction of amounts in other financial assets, other non-current payables and liabilities and prepayments received related to income recognition from regulated activity*	1) Correction of deferred income tax liability*	1) Correction of income tax payable related to income recognition from regulated activity*	2) Reclassificatio n of non- current payables and liabilities to provisions*	01/01/2018 after corrections
<b>ASSETS</b>							
<b>Non-current assets</b>							
Intangible assets	6	15,238					15,238
Property, plant and equipment	7	496,818					496,818
Investments in associates	10	1,535					1,535
Other non-current assets		3,236					3,236
Other financial assets		1,799					1,799
<b>Total non-current assets</b>		<b>518,626</b>	-	-	-	-	<b>518,626</b>
<b>Current assets</b>							
Inventories		5,580					5,580
Prepayments		3,479					3,479
Receivables from 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
<b>Total current assets</b>		<b>117,662</b>	<b>(289)</b>	-	-	-	<b>117,373</b>
<b>TOTAL ASSETS</b>		<b>636,288</b>	<b>(289)</b>	-	-	-	<b>635,999</b>
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
Share capital	12	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
<b>Total equity</b>		<b>353,874</b>	<b>222</b>	<b>(33)</b>	<b>(33)</b>	-	<b>354,030</b>
<b>Non-current liabilities</b>							
Borrowings		34,039					34,039
Lease liabilities		172					172
Grants		177,875					177,875
Provisions		-				5,034	5,034
Other non-current payables and liabilities		6,704	(511)			(5,034)	1,159
Deferred income tax liabilities		17,475		33			17,508
<b>Total non-current liabilities</b>		<b>236,265</b>	<b>(511)</b>	<b>33</b>	-	-	<b>235,787</b>
<b>Current liabilities</b>							
Borrowings		21,208					21,208
Lease liabilities		138					138
Trade payables		17,380					17,380
Prepayments received		1,135					1,135
Income tax payable		2,883			33		2,916
Provisions		528					528
Other payables and liabilities		2,877					2,877
<b>Total current liabilities</b>		<b>46,149</b>	-	-	<b>33</b>	-	<b>46,182</b>
<b>Total liabilities</b>		<b>282,414</b>	<b>(511)</b>	<b>33</b>	<b>33</b>	-	<b>281,969</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>636,288</b>	<b>(289)</b>	-	-	-	<b>635,999</b>

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

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**Retrospectively corrected captions of Interim statement of comprehensive income:**  
**Correction of 1<sup>st</sup> and 2<sup>nd</sup> quarters of year 2018**

	Notes	01/01/2018 – 30/06/2018 before corrections	1) Correction of amounts in other financial assets, other non-current payables and liabilities and prepayments received related to income recognition from regulated activity	1) Correction of deferred income tax liability	1) Correction of income tax payable related to income recognition from regulated activity	01/01/2018 – 30/06/2018 after corrections
<b>Revenue and other income</b>						
Revenue from contracts with customers	18	60,823	2,463			63,287
Other income	20	331				330
		<b>61,154</b>	<b>2,463</b>	-	-	<b>63,617</b>
<b>Operating expenses</b>						
Purchases of electricity or related services		(12,004)				(12,004)
Gas, biofuel and heavy fuel expenses		(13,482)				(13,482)
Depreciation and amortisation	6, 7, 8, 16	(9,336)				(9,336)
Wages, salaries and related expenses		(4,375)				(4,375)
Repair and maintenance expenses		(1,264)				(1,264)
Emission rights downwards revaluation and utilization (expenses)/income		5,518				5,518
Other non-current assets impairment (expenses)/income		2,744				2,744
Inventory write-down (allowance)/reversal (Impairment)/reversal of property, plant and equipment		(240)				(240)
Other expenses	23	22				22
		(2,712)				(2,712)
<b>Total operating expenses</b>		<b>(35,129)</b>	-	-	-	<b>(35,129)</b>
<b>OPERATING PROFIT</b>						
		<b>26,025</b>	<b>2,463</b>	-	-	<b>28,488</b>
Financial income (expenses):						
Financial income		61				61
Financial (expenses)		(281)				(281)
		<b>(220)</b>	-	-	-	<b>(220)</b>
Share of results of operations of associates	10	71				71
<b>PROFIT BEFORE TAX</b>						
		<b>25,876</b>	<b>2,463</b>	-	-	<b>28,339</b>
Income tax and deferred income tax expenses		(3,992)		(370)	(370)	(4,732)
<b>NET PROFIT FOR THE PERIOD</b>						
		<b>21,884</b>	<b>2,463</b>	<b>(370)</b>	<b>(370)</b>	<b>23,607</b>
Other comprehensive income (loss) that will not be reclassified to profit (loss)						
		5,889				5,889
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>						
		<b>27,773</b>	<b>2,463</b>	<b>(370)</b>	<b>(370)</b>	<b>29,496</b>
<b>Basic and diluted earnings per share (EUR)</b>						
		<b>0.034</b>				<b>0.037</b>
<b>Weighted average number of shares</b>						
		<b>640,865,052</b>				<b>640,865,052</b>

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**Retrospectively corrected captions of Interim statement of comprehensive income (continued):**  
**Correction of 2<sup>nd</sup> quarter of year 2018**

Notes	01/04/2018 – 30/06/2018 before corrections	1) Correction of amounts in other financial assets, other non-current payables and liabilities and prepayments received related to income recognition from regulated activity	1) Correction of deferred income tax liability	1) Correction of income tax payable related to income recognition from regulated activity	01/04/2018 – 30/06/2018 after corrections
<b>Revenue and other income</b>					
Revenue from contracts with customers	27,797	1,423			29,220
Other income	239				239
	<b>28,036</b>	<b>1,423</b>	-	-	<b>29,459</b>
<b>Operating expenses</b>					
Purchases of electricity or related services	(5,185)				(5,185)
Gas, biofuel and heavy fuel expenses	(6,053)				(6,053)
Depreciation and amortisation	(4,831)				(4,831)
Wages, salaries and related expenses	(2,205)				(2,205)
Repair and maintenance expenses	(663)				(663)
Emission rights downwards revaluation and utilization (expenses)/income	1,411				1,411
Other non-current assets impairment (expenses)/income	680				680
Inventory write-down (allowance)/reversal	(14)				(14)
(Impairment)/reversal of property, plant and equipment	11				11
Other expenses	(1,381)				(1,381)
<b>Total operating expenses</b>	<b>(18,230)</b>	-	-	-	<b>(18,230)</b>
<b>OPERATING PROFIT</b>	<b>9,806</b>	<b>1,423</b>	-	-	<b>11,229</b>
Financial income (expenses):					
Financial income	31				31
Financial (expenses)	(136)				(136)
	<b>(105)</b>				<b>(105)</b>
Share of results of operations of associates	<b>(28)</b>				<b>(28)</b>
<b>PROFIT BEFORE TAX</b>	<b>9,673</b>	<b>1,423</b>	-	-	<b>11,096</b>
Income tax and deferred income tax expenses	(1,746)		(214)	(214)	(2,174)
<b>NET PROFIT FOR THE PERIOD</b>	<b>7,927</b>	<b>1,423</b>	<b>(214)</b>	<b>(214)</b>	<b>8,922</b>
Other comprehensive income (loss) that will not be reclassified to profit (loss)	1,637				1,637
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>9,564</b>	<b>1,423</b>	<b>(214)</b>	<b>(214)</b>	<b>10,559</b>
<b>Basic and diluted earnings per share (EUR)</b>	<b>0.012</b>				<b>0.014</b>
<b>Weighted average number of shares</b>	<b>646,582,957</b>				<b>646,582,957</b>

All amounts are presented in EUR thousand unless otherwise stated

**Retrospectively corrected captions of condensed interim statement of cash flows:**

	Notes	01/01/2018 – 30/06/2018 before corrections	01/01/2018 – 30/06/2018 after corrections	01/01/2018 – 30/06/2018 difference
Net profit		21,884	23,607	1,723
<b>Reversal of non-cash expenses (income) and other adjustments:</b>				
Depreciation and amortisation expenses	6, 7, 8	13,637	13,637	-
Loss from impairment of property, plant and equipment (reversal of impairment)	7	(22)	(22)	-
Revaluation result of property, plant and equipment	7	-	-	-
Impairment (reversal) of inventory		240	240	-
Expenses (income) of revaluation of emission allowances		(8,357)	(8,357)	-
Other impairments		(142)	(142)	-
Share of (profit) of associates	10	(71)	(71)	-
Income tax expenses		2,071	2,441	370
Change in deferred income tax liability		1,922	2,292	370
Depreciation of grants	16	(4,300)	(4,300)	-
Increase (decrease) in provisions		(767)	(1,833)	(1,066)
(Gain) loss on disposal/write-off of non-current assets (other than financial assets)		928	928	-
Elimination of results of financing and investing activities:				
- Interest (income)		(60)	(60)	-
- Interest expenses		275	275	-
- Other (income) expenses from financial activity		4	4	-
<b>Changes in working capital</b>				
(Increase) decrease in trade receivables and other receivables		11,771	11,631	(140)
(Increase) decrease in inventories and prepayments		(77)	(77)	-
Increase (decrease) in payables and prepayments received		(7,544)	(8,801)	(1,257)
Income tax (paid)		(2,494)	(2,494)	-
<b>Net cash flows from (to) operating activities</b>		<b>28,898</b>	<b>28,898</b>	-
<b>Cash flows from (to) investment activities</b>				
(Acquisition) of property, plant and equipment and intangible assets		(2,959)	(2,959)	-
Disposal of property, plant and equipment and intangible assets		8	8	-
Loans granted		(5,019)	(5,019)	-
Disposal of investments in associates		4,049	4,049	-
Disposal of a part of the business		2,000	2,000	-
Interest received		50	50	-
Dividends received		70	70	-
<b>Net cash flows from (to) investment activities</b>		<b>(1,801)</b>	<b>(1,801)</b>	-
<b>Cash flows from (to) financing activities</b>				
Repaid borrowings		(8,606)	(8,606)	-
Financial lease payments		(74)	(74)	-
Interest (paid)		(275)	(275)	-
Dividends (paid)		(8,854)	(8,854)	-
<b>Net cash flows from (to) financing activities</b>		<b>(17,809)</b>	<b>(17,809)</b>	-
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>9,288</b>	<b>9,288</b>	-
<b>Cash and cash equivalents at the beginning of the period</b>		<b>60,700</b>	<b>60,700</b>	-
<b>Cash and cash equivalents at the end of the period</b>		<b>69,988</b>	<b>69,988</b>	-

## 5 Financial risk management

The Company is exposed to financial risks in its operations, i.e. liquidity risk, market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows, securities price risk) and credit risk.

This condensed interim financial information does not include the full management information related to financial risks and disclosures mandatory in preparing the annual financial statements, therefore, it should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

There have been no changes in risk management or risk management policy since 31 December 2018.

All amounts are presented in EUR thousand unless otherwise stated

Fair value of financial assets and financial liabilities

Trade and other receivables, trade and other debts, non-current and current borrowings 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 based on 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 receivables, short-term loans granted, current trade and other payables 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 30 June 2019, the Company had non-current borrowings from Luminor and SEB Bank bearing variable interest rates. The fair value of non-current borrowings bearing variable interest rate approximates their carrying amount, provided that the margin on such loans corresponds to margins currently prevailing in the market.
- The fair value of non-current receivables and payables is determined with reference to the current interest rates available for the loans with the same maturity profile. As at 30 June 2019, the discount rate applied to the Company's non-current receivables and payables approximated the market interest rate.

All amounts are presented in EUR thousand unless otherwise stated

## 6 Non-current intangible assets

As at 30 June 2019 and 2018, the movement of the Company's non-current intangible assets was as follows:

	Software	Emission allowances	Other intangible assets	Total
<b>As at 31 December 2017</b>				
Acquisition cost	1,394	14,830	123	16,347
Accumulated amortisation	(988)	-	(121)	(1,109)
<b>Balance as at 31 December 2017</b>	<b>406</b>	<b>14,830</b>	<b>2</b>	<b>15,238</b>
<b>Period ended on 30 June 2018</b>				
Balance at the beginning of the period	406	14,830	2	15,238
Additions	1	-	-	1
Grant received (Note 16)	-	2,554	-	2,554
Emission allowances utilised	-	(908)	-	(908)
Emission allowance revaluation	-	12,837	-	12,837
Amortisation	(96)	-	(1)	(97)
<b>Balance as at 30 June 2018</b>	<b>311</b>	<b>29,313</b>	<b>1</b>	<b>29,625</b>
<b>As at 31 December 2018</b>				
Acquisition cost	1,483	48,293	103	49,879
Accumulated amortisation	(1,179)	-	(103)	(1,282)
<b>Balance as at 31 December 2018</b>	<b>304</b>	<b>48,293</b>	<b>-</b>	<b>48,597</b>
<b>Period ended on 30 June 2019</b>				
Balance at the beginning of the period	304	48,293	-	48,597
Additions	41	-	3	44
Decrease after the disposal of asset contribution	(214)	-	-	(214)
Grant received (Note 16)	-	4,131	-	4,131
Emission allowances utilised	-	(987)	-	(987)
Emission allowance revaluation	-	3,090	-	3,090
Amortisation	(52)	-	-	(52)
<b>Balance as at 30 June 2019</b>	<b>79</b>	<b>54,527</b>	<b>3</b>	<b>54,609</b>
<b>As at 30 June 2019</b>				
Acquisition cost	704	54,527	106	55,337
Accumulated amortisation	(625)	-	(103)	(728)
<b>Balance as at 30 June 2019</b>	<b>79</b>	<b>54,527</b>	<b>3</b>	<b>54,609</b>

The initial recognition of purchased emission allowance is recognised at acquisition cost, the emission allowance which are granted to the Company free of charge initially are recognised based on exchange market prices at the date the ownership is transferred to the Company. Fair value of emission allowance is determined based on prevailing prices in active market therefore it is assigned to the first hierarchy level of fair value estimation model. Subsequent to initial emission allowance recognition (for acquired and granted to the Company) it is remeasured to fair value based on prices in active market at the end of each reporting period. At moment of revaluation part of revaluated emission allowance, exceeding acquisition cost, is accounted for revaluation reserve in equity while decrease in value, exceeding previously accumulated revaluation reserve in equity, is accounted through statement of comprehensive income. The Company accounts purchased and received for free emission allowance separately. Upon realization of emission allowance, positive balance of revaluation reserve in equity is directly recognized in retained earnings.

All amounts are presented in EUR thousand unless otherwise stated

## 7 Property, plant and equipment

As at 30 June 2019 and 2018, the movement of the Company's property, plant and equipment was as follows:

	Land	Buildings	Structures and equipment	Structures and equipment 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	Vehicles	Computer hardware, communication and other office equipment	Other property, plant and equipment	Construction in progress	Total
<b>As at 31 December 2017</b>												
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)
<b>Balance as at 31 December 2017</b>	<b>1,880</b>	<b>601</b>	<b>2,532</b>	<b>112,789</b>	<b>66,042</b>	<b>311,013</b>	<b>-</b>	<b>16</b>	<b>1</b>	<b>55</b>	<b>1,889</b>	<b>496,818</b>
<b>Period ended on 30 June 2018</b>												
Balance at the beginning of the period	1,880	601	2,532	112,789	66,042	311,013	-	16	1	55	1,889	496,818
Additions	-	-	-	-	11	21	-	-	2	-	3,313	3,347
Asset which was the payment for share capital	-	-	-	-	-	-	3,850	-	-	-	-	3,850
Disposals	-	-	-	-	(8)	-	-	-	-	-	-	(8)
Write-offs	-	-	-	-	(20)	-	-	-	-	-	-	(20)
Impairment reversal	-	-	-	-	22	-	-	-	-	-	-	22
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification between items	-	-	-	-	21	-	-	-	-	-	(21)	-
Reclassification to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification from/to inventories	-	-	-	15	(234)	15	-	-	-	-	-	(204)
Depreciation	-	(7)	(61)	(3,645)	(2,298)	(7,381)	(132)	(8)	-	(8)	-	(13,540)
<b>Balance as at 30 June 2018</b>	<b>1,880</b>	<b>594</b>	<b>2,471</b>	<b>109,159</b>	<b>63,536</b>	<b>303,668</b>	<b>3,718</b>	<b>8</b>	<b>3</b>	<b>47</b>	<b>5,181</b>	<b>490,265</b>
<b>As at 30 June 2018</b>												
Acquisition cost	1,880	657	4,119	207,314	382,462	388,131	3,850	138	49	172	5,404	994,176
Accumulated depreciation	-	(63)	(1,648)	(98,155)	(212,614)	(84,463)	(132)	(130)	(46)	(125)	-	(397,376)
Accumulated impairment	-	-	-	-	(106,312)	-	-	-	-	-	(223)	(106,535)
<b>Balance as at 30 June 2018</b>	<b>1,880</b>	<b>594</b>	<b>2,471</b>	<b>109,159</b>	<b>63,536</b>	<b>303,668</b>	<b>3,718</b>	<b>8</b>	<b>3</b>	<b>47</b>	<b>5,181</b>	<b>490,265</b>

All amounts are presented in EUR thousand unless otherwise stated

## 7 Property, plant and equipment (continued)

	Land	Buildings	Structures and equipment	Structures and equipment 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	Vehicles	Computer hardware, communication and other office equipment	Other property, plant and equipment	Construction in progress	Total
<b>As at 31 December 2018</b>												
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)
<b>Balance as at 31 December 2018</b>	<b>1,845</b>	<b>596</b>	<b>1,872</b>	<b>109,214</b>	<b>62,284</b>	<b>295,645</b>	<b>3,444</b>	<b>14</b>	<b>2</b>	<b>40</b>	<b>1,315</b>	<b>476,271</b>
<b>Period ended 30 June 2019</b>												
Balance at the beginning of the period	1,845	596	1,872	109,214	62,284	295,645	3,444	14	2	40	1,315	476,271
Impact of application of IFRS 16 – reclassification to right-of-use assets*	-	-	-	-	(446)	-	-	-	-	-	-	(446)
Additions	-	-	-	18	21	1	22	3	-	-	172	237
Revaluation of assets	-	-	-	-	96	-	-	-	-	-	-	96
Impairment reversal	-	-	-	-	22	-	-	-	-	-	-	22
Impairment	-	-	-	-	(78)	-	-	-	-	-	-	(78)
Reclassification between items	-	-	-	108	17	-	-	-	-	-	(125)	-
Reclassification from/to inventories	-	-	-	73	-	(3)	-	-	-	-	-	70
Depreciation	-	(7)	(48)	(3,121)	(2,289)	(7,369)	(265)	(2)	-	(6)	-	(13,107)
<b>Balance as at 30 June 2019</b>	<b>1,845</b>	<b>589</b>	<b>1,824</b>	<b>106,292</b>	<b>59,627</b>	<b>288,274</b>	<b>3,201</b>	<b>15</b>	<b>2</b>	<b>34</b>	<b>1,362</b>	<b>463,065</b>
<b>As at 30 June 2019</b>												
Acquisition cost	1,845	666	3,581	210,818	383,285	387,276	3,863	151	49	172	1,585	993,291
Accumulated depreciation	-	(77)	(1,757)	(104,526)	(240,575)	(99,002)	(662)	(136)	(47)	(138)	-	(446,920)
Accumulated impairment	-	-	-	-	(83,083)	-	-	-	-	-	(223)	(83,306)
<b>Balance as at 30 June 2019</b>	<b>1,845</b>	<b>589</b>	<b>1,824</b>	<b>106,292</b>	<b>59,627</b>	<b>288,274</b>	<b>3,201</b>	<b>15</b>	<b>2</b>	<b>34</b>	<b>1,362</b>	<b>463,065</b>

\* Reclassified after IFRS 16 came in effect on 1 January 2019 (Note 2.2)

All amounts are presented in EUR thousand unless otherwise stated

## 7 Property, plant and equipment (continued)

As at 30 June 2019, no independent valuation was performed for the Company's assets carried at revalued amount, since, based on the management's assessment, the fair values of the asset did not differ significantly from their carrying amounts.

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

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Land	-	1,845	-	1,845
Buildings	-	589	-	589
Structures and equipment	-	1,824	-	1,824
Vehicles	-	15	-	15
Computer hardware, communication and other office equipment other property, plant and equipment	-	36	-	36
<b>Fair value as at 30 June 2019</b>	<b>-</b>	<b>4,309</b>	<b>-</b>	<b>4,309</b>

As at 31 December 2018 independent asset valuers APUS TURTAS, UAB carried out estimation of market price of the Company's assets, accounted at revaluated value. Estimation was carried out using comparative and cost methods. Land, Buildings and Structures valuation was made using a comparative transaction method. To determine the base of comparable transactions valuers have taken into consideration the type, purpose, location and physical characteristics of the assets. The main input used in valuation is price per square meter. To determine the market value of Land, Buildings and Structures, valuers used adjusting coefficients which were used to adjust the base of comparable transactions. Valuers also used coefficients to adjust value based on location (which were approved by director of State Company Center of Registry on 27 June 2018 by Order No. 495 'REGARDING MASS VALUATION OF REAL ESTATE 2018 DATA AND LOCALITY CORRECTIVE COEFFICIENTS IN ACCORDANCE WITH 1 JANUARY 2019 APPROVAL OF ASSET PURPOSE AND LOCATIONS'), the values were also adjusted using physical condition corrective coefficients and area corrective coefficients.

As at 30 June 2019, the amount of purchase commitments under contracts on capital investments that were concluded but not yet completed amounted to EUR 37 thousand.

As at 30 June 2019, the Company has pledged to the banks property, plant and equipment with the net book value of EUR 21,502 thousand (as at 31 December 2018, EUR 21,978 thousand).

## 8 Right-of-use assets

As at 30 June 2019, movement of the Company's right-of-use assets was as follows:

	Land	Buildings	Vehicles	Total
<b>Period ended on 30 June 2019</b>				
Balance as at the beginning of the period	-	-	-	-
Impact of application of IFRS 16 – reclassification from property, plant and equipment*	-	-	446	446
Additions:	5,220	157	522	5,899
Right of use assets as at 1 January 2019	5,220	157	449	5,826
Signed lease contracts from 2 January 2019 to 30 June 2019	-	-	73	73
Write-offs and disposals	-	-	(16)	(16)
Depreciation	(36)	(20)	(93)	(149)
<b>Balance as at 30 June 2019</b>	<b>5,184</b>	<b>137</b>	<b>859</b>	<b>6,180</b>
<b>As at 30 June 2019</b>				
Acquisition cost	5,220	157	1,223	6,600
Accumulated depreciation	(36)	(20)	(364)	(420)
<b>Balance as at 30 June 2019</b>	<b>5,184</b>	<b>137</b>	<b>859</b>	<b>6,180</b>

\* Reclassified after IFRS 16 came in effect on 1 January 2019 (Note 2.2)

All amounts are presented in EUR thousand unless otherwise stated

## 9 Investment property

As at 30 June 2019 and 2018, movement of the Company's investment property was as follows:

	Buildings	Structures	Machinery and equipment	Other fittings, equipment and tools	Total
<b>Balance as at 30 June 2018</b>	-	-	-	-	-
Additions	3,731	100	4	377	4,212
<b>Balance as at 31 December 2018</b>	<b>3,731</b>	<b>100</b>	<b>4</b>	<b>377</b>	<b>4,212</b>
<b>Period ended on 30 June 2019</b>	-	-	-	-	-
Balance as at the beginning of the period	3,731	100	4	377	4,212
Additions	-	-	-	-	-
Impairment	(202)	(37)	(2)	(153)	(394)
<b>Balance as at 30 June 2019</b>	<b>3,529</b>	<b>63</b>	<b>2</b>	<b>224</b>	<b>3,818</b>

On 27 February 2018 independent valuer NILL NILL, UAB carried out valuation of the market value of the property located in Vilnius Thermal Power Plant No.3. Market Value at valuation date 13 February 2018 was EUR 8,062 thousand (both investment property and property, plant and equipment).

On 30 March 2018 Lietuvos Energijos Gamyba, AB issued 12,919,014 shares which were acquired by parent company Lietuvos Energija, UAB with property contribution (the same mentioned above) – non-current assets, part of them were classified as investment property in accordance with accounting policy. The assets classified as investment property from above mentioned property contribution includes buildings and structures with permanently installed equipment.

Investment property is attributed to Level 2 in the fair value hierarchy as follows:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-	3,529	-	3,529
Structures and equipment	-	289	-	289
<b>Fair value as at 30 June 2019</b>	<b>-</b>	<b>3,818</b>	<b>-</b>	<b>3,818</b>

As described above part of property contribution was classified as investment property. The valuation was carried out for a property complex consisting of real estate and movable property classified as investment property. The valuation was carried out by independent valuers APUS TURTAS, UAB. Value of investment property as at 17 April 2019 (valuation date) – EUR 3,818 thousand. The Management estimates that there were no significant changes in a market conditions and the fair value of investment property as at 30 June 2019 is approximately the same as evaluated by 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 valuers has 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 (acquisition price input), since the valuers have all data about total acquisition costs of property being valued. Valuator determined the value of physical depreciation of the property being valued (depreciation input). 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 valuator have taken into consideration the type, purpose, location and physical characteristics of the property. The main input in calculations is price per square meter. To determine market value of real estate, valuator used corrective coefficients which were used to adjust base of comparable transactions. Valuator also used locality corrective coefficients (Approved by director of state company Center of Registry on 27 June 2018 by Order No. 495 'REGARDING MASS VALUATION OF REAL ESTATE 2018 DATA AND LOCALITY CORRECTIVE COEFFICIENTS IN ACCORANCE WITH 1 JANUARY 2019 APPROVAL OF ASSET PURPOSE AND LOCATIONS'), physical condition corrective coefficients and area corrective coefficients.

All amounts are presented in EUR thousand unless otherwise stated

## 10 Investments

As at 30 June 2019 and 31 December 2018, the Company's investments in associates were as follows:

Company	Registered office address	Company's ownership interest as at 30/06/2019	Company's ownership interest as at 31/12/2018	Profile of activities
UAB Geoterma, undergoing bankruptcy since 26 March 2019	Lypkių str. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy generation
Technologijų ir inovacijų Centras UAB	Juozapavičiaus str. 13, Vilnius, Lithuania	22.23%	20.01%	IT services
Verslo Aptarnavimo Centras UAB	P. Lukšio str. 5B, LT-08221 Vilnius, Lithuania	15.00%*	15.00%	Public procurement, accounting and employment relations administration services

\* See section 3. *Significant accounting estimates and judgements* regarding management judgment to recognise investment in Verslo Aptarnavimo Centras, UAB as an associate.

On 28 June 2019, the Company has acquired 897,326 shares of Technologijų ir inovacijų centras, UAB, paid a non-monetary contribution – an intangible asset, evaluated by an independent valuer UAB APUS TURTAS, selected using a public procurement method, 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	Date of emission	The number of newly issued shares *	Nominal amount of a share, EUR	Total emission value, EUR thousand	Paid share, EUR thousand	Date of the statutory amendments
Technologijų ir inovacijų centras, UAB	19 March 2019	897,326	0.29	260	260	28 June 2019
<b>Total:</b>				<b>260</b>	<b>260</b>	

\* The Company's portion of issued shares

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

Changes in the Company's investments in associates were as follows:

	Carrying amount as at 31/12/2018	Share capital increase	The Company's share of results of operations	Dividends received	Carrying amount as at 30/06/2019
UAB Geoterma, undergoing bankruptcy	-	-	-	-	-
Technologijų ir inovacijų centras, UAB	1,446	260	62	(65)	1,703
Verslo aptarnavimo centras, UAB	142	-	104	(18)	228
<b>Total</b>	<b>1,588</b>	<b>260</b>	<b>166</b>	<b>(83)</b>	<b>1,931</b>

	Acquisition cost	Impairment	The Company's share of results of operations	Carrying amount as at 31/12/2018
UAB Geoterma, undergoing bankruptcy	2,142	(2,142)	-	-
Technologijų ir inovacijų centras, UAB	1,287	96	63	1,446
Verslo aptarnavimo centras, UAB	87	65	(10)	142
<b>Total</b>	<b>3,516</b>	<b>(1,981)</b>	<b>53</b>	<b>1,588</b>

## 11 Loans granted

The Company signed a Group account agreement under which the Company's current loans granted to the companies of the Lietuvos Energija UAB group amounted to EUR 49,971 thousand as at 30 June 2019 (as at 31 December 2018, EUR 49,950 thousand). The market interest rate

All amounts are presented in EUR thousand unless otherwise stated

is applied to these loans and all loans are short term (up to one year). The purpose of the agreement is to effectively manage cash balances on 'Lietuvos energija' group level.

## 12 Share capital

As at 30 June 2019 and 31 December 2018, the share capital of the Company amounted to EUR 18,920,762 and was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All shares have been fully paid.

As at 30 June 2019 and 31 December 2018, the shareholders of the Company were as follows:

Shareholders	Share capital as at 30/06/2019		Share capital as at 31/12/2018	
	(EUR)	%	(EUR)	%
Lietuvos Energija, UAB	181,938,103	96.82	181,938,103	96.82
Other shareholders	5,982,659	3.18	5,982,659	3.18
<b>Total</b>	<b>187,920,762</b>	<b>100.00</b>	<b>187,920,762</b>	<b>100.00</b>

Lietuvos Energija, UAB is a state-owned Company of the Republic of Lithuania, represented by the Ministry of Finance of the Republic of Lithuania (100.00%).

## 13 Dividends

During the Ordinary General Meeting of the Shareholders of Lietuvos Energijos Gamyba, AB, held on 12 April 2019, a decision was made to pay out dividends of EUR 0.01 per share for July–December 2018.

Declared dividends per share are as follows:

	30/06/2019	30/06/2018
Dividends (EUR thousand)	6,480	8,891
Weighted average number of shares (units)	648,002,629	635,083,615
<b>Dividends per share (EUR)</b>	<b>0.01</b>	<b>0.014</b>

During the Ordinary General Meeting of the Shareholders of Lietuvos Energijos Gamyba, AB, held on 26 March 2018, a decision was made to pay out dividends of EUR 0.014 per share for July–December 2017, amounting to EUR 8,891 thousand in total.

During the Extraordinary General Meeting of the Shareholders of Lietuvos Energijos 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.

## 14 Loans received

The Company's borrowings by maturities were as follows:

	30/06/2019	31/12/2018
<b>Non-current borrowings</b>		
Loan from Luminor Bank AB Lithuania branch, in EUR, to be repaid by 31 March 2027	8,275	8,888
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	15,251	24,731
<b>Total non-current borrowings</b>	<b>23,526</b>	<b>33,619</b>
<b>Current borrowings and current portion of non-current borrowings</b>		
Loan from Luminor Bank AB Lithuania branch, 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
<b>Total current borrowings and current portion of non-current borrowings</b>	<b>4,417</b>	<b>4,417</b>

For the loans granted, the Company has pledged property, plant and equipment for EUR 21,502 thousand, cash and future cash inflows into bank accounts.

All amounts are presented in EUR thousand unless otherwise stated

## 15 Lease liabilities

The Company's payments under lease agreements were as follows:

	30/06/2019	31/12/2018
<b>Minimum payments</b>		
Within the 1 <sup>st</sup> year	481	150
Within the 2 <sup>nd</sup> and 5 <sup>th</sup> year	1,560	34
After 5 years	15,122	-
<b>Total</b>	<b>17,163</b>	<b>187</b>
<b>Future financial costs</b>		
Within the 1 <sup>st</sup> year	(222)	(12)
Within the 2 <sup>nd</sup> and 5 <sup>th</sup> year	(1,056)	-
After 5 years	(9,993)	-
<b>Total</b>	<b>(11,271)</b>	<b>(12)</b>
<b>Carrying amount</b>	<b>5,892</b>	<b>175</b>

## 16 Grants

The balance of grants includes grants related to funding of the acquired assets. Movements of grants during the six-month period ended 30 June 2019 was as follows:

	Asset-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
<b>Balance as at 1 January 2018</b>	<b>26,780</b>	<b>149,896</b>	<b>1,199</b>	<b>177,875</b>
Grants received	-	-	2,554	2,555
Depreciation of property, plant and equipment	(314)	(3,987)	-	(4,301)
Utilisation of grant for emission allowances	-	-	(45)	(45)
<b>Balance as at 30 June 2018</b>	<b>26,466</b>	<b>145,909</b>	<b>3,709</b>	<b>176,084</b>
<b>Balance as at 1 January 2019</b>	<b>26,152</b>	<b>141,308</b>	<b>3,579</b>	<b>171,039</b>
Grants received	-	-	4,131	4,131
Depreciation of property, plant and equipment	(213)	(3,974)	-	(4,187)
Utilisation of grant for emission allowances	-	-	(42)	(42)
<b>Balance as at 30 June 2019</b>	<b>25,939</b>	<b>137,334</b>	<b>7,668</b>	<b>170,941</b>

During the six-month period ended 30 June 2019, asset-related grants decreased by EUR 4,187 thousand, i.e. by the amount of depreciation of property, plant and equipment. Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

## 17 Provisions

Movement of the current portion of provisions for emitted pollution as at 30 June 2019 and 2018 was as follows:

	2019	2018
<b>Balance as at January 1</b>	<b>894</b>	<b>528</b>
Utilised emission allowances	(987)	(907)
Revaluation of utilised emission allowances	93	379
Provisions for emission*	227	141
<b>Balance as at June 30</b>	<b>227</b>	<b>141</b>

All amounts are presented in EUR thousand unless otherwise stated

\* In the statement of comprehensive income, expenses of provisions for emissions were reported net of used government grants (Note 16).

As at 30 June 2019, the Company recognised PSO funds of EUR 2,438 thousand (as at 31 December 2018, EUR 4,875 thousand) within 'Provisions' as non-current liability to be refunded after 12 calendar months. PSO funds to be refunded was the result of lower actual fixed and variable expenses incurred when compared to forecasted expenses by VERT during the provision of the regulated services. 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, which is not included in above mentioned amounts, of EUR 86 thousand as at 31 December 2018 was recognised within 'Other financial income'. Discounting effect was not restated as at 30 June 2019 as the effect of change was immaterial. As at 30 June 2019, a payable amount of EUR 3,820 thousand (as at 31 December 2018, EUR 2,765 thousand), which will be compensated within next 12 calendar months, was recognised within 'Provisions' as current liability.

As at 30 June 2019, a provision was accrued for the takedown of units 5, 6 and chimneys of Elektrenai complex. The total amount of the liability amounted to EUR 2,640 thousand, out of which non-current liability make up EUR 1,344 thousand, current liabilities make up EUR 1,296 thousand.

The root cause of necessity to perform above mentioned dismantling is health and safety. The Company publicly announced the intention to perform works, currently a public call for tender was launched. Because of reasons mentioned the Company has a constructive obligation, respectively provision was recognized in accordance to IAS 37 Provision, Contingent Liabilities and Contingent Assets.

As at 31 December 2018, a liability was accrued for the takedown of units 5, 6 and chimneys of Elektrenai complex. The total amount of the liability amounted to EUR 1,573 thousand, out of which non-current liability make up EUR 723 thousand, current liabilities make up EUR 850 thousand.

## 18 Revenue from contracts with customers

Revenue recognised from contracts with customers was as follows:

	01/01/2019 - 30/06/2019	01/01/2018 - 30/06/2018 (restated*)
Sales of electricity	23,854	35,630
Revenue from PSO	-	8,799
Revenue from capacity reserve services	22,209	23,107
Revenue from other system maintenance services	11,989	1,367
Revenue from sale of thermal energy	2,652	2,375
Sales of inventory	4,291	9
Other operating income	1,246	799
<b>Total revenue</b>	<b>66,241</b>	<b>63,287</b>

\* Part of amounts does not agree with condensed interim financial information of 2018 due to corrections disclosed in Note 4

Total revenue according to agreements with customers are estimated based on transaction price set in agreements. In most cases the Company receives payments as soon as the services are provided. In rare cases the Company agrees to defer payments however deferral cannot exceed twelve months therefore price of transaction is not adjusted due to effect of financial relationship on revenue recognition.

All amounts are presented in EUR thousand unless otherwise stated

## 19 Segment information

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 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.

The main indicator to measure activity effectiveness is adjusted EBITDA, which is calculated based on the data of the financial statements, prepared according to IFRS, and making adjustments related to positions which are not recognised under IFRS.

Information on the Company's segments for the period from January to June ended on 30 June 2019 is presented in the table below:

2019	Regulated activities	Commercial activities	Total
Sales of electricity	624	23,230	23,854
Revenue from capacity reserve services	21,583	626	22,209
Revenue from other system maintenance services	11,989	-	11,989
Revenue from sale of thermal energy	2,652	-	2,652
Sales of inventory	-	4,291	4,291
Other operating income	-	1,246	1,246
Other income	-	10,140	10,140
<b>Total revenue of segments</b>	<b>36,848</b>	<b>39,533</b>	<b>76,381</b>
Purchase of electricity, gas trading and related services, purchases of gas and fuel oil	(13,264)	(10,979)	(24,243)
Operating expenses	(6,150)	(3,818)	(9,968)
<b>EBITDA</b>	<b>17,434</b>	<b>(24,736)</b>	<b>42,170</b>
<b>Management's adjustments</b>	<b>(3,725)</b>	<b>9,276</b>	<b>(13,001)</b>
Received compensation from Ministry of Finance of Republic of Lithuania*	-	9,276	9,276
Management's adjustments related to allowable profit of regulated activity**	(3,725)	-	(3,725)
<b>Adjusted EBITDA***</b>	<b>13,709</b>	<b>15,460</b>	<b>29,169</b>
<b>Other adjustments</b>	<b>(6,785)</b>	<b>(1,767)</b>	<b>(8,552)</b>
Depreciation and amortisation expenses of non-current assets	(6,785)	(2,336)	(9,121)
(Increase) in value of non-current and other assets	-	816	816
Revaluation of emission allowances and utilization	-	(247)	(247)
<b>Operating profit</b>	<b>10,649</b>	<b>22,969</b>	<b>33,618</b>
Financial income			140
Financial (expenses)			(348)
Share of results of operations of associates			166
<b>Profit before tax</b>			<b>33,576</b>

\* Adjustments made by the management, used to calculate the adjusted EBITDA, are related to the received compensation due to possible damages made by Alstom Power Ltd from 2005 to 2009.

\*\* Adjustments made by the management reflect changes in revenue (and, consequently, EBITDA) from the Company's regulated activity if current revenue was recognized at the amount consistent with the allowable income amount, calculated using VERT methodologies, taking into account allowable to earn return on investments and actual service costs incurred during the period. Management estimates that adjusted EBITDA is a more precise reflection of results and allows to compare of results between periods better, as it reflects the Company's actual results of reporting period, eliminating the effect of mismatches between current costs, forecasted by VERT and based on which prices of regulated services are calculated, 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 – EBITDA with eliminated additional management adjustments. EBITDA = Profit (loss) before tax + financial expenses – financial income – dividends received + depreciation and amortization + impairment expenses + expenses (income) of revaluation of emission allowances + write-offs of property, plant and equipment

All amounts are presented in EUR thousand unless otherwise stated

## 19 Segment information (continued)

Information on the Company's segments for the period from January to June ended on 30 June 2018 is presented in the table below:

2018 (restated*)	Regulated activities	Commercial activities	Total
Sales of electricity	606	26,225	26,831
Revenue from PSO	8,799	-	8,799
Revenue from capacity reserve services	22,202	905	23,107
Revenue from other system maintenance services	1,367	-	1,367
Revenue from sale of thermal energy	2,375	-	2,375
Sales of inventory	-	9	9
Other operating income	-	799	799
Other income	-	330	330
<b>Total revenue of segments</b>	<b>35,349</b>	<b>28,268</b>	<b>63,617</b>
Purchase of electricity, gas trading and related services, purchases of gas and fuel oil	(14,767)	(10,817)	(25,584)
Operating expenses	(6,276)	(2,168)	(8,444)
<b>EBITDA</b>	<b>14,306</b>	<b>15,283</b>	<b>29,589</b>
<b>Management's adjustments</b>	<b>(2,463)</b>	<b>-</b>	<b>(2,463)</b>
Management's adjustments related to allowable profit of regulated activity**	(2,463)	-	(2,463)
<b>Adjusted EBITDA***</b>	<b>11,843</b>	<b>15,283</b>	<b>27,126</b>
<b>Other adjustments</b>	<b>(6,814)</b>	<b>5,713</b>	<b>(1,101)</b>
Depreciation and amortisation expenses of non-current assets	(6,814)	(2,522)	(9,336)
(Increase) in value of non-current and other assets	-	(122)	(122)
Revaluation of emission allowances and provisions	-	8,357	8,357
<b>Operating profit</b>	<b>7,492</b>	<b>20,996</b>	<b>28,488</b>
Financial income			61
Financial (expenses)			(281)
Share of results of operations of associates			71
<b>Profit before tax</b>			<b>28,339</b>

\* Part of amounts does not agree with condensed interim financial information of 2018 due to corrections 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 recognized at the amount consistent with the allowable income amount, calculated using VERT methodologies, taking into account allowable to earn return on investments and actual service costs incurred during the period. Management estimates that adjusted EBITDA is a more precise reflection of results and allows to compare of results between periods better, as it reflects the Company's actual results of reporting period, eliminating the effect of mismatches between current costs, forecasted by VERT and based on which prices of regulated services are calculated, 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 – EBITDA with eliminated additional management adjustments. EBITDA = Profit (loss) before tax + financial expenses – financial income – dividends received + depreciation and amortization + impairment expenses + expenses (income) of revaluation of emission allowances + write-offs of property, plant and equipment

## 20 Other Income

As at 30 June 2019 and 30 June 2018, the Company's other income were as follow:

	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018 (restated*)
Profit from disposal of property, plant and equipment	-	2
Sanctions	428	40
Property rental income	318	225
Other income**	9,394	63
<b>Total</b>	<b>10,140</b>	<b>330</b>

All amounts are presented in EUR thousand unless otherwise stated

\* Part of amounts does not agree with condensed interim financial information of 2018 due to corrections disclosed in Note 4

\*\* As at 11 February 2019 The Ministry of Finance of the Republic of Lithuania transferred 9,276 thousand Euro compensation for alleged damage suffered from Alstom Power Ltd who from 2005 to 2009 was implementing project of the Lietuvos Elektrine, AB (project rights and obligations were taken over by the Company) 'Installation of low pressure NOx burners and their control system with heating control and protection from explosions and blockers'. This compensation was assigned to the Republic of Lithuania by British court.

The amount of compensation, including taxable liabilities, was used to partially repay bank loan related to implemented project.

## 21 Transactions with related parties

The Company's transactions with related parties for the period from January to June of 2019 and the balances arising on these transactions as at 30 June 2019 were as follows:

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
	30/06/2019	30/06/2019	30/06/2019	01/01/2019 – 30/06/2019	01/01/2019 – 30/06/2019
Associates of the Company	172	125	504	672	5
Companies of the Lietuvos Energija UAB group	1,009	49	49,467	7,521	203
Parent company Lietuvos Energija UAB	50	-	-	214	-
Companies of the state-owned EPSO-G Group	2,451	10,461	-	14,421	56,378
Impairment	-	(125)	-	-	-
<b>Total</b>	<b>3,682</b>	<b>10,510</b>	<b>49,971</b>	<b>22,828</b>	<b>56,586</b>

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 6,975 thousand during January– June 2019, EUR 2,477 thousand during January– June 2018) and sales (EUR 53,296 thousand during January – June 2019, EUR 42,346 thousand during January– June 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 for the period from January to June of 2018 and the balances arising on these transactions as at 31 December 2018 were as follows:

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
	31/12/2018	31/12/2018	31/12/2018	01/01/2018 – 30/06/2018	01/01/2018 – 30/06/2018
Associates of the Company	159	144	660	508	4
Companies of the Lietuvos Energija UAB group	1,498	2,023	49,290	3,320	102
Parent company Lietuvos Energija UAB	60	-	-	8,302	24
Companies of the state-owned EPSO-G Group	2,923	11,714	-	13,090	60,280
Impairment	-	(125)	-	-	-
<b>Total</b>	<b>4,640</b>	<b>13,756</b>	<b>49,950</b>	<b>25,220</b>	<b>60,410</b>

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 a set-off against payables/receivables to/from a respective related party.

## 22 Compensation to key management personnel

	01/01/2019 - 30/06/2019	01/01/2018 - 30/06/2018
Employment-related payments (EUR thousand)	165	130
Whereof: other significant payments to key management personnel (EUR thousand)	22	24
Number of key management personnel as at 30 June	4	3

All amounts are presented in EUR thousand unless otherwise stated

In 2019 and 2018, key management personnel include the General Manager and Directors of departments (including acting directors of departments).

## 23 Other expenses

	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018
Other expenses	1,102	894
Taxes of operating activity	909	955
Protection of assets	179	283
Services of business administration and management	597	511
Insurance	80	115
Rent	13	75
Audit	34	21
Reversal of accounts receivable impairment	(1,117)	(142)
<b>Total</b>	<b>1,797</b>	<b>2,712</b>

## 24 Fair value of financial instruments

Fair value is the amount for which an asset would be sold, or a liability disposed, at active market conditions (or on an arm's length basis), regardless of whether such price is directly observable or estimated by applying valuation technique.

	Carrying value		Fair value	
	Total	1 level	2 level	3 level
<b>Fair value as at 31 December 2018</b>				
<b>Financial assets</b>				
Accounts receivable based on agreements 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	-	-
<b>Total Financial assets</b>	<b>113,891</b>	<b>47,885</b>	<b>-</b>	<b>66,006</b>
<b>Financial liabilities</b>				
Loans	(38,036)	-	-	(38,036)
Lease liabilities	(172)	-	-	(172)
Accounts payable and liabilities	(13,425)	-	-	(13,425)
<b>Total Financial liabilities</b>	<b>(51,633)</b>	<b>-</b>	<b>-</b>	<b>(51,633)</b>
<b>Fair value as at 30 June 2019</b>				
<b>Financial assets</b>				
Accounts receivable based on agreements with customers	12,010	-	-	12,010
Other financial assets	5,427	-	-	5,427
Loans granted	49,971	-	-	49,971
Cash and Cash equivalents	66,136	66,136	-	-
<b>Total Financial assets</b>	<b>133,544</b>	<b>66,136</b>	<b>-</b>	<b>67,408</b>
<b>Financial liabilities</b>				
Loans	(27,943)	-	-	(27,943)
Lease liabilities	(5,892)	-	-	(5,892)
Accounts payable and liabilities	(9,800)	-	-	(9,800)
<b>Total Financial liabilities</b>	<b>(43,635)</b>	<b>-</b>	<b>-</b>	<b>(43,635)</b>

All amounts are presented in EUR thousand unless otherwise stated

## 25 Commitments and contingencies

Based on a press release of the European Commission, the Company informs that on 3 June 2019, the European Commission has launched an investigation to assess, if EU State aid rules were followed when using a strategic reserve instrument which allocates proceeds of public interest services to the Company (PIS). The Company's management is not aware of any circumstances that could determine probable significant liabilities of the Company due to the launched investigation.

### **Obligations of regulated services**

In 2019 the Company revised the recognition principles of revenue, accounts receivable and liabilities related to secondary emergency power reserve, tertiary active power reserve, prevention and liquidation of accidents and disruptions, reactive power and voltage management services (hereinafter - regulated services), which prices are regulated by VERT, in the financial statements (See Note 3). The prices of the aforementioned regulated services for the upcoming calendar (financial) year are determined by the VERT based on the forecasted costs of the Company for the next financial year, taking into account the discrepancies between forecasted and actual revenues and expenses for the previous financial year.

It should be noted that there are no legal provisions in the existing legislation which would determine how the Company should meet its obligation raised from coverage of amount payable or how the Company should be reimbursed in the event when the same regulated services were no longer provided in the following financial year. 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.

The Company estimates that the resulting difference between the actual costs of provided regulated services provided in prior year and the costs estimated by VERT based on which prices of regulated services were calculated, raised regulatory obligation which as at 30 June 2019 amounted to EUR 11,117 thousand (31 December 2018 - EUR 7,392 thousand) and which should be paid by the Company if VERT issues respective rulings.

### **Guarantees issued and received**

From January to June of 2019, the Company did not sign any new guarantee agreements.

As at 30 June 2019, no guarantees were received by the Company from other entities.

### **Litigations**

The dispute over resolutions adopted by the National Energy Regulatory Council (NERC) related to the revenue from the regulated activities is disclosed in Note 3.

The plaintiff JUMPS, UAB on 16 June 2019 applied to the court of first instance with a purpose to get court approval that according to sales agreement with the Company the plaintiff cannot be charged full forfeitures or forfeitures size should be decreased. Claim size - EUR 392,854.30. According to the Company, the claim is not reasonable and forfeitures are applied properly based on agreement signed with the plaintiff. Received amount is recognized as other income in statement of comprehensive income.

### **Tax audits**

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

## 26 Subsequent events

As at 27 August 2019 The Extraordinary General Meeting of Shareholders of the Company decided to change the name of Lietuvos Energijos Gamyba, AB to Ignitis Gamyba, AB

Based on ruling of 23 August 2019 (hereinafter – ruling) issued by district court of Klaipeda, Geoterma, UAB was declared as bankrupted and liquidated due to bankruptcy. The ruling became effective as at 3 September 2019. Based on ruling of 17 May 2019 district court of Klaipeda approved financial claim of creditors of Geoterma, also based on this ruling financial claim of EUR 124,749.79 was approved in favour of the mortgage creditor Lietuvos Energijos Gamyba, AB

There were no other significant events after 30 June 2019 until the date of approval of the financial statements.

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