2019-10-30 No.

## CERTIFICATION STATEMENT

Referring to the provisions of the Article 24 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned AB Ignitis gamyba Rimgaudas Kalvaitis, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration, and Giedruolė Guobienė, Head of Accounting services center of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, AB Ignitis gamyba condensed Interim Financial Information for nine-month period ended 30 September 2019 prepared according to International Accounting Standard 34 "Interim financial reporting" adopted by the European Union, give a true and fair view of AB Ignitis gamyba assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the nine-month period includes a fair review of the activities business development as well as the condition of AB Ignitis gamyba and with the description of the principle risk and uncertainties it faces.

| | |
|---|---|
| Chief Executive Officer | Rimgaudas Kalvaitis |
| Finance and Administration Director | Mindaugas Kvekšas |
| UAB Verslo aptarnavimo centras,<br>Head of Accounting services center,<br>acting under Order No. IS19-102 (signed 2019-08-29) | Giedruolė Guobienė |

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

+370 618 37392
gamyba@ignitis.lt

www.ignitisgamyba.lt

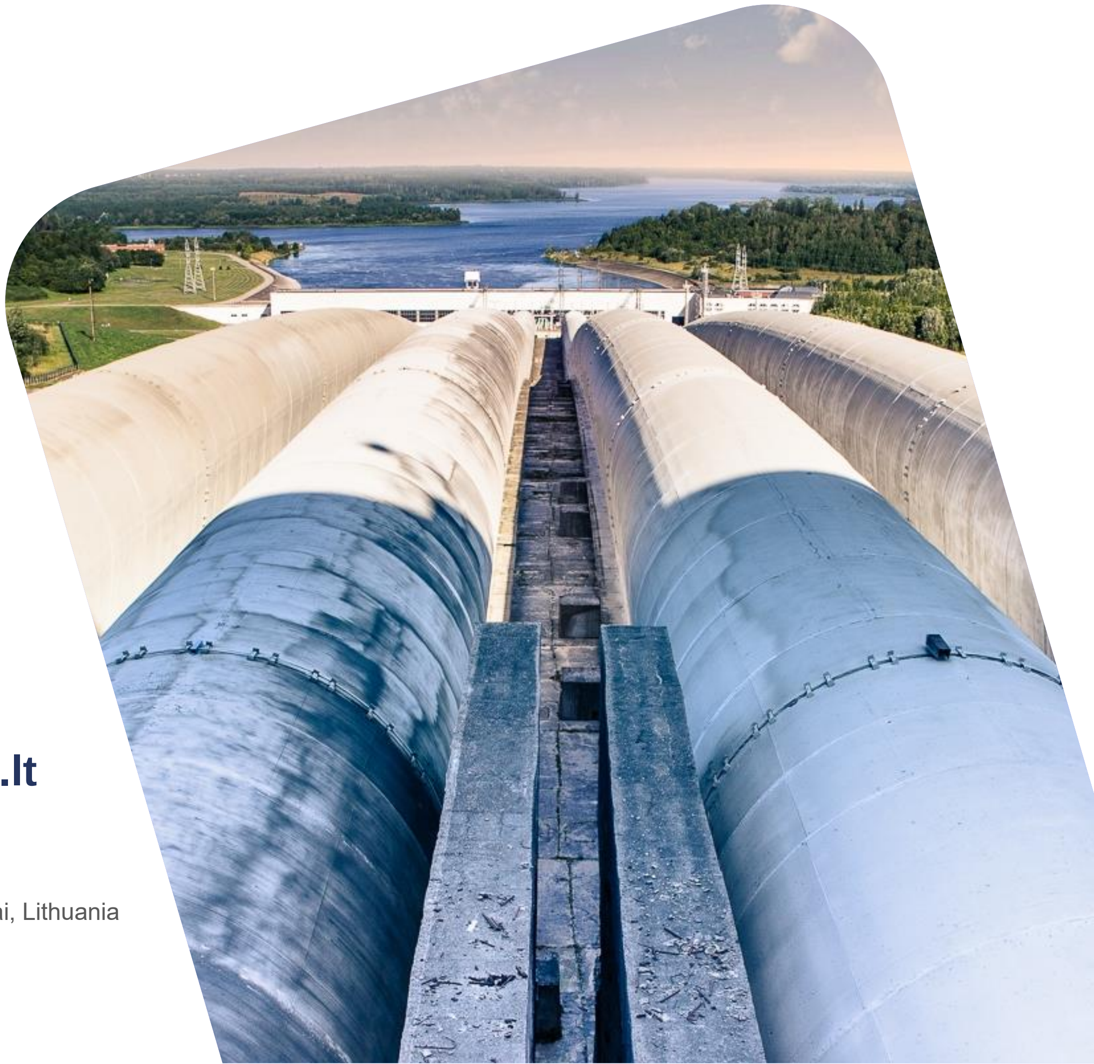
Juridinio asmens kodas
302648707
PVM mokėtojo kodas
LT100006256115

2019

# AB IGNITIS GAMYBA

## COMPANY’S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019 AND THIRD QUARTER OF 2019, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



**www.ignitisgamyba.lt**

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

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| CONDENSED INTERIM FINANCIAL INFORMATION | |
|---|---|

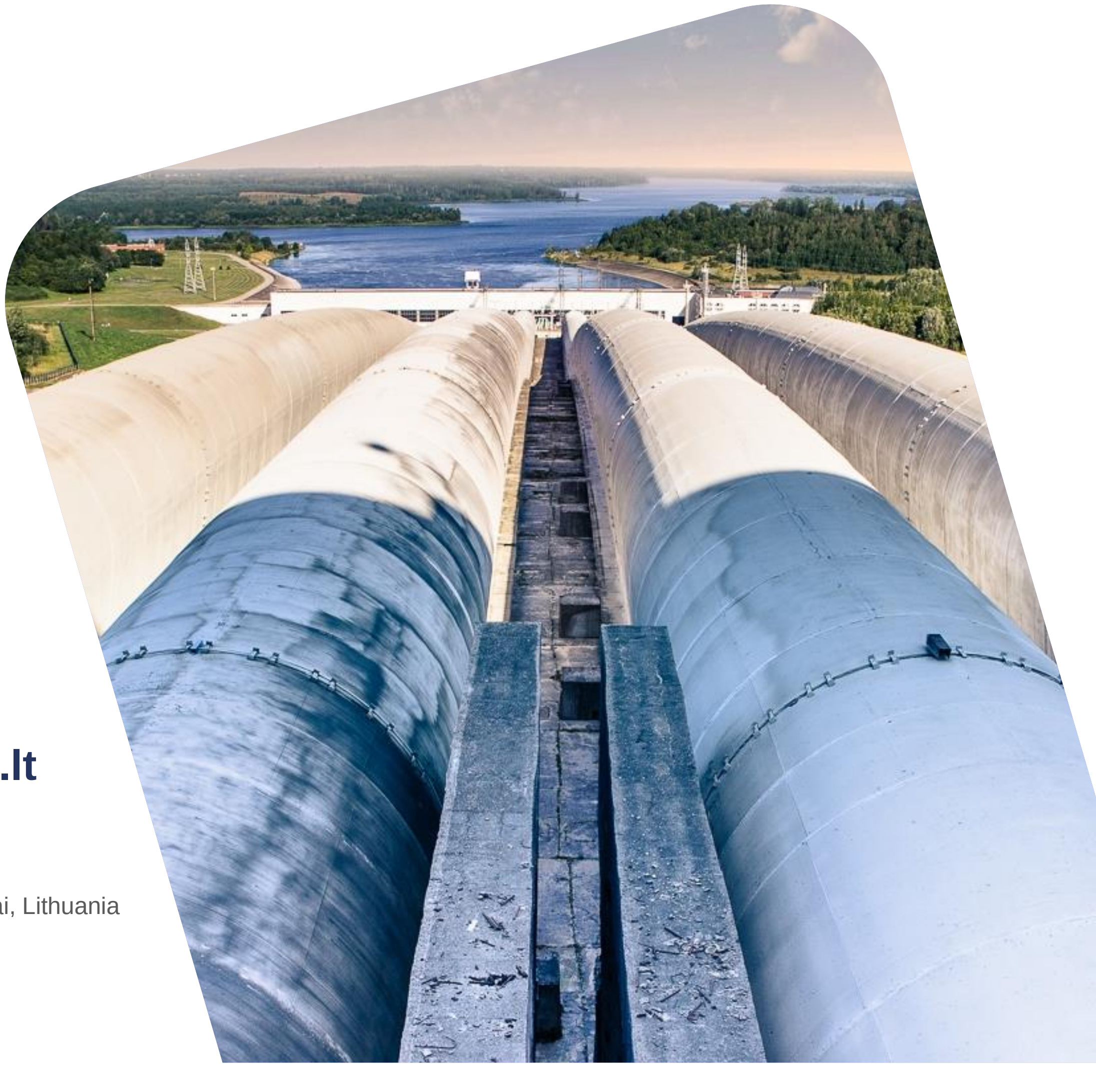

The financial statements were approved as at 30 October 2019 by AB Ignitis gamyba General Manager, Finance and Administration Director, and Head of accounting services center of UAB Verslo aptarnavimo centras (acting under Order No IS-19-102 of 29 August 2019).

| | | |
|---|---|---|
| **Rimgaudas Kalvaitis**<br>General Manager | **Mindaugas Kvekšas**<br>Finance and Administration Director | **Giedruolė Guobienė**<br>Head of accounting services center of UAB Verslo aptarnavimo centras, acting under Order No IS-19-102 of 29 August 2019 |

# 2019 | AB IGNITIS GAMYBA INTERIM REPORT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

ignitis gamyba



**www.ignitisgamyba.lt**

AB Ignitis Gamyba
Elektrines str. 21, LT-26108 Elektrenai, Lithuania
E-mail gamyba@ignitis.lt
Company code 302648707

# CONTENT

## INTERIM REPORT

All amounts in thousands of euros unless otherwise stated

## Reporting period covered by the Interim Report

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

## Legal basis for the preparation of the Interim Report

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

## Individuals responsible for the information contained in the Interim Report

| Job title | Full name | Telephone number |
|---|---|---|
| AB Ignitis Gamyba Chairman of the Board, CEO | Rimgaudas Kalvaitis | +370 618 37392 |
| AB Ignitis Gamyba Member of the Board, Director of Finance and administration | Mindaugas Kvekšas | +370 618 37392 |

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

The report and the documents, on the basis of which it was prepared, are available at the head office of AB Ignitis Gamyba, (Elektrinės g. 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 website of the Company at www.ignitisgamyba.lt and the website of Nasdaq Vilnius stock exchange at www.nasdaqbaltic.com.

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

All amounts in thousands of euros unless otherwise stated

## KEY OPERATING AND FINANCIAL INDICATORS OF IGNITIS 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" of the Company's website.

| | | 9 months 2019 | 9 months 2018 | Change | |
|---|---|---|---|---|---|
| | | | | +/- | % |
| **KEY OPERATING INDICATORS** | | | | | |
| Electricity generation volume | *TWh* | 0.65 | 0.68 | -0.03 | -4.07 |
| **KEY FINANCIAL INDICATORS** | | | | | |
| Revenues | *EUR`000* | 115,574 | 101,149 | 14,425 | 14.26 |
| Costs of purchase of electricity, fuel and related services | *EUR`000* | 39,977 | 45,287 | -5,310 | -11.73 |
| Operating expenses[1] | *EUR`000* | 14,901 | 13,331 | 1,570 | 11.78 |
| EBITDA[2] | *EUR`000* | 58,252 | 42,531 | 15,721 | 36.96 |
| EBITDA margin[3] | *%* | 50.4 | 42.0 | 8.4 p. p. | |
| Adjusted EBITDA[4] | *EUR`000* | 42,935 | 37,862 | 5,073 | 13.40 |
| Adjusted EBITDA margin[5] | *%* | 42.8 | 39.2 | 3.6 p. p. | |
| Net profit (loss) | *EUR`000* | 37,904 | 30,030 | 7,874 | 26.22 |
| | | **At 30/09/2019** | **At 30/09/2018** | **Change** | |
| | | | | **+/-** | **%** |
| Total assets | *EUR`000* | 681,347 | 664,586 | 16,761 | 2.52 |
| Equity | *EUR`000* | 404,687 | 381,701 | 22,986 | 6.02 |
| Financial debts | *EUR`000* | 26,838 | 42,545 | -15,707 | -36.92 |
| Net debt[6] | *EUR`000* | -5,003 | -39,367 | -14,636 | 37.18 |
| Return on equity (ROE)[7] | *%* | 12.5 | 10.5 | 2.0 p. p. | |
| Equity level[8] | *%* | 59.4 | 57.4 | 2.0 p. p. | |
| Net debt / 12-month EBITDA | *%* | -69.5 | -69.4 | -0.1 p. p. | |
| Net debt / Equity | *%* | -13.3 | -10.3 | -3.0 p. p. | |
| Asset turnover[9] | *%* | 22.6 | 20.3 | 2.3 p.p. | |
| Current ratio[10] | *%* | 309.3 | 228.1 | 81.1 p.p. | |

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

## MANAGEMENT'S FOREWORD

**Dear customers, shareholders, partners and employees,**

The main performance indicators of Ignitis Gamyba have been steadily improving over the first 9 months of 2019, even despite the draught that hit Lithuania in spring and summer. Efficient use of the Kruonis Pumped Storage HPP (Kruonis PSHP) potential, positive results of the stocked fuel-oil and scrap-iron sales and increased volume of the regulated services provided by Elektrenai Complex resulted in 13.4% higher adjusted EBITDA of the Company – in Q3 of 2019, it reached EUR 42.9 million in comparison to EUR 37.9 million in Q3 of 2018.

The total revenue of the company amounted to EUR 115.6 million, 14.3% more if compared to January-September 2019, whereas the net profit grew by more than one-fifth and reached EUR 37.9 million. Other Company's profitability indicators – operating profit margin, profit before tax margin, and net profit margin has been slightly higher if compared to the same period in 2018. This has been partly determined by the EUR 9.3 million remittance received from the Ministry of Finance in spring 2019, of which the company has announced previously.

Hydrological draught negatively affected the results generated by Kaunas A. Brazauskas' HPP (Kaunas HPP) – due to insufficient inflow of the river Nemunas its production volumes decreased by 24.7% and amounted to 0.21 TWh during January-September this year. However, the lower results of Kaunas HPP have been compensated by a substantially higher sales margin of the Kruonis PSHP which production volumes increased by 27.2% (up to 0.42 TWh) due to effective exploitation of the favourable difference between daily peak and night-time electricity prices. As in 2018, the production volumes in Elektrenai Complex remained limited.

Implementing its essential mission, this year the Company successfully provided various ancillary services that are vital to the stability and security of the region's electricity supply systems. As in 2018, this year Ignitis Gamyba ensured the secondary active power reserve, a service provided by two hydrounits of Kruonis PSHP in the scope of 400 MW. The tertiary active power reserve in the scope of 260 MW has been ensured by the most effective unit of Elektrėnai Complex – the combined cycle unit (CCU). CCU has been constantly ready to produce electricity and contribute to the overall security of the energy system.

In January-September 2019, 0.21 TWh of electricity has been generated in Kaunas A. Brazauskas HPP and 0.42 TWh in Kruonis PSHP. As in 2018, the production volumes in Elektrenai Complex remained limited. In total, 0.67 TWh of electricity was sold in the NordPool exchange, slightly less (6.9%) if compared to 0.72 TWh in January-September 2018.

While taking constant care for the reliable and stable work of the Company's power plants, our team continued intensive preparations for the projects of huge importance to the entire energy system. In May, we successfully participated in a test of Lithuanian electricity system restoration after a total failure and isolated work of a part of the system, which proved we are prepared to act on time and ensure provision of electricity to the country's consumers. In Elektrenai Complex, the dismantling of units 5 and 6 of the reserve power plant has been continued as well. Moreover, we carried out preparatory works for the possible modernisation of the Kruonis PSHP – in September, a study of the pile field and infrastructure was completed, partially funded by the European Commission. We expect that the technological alternatives' study and socioeconomic study will be finished in the first half of 2020. In the beginning of October, Ignitis Gamyba successfully launched its first 1 MW community solar power plant project in the platform Ignitis Saules Parkai.

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

***Rimgaudas Kalvaitis***
*Chairman of the board, CEO,*
*AB Ignitis Gamyba*

## MOST SIGNIFICANT EVENTS

### During 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, January 21 being her last day on duty.

On 8 January, 2019 the Company announced about the start of preparations for **1 megawatt energy storage system installation in Kaunas Algirdas Brazauskas' hydropower plant**. 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, and would become the first and the biggest innovation of this kind in the Baltic States. The Company initiated public procurement procedures to acquire the equipment.

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

On 11 February, 2019 the Company **received a remittance of EUR 9,275,871.04** from the Ministry of Finance of the Republic of Lithuania as a reparation for the potential loss that was inflicted trough the actions carried out by Alstom Power Ltd while implementing Lietuvos Elektrine's, 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 reparation shall be used for the partial coverage of the debt related to the aforementioned 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 (as of today – Ignitis Group) 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 powerplant units of the Elektrėnai Complex**. For testing, the 7th unit was first turned on, and after two days the 8th unit was tested. Both units are under the preservation mode in 2019, but will be ready for work and together with the combined cycle unit will play an important role in the isolated network test, which will be carried out after the testing date will be agreed between the Baltic transmission system operators.

On 27 March, 2019 the **Supervisory Board of the Company elected 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 R. 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 profit the Company for the year 2018 (the dividends are to be paid for the period of July–December 2018).

On 24 April, 2019 Lietuvos Energija, UAB (as of today – UAB Ignitis Group), 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 aim of this change was to consolidate different trademarks owned by Lietuvos Energija, UAB and the Group in to the one modern international trademark, optimizing the expenses dedicated to communication.

On 9 May 2019, the Company invited the society to assess **the report on environmental impact of Vilnius Combined Heat and Power Plant (hereinafter, Vilnius Power Plant-3) modernisation**. Seven possible technological modernisation alternatives of Vilnius Power Plant-3 have been 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 isolated work of a part of the system**. During the test, Lithuanian electricity system has been 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 maintain a constructive collaboration.

On 26 July 2019, the Extraordinary General Meeting of Shareholders of the Company decided to elect **a new independent member of the Supervisory Board Edvardas Jatautas**. He will serve as an independent member until the end of term of the Supervisory Board.

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

Company's Articles of Association were registered in the Register of Legal Entities and came into effect on 6 September.

On 4 September 2019, the Company announced that according to the ruling of the Court of Klaipeda District (hereinafter referred to as the Ruling) on August 23, 2019, **BUAB Geoterma (hereinafter referred to as Geoterma) has been declared bankrupt and shall be liquidated due to insolvency**. The Company owns 23.44% of Geoterma shares. The ruling became effective on September 3, 2019. On May 17, 2019, the Court of Klaipeda District approved the EUR 124,749.79 financial claim of the mortgage creditor Lietuvos Energijos Gamyba, AB.

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

## After the reporting period

On 12 October 2019, he General Meetings of Shareholders of Verslo aptarnavimo centras, AB (hereinafter – VAC) and Ignitis grupės paslaugų centras, UAB (hereinafter – GPC), of which the Company is a shareholder, have approved the **initiation of reorganisation of VAC and GPC by merging VAC to GPC** and obligated the boards of both companies to draw up their reorganisation terms. The reorganisation of the companies is scheduled to be completed by the end of 2019. VAC and GPC provide services for the companies of Ignitis Group, therefore, the reorganisation of VAC and GPC will enable the creation and development of higher quality services, and provision of them to customers faster and more efficiently.

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

All amounts in thousands of euros unless otherwise stated

## 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” of the Company's website.

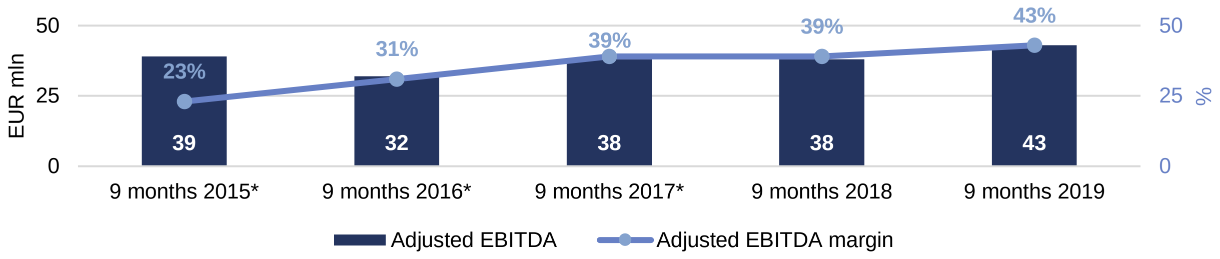
| | | 9 months 2019 | 9 months 2018 | 9 months 2017 | 9 months 2016[1] | 9 months 2015[1] |
|---|---|---|---|---|---|---|
| **FINANCIAL INDICATORS** | | | | | | |
| Sales revenue | EUR`000 | 105,205 | 100,596 | 96,684 | 100,883 | 168,055 |
| Other operating income | EUR`000 | 10,369 | 553 | 956 | 20,451 | 10,277 |
| EBITDA[2] | EUR`000 | 58,252 | 42,531 | 38,390 | 31,599 | 39,189 |
| Adjusted EBITDA[3] | EUR`000 | 42,935 | 37,862 | 38,390 | 31,599 | 39,189 |
| Operating profit | EUR`000 | 44,707 | 38,852 | 20,224 | 28,952 | 30,551 |
| Net profit (loss) | EUR`000 | 37,904 | 30,030 | 19,685 | 22,007 | 26,459 |
| Profit before tax | EUR`000 | 44,741 | 38,720 | 19,907 | 28,453 | 29,071 |
| Cash flows from operations | EUR`000 | 69,228 | 45,077 | 43,904 | 51,765 | 20,067 |
| Financial debts | EUR`000 | 26,838 | 42,545 | 59,550 | 132,766 | 149,978 |
| **RATIOS** | | | | | | |
| Liabilities / equity | | 0.68 | 0.74 | 1.09 | 1.48 | 1.41 |
| Financial debts / equity | | 0.07 | 0.11 | 0.17 | 0.39 | 0.41 |
| Financial debts / assets | | 0.04 | 0.06 | 0.08 | 0.16 | 0.17 |
| **LOAN COVERAGE RATIO** | | | | | | |
| Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period))[4] | | 4.69 | 3.20 | 0.52 | 2.25 | 2.72 |
| **PROFITABILITY RATIOS** | | | | | | |
| Operating profit margin | % | 38.68 | 38.41 | 20.71 | 23.86 | 17.13 |
| Profit before tax margin | % | 38.71 | 38.28 | 20.39 | 23.45 | 16.30 |
| Net profit margin | % | 32.80 | 29.69 | 20.16 | 18.14 | 14.84 |
| Return on equity | % | 12.49 | 10.49 | 7.46 | 8.69 | 9.55 |
| Return on assets | % | 7.42 | 6.02 | 3.56 | 3.51 | 3.97 |
| Return On Capital Employed (ROCE) | % | 11.71 | 9.44 | 6.38 | 6.24 | 6.79 |
| Earnings per share | EUR | 0.058 | 0.046 | 0.031 | 0.035 | 0.042 |
| P/E (share price / earnings) | | 7.37 | 9.47 | 15.49 | 14.59 | 14.04 |

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

In January–September 2019, the Company’s adjusted EBITDA and adjusted EBITDA margin increased, in comparison with the same period in 2018. This can also be seen in the chart showing the dynamics of EBITDA in January–September 2015-2019, provided below (see Figure 1). Other profitability indicators of the Company (operating profit margin, margin of profit before tax, net profit margin) in January–September 2019 were also higher if compared to the same period last year. Operating profit, profit before tax and net profit increased mainly due to compensation received for the projects carried out in previous years.

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

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




* Comparative indicators were not recalculated.

## Statement of financial position

Liabilities of the Company to financial institutions were equal to EUR 26.8 million (as of 30th September 2019) and consisted of the liabilities under the long-term loan agreements.

## Total income statement

### Revenue

Company revenue from contracts with customers amounted to EUR 105.2 million in January–September 2019. The major part of the revenue is the income from electricity trading and power reserve services, balancing and regulation electricity, as well as from the sale of heat energy. The Company's income increased by 14.3%, in comparison with January–September 2018. This was mainly influenced by the stocked fuel-oil and metal scrap sales (the amount of these sales in January–September 2019 was EUR 5.7 million).

Operating income from the regulated services of the Company in January–September 2019, i. e. electricity and heat energy generation in the Elektrėnai Complex, and power reserve services provided by the Elektrėnai Complex and the Kruonis PSHP accounted for 47% of the total revenue of the Company (55% in January–September 2018).

### Expenses

In January–September 2019, the Company incurred the costs of EUR 70.9 million (EUR 70.3 million, if we exclude the Emission Trading Systems reappraisal income/costs). The major part of the Company's costs (EUR 40.0 million or 56.9%) was related to the purchase of electricity and related services, as well as the purchase of fuel for electricity generation. Such costs accounted for 62.0% of costs, or EUR 45.3 million in January–September 2018. Company's depreciation and amortization costs amounted to EUR 13.7 million in January–September 2019 (EUR 14.0 million in January–September 2018).

Operation and maintenance costs amounted to EUR 14.9 million in January–September 2019 and were 11.8% or EUR 1.6 million higher in comparison with January–September 2018, mainly due to the provision formed for the costs of dismantling works at the Elektrėnai complex.

### Profit

Company's adjusted EBITDA increased by EUR 5.1 million in January–September 2019, in comparison with the same period in 2018, and the Company's adjusted EBITDA margin amounted to 42.8% in January–September 2019 (39.2% in January–September 2018).

The Company earned EUR 44.7 million of profit before tax, and the net profit amounted to EUR 37.9 million in January–September 2019. The Company earned EUR 30.0 million of net profit in January–September 2018.

## Statement of cash flows

Net cash flows from operating activities amounted to EUR 69.2 million in January–September 2019. Meanwhile, in January–September 2018, net cash flows from operating activities amounted to EUR 45.1 million.

In January–September of both 2019 and 2018 cash flows from financial activities of the Company were negative and amounted to EUR 37.7 million and EUR 22.3 million, respectively.

## Investments in non-current assets

Company's investments in non-current tangible and intangible assets amounted to EUR 0.5 million in January–September 2019, and EUR 3.8 million in January–September 2018.

## Overview of the activities of the Company's power plants and plans for 2019

The Company brings together the largest state-owned electricity generation 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 (as of today – Ignitis Group) on 31 March 2018. The Company's main objective is to contribute to ensuring the country's energy security by consolidating electricity generation 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.

As from 1 January 2016, trade in electricity produced by the Company has been conducted under the agreement by Energijos Tiekimas UAB (since 1 January 2019 the operations where disposed to Gamybos Optimizavimas UAB). Before that date, the Company used to conduct trading on the wholesale electricity market (i.e. the environment of communication between the producers and suppliers of electricity) on its own.

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

In 2019, the tertiary reserve in the scope of 260 MW is guaranteed by the CCU, whereas the strategic reserve service has been halted. Therefore, the decision was made to conserve the unit 8 of Elektrėnai Complex as from the beginning of 2019 (the unit 7 has been conserved since 1 January 2018). In 2019, periodical short-term technological tests of equipment are planned in the Elektrėnai Complex.

This year, Kruonis PSHP is providing 400 MW secondary reserve service (by means of two units). The profitability of the commercial activities by means of the two remaining units and the production volumes depend mostly on the market conditions. i.e. difference in the prices of electricity in peak and nonpeak periods.

In 2019, the production volumes of Kaunas A. Brazauskas HPP will depend mostly on the inflow of Nemunas. The power plant is affected a lot by seasonality, i.e. the major part of electricity is produced at times of spring flood, whereas the smallest part of electricity is produced in cold winter and hot summer. The efforts will be put to make use of the flexible production in the power plant during those hours when the highest price is reached in the exchange.

It is not planned to produce energy in Vilnius TPP-3 in 2019.

The Company sets availability goals for the power plants. The devices are considered accessible when they are producing electricity or when they are completely ready to produce it. It is planned that the average annual availability indicators in 2019 will be at least 97.8% for the CCU, 90.2% for Kruonis PSHP, and 92.5% for Kaunas A. Brazauskas HPP.

The efforts will also be put for the power plants to participate reliably in isolated network tests according to the TSO's pre-scheduled testing programme.

## Key performance indicators

### Electricity generation and ancillary services' indicators for January-September 2019

From January to September of 2019, the Company produced electricity and heat energy, provided tertiary active power reserve service in the Elektrėnai complex, secondary active power reserve service in Kruonis PSHP, and other ancillary services.

The Company has permissions of unlimited duration to produce electricity. The amount of electricity produced in the Company's power plants during January–September 2019 differs insignificantly from that of January–September 2018 (see Figure 2). In total, 0.67 TWh of electricity was sold in the NordPool exchange in January–September 2019, a 6.9% decrease if compared to January–September 2018 (0,72 TWh).

**In Kaunas HPP,** the production volumes have been affected by the drought which started already in spring. The snow has been scarce, melted gradually and did not cause bigger floods. During summer months, the situation deteriorated – a hydrological drought has been announced in Lithuania. During January–September 2019, Kaunas HPP produced 24.7% less electricity if compared to the same period last year (0.28 TWh in January–September 2018 and 0.21 TWh in January–September 2019).

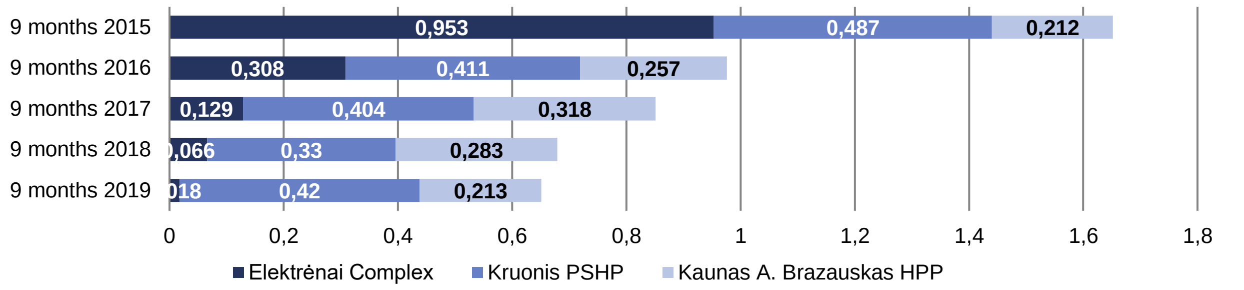
**Efficient use of Kruonis PSHP** potential for stabilizing electricity prices in the market (due to increased difference between daily peak and night-time electricity prices) resulted in 27.2% higher sales of the electricity produced in Kruonis PSHP during January–September 2019 when compared to the same period last year (0.42 TWh in 2019 and 0.33 TWh in 2018).

In January-September 2019, the Company sold 0.044 TWh and purchased 0.016 TWh of regulation electricity (the service necessary to balance the surplus/shortage of electricity in the system). The respective amounts for January–September 2018 had been 0.059 TWh and 0.028 TWh.

Another ancillary service provided by Kruonis PSHP is the secondary power reserve, i.e. the power of facilities or hydro-units maintained by the producer activated in 15 minutes. During January–September 2019, 0.010 TWh of electricity has been produced during the activations of this service (0.013 TWh in January–September 2018). The TSO usually activates the secondary power reserve (for which two units (400 MW) of Kruonis PSHP are assigned in 2019) when there is a need to compensate a sudden drop in electricity transmitted to Lithuania. During January–September 2019, the Company sold around 2.62 TWh of the secondary power reserve – the same amount as during January–September 2018.

As in 2018, production in Elektrėnai Complex remained limited during January–September 2019 (0.018 TWh produced in January-September 2019 and 0.066 TWh in January-September 2018). In 2019, the tertiary power reserve in the scope of 260 MW is ensured by the most effective unit of Elektrėnai Complex – combined cycle unit. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. The reserve could be activated by the TSO. The unit is constantly ready to produce electricity in order to contribute ensuring the security of the energy system. The production of the combined cycle unit on a commercial basis is only available with the residual power (the power remaining from designated for the service of tertiary reserve). The residual power is highly impacted by the weather temperature – the lower the temperatures, the more power CCU can supply to the grid. However, the residual power cannot be lower than the technological unit minimum (160 MW). If the weather warms up, the unit's residual power becomes lower than the technological minimum making it impossible for the CCU to work on a commercial basis. During January–September 2019, the Company sold around 1.71 TWh of the tertiary power reserve – slightly more than during the same period in 2018 (1.70 TWh).

Figure 2
***Electricity produced at power plants controlled by the Company and electricity sold (TWh)***




## Other factors affecting the Company's financial indicators

The Company's business environment was discussed in the interim report of the 6 months 2019. No changes took place in the Company's business environment in January-September 2019 that would have had a significant influence on the Company's results.
The banks operating in Lithuania continue forecasting reasonable growth of gross domestic product, the changes of which have the major impact on increased demand for energy and competitive environment in which the Company is operating.
The average price of electricity in the Lithuanian trade zone of Nord Pool market for January–September 2019 changed only marginally compared to the same period last year. In January–September 2019, the average price amounted to 46.98 euro per MWh compared to 48.31 euro per MWh in January–September 2018.
The price of emission allowances in January–September 2019 remained higher than in the same period last year (24.72 euro per unit in September 2019 vs. 21.15 euro per unit in September 2018), which had a positive effect on the Company's results.

The Company is operating in accordance with the Company's Strategy revised and updated in the end of 2018. It is stressed in the Strategy that the most important activities of the Company are strategic generation as a basis for achievement of growth purposes of the entire group of the Lithuanian Energy. The main objective set for the Company is to contribute to successful synchronization of the Baltic States with the system of networks of continental Europe and to maintain capacities of reliable local electricity production and to develop new capacities in Lithuania. It is also provided in the Strategy that while implementing its main role to safeguard reliable and effective strategic generation, the Company will contribute significantly to implementation of the strategy LE 2030 in the direction of green generation and through implementing of innovations. 10 strategic solutions are planned in the Company's Strategy – particular projects and performance areas planned for the period 2019-2030. The document of the Company's Strategy for 2019-2030 is available on the Company's website.

In January-March 2019, the Company continued implementation of the majority of the projects and innovations described in the annual report of 2018 (link, p. 24) according to the plans. In implementing the decision to cease using low-quality fuel oil as a reserve fuel for the plants in Elektrėnai Complex, the last fuel-oil supplies were moved out of Elektrėnai Complex in March 2019. The remaining infrastructure for fuel-oil storage and supply to the reserve power plant is planned to be prepared so that it can be offered as needed to clients whose operations would create value for the entire region. During January–September 2019, the dismantling of units 5 and 6 of the reserve power plant of Elektrėnai Complex continued. Also, preparatory work for the installation of the experimental solar power plant in Kruonis PSHP, installation of the energy storage device in Kaunas Algirdas Brazauskas' HPP, and disassembly of the chimneys in Elektrėnai Complex were made, as well as the public procurement procedures necessary for further implementation of these projects were initiated. In the beginning of October, Ignitis Gamyba successfully launched its first 1 MW community solar power plant project in the platform Ignitis Saules Parkai.

On 1 September 2019, a study of the pile field and infrastructure was completed that had been partially funded by the European Commission (EC) under the Connecting Europe Facility. The study included the examination of the integrity and depth of the piles on which the pipeline connecting the upper and lower reservoirs would be built, examination of the strength of the concrete used for the piles and building structures, as well as geological surveys and determination of mechanical properties of soil. The study showed that the geological properties of the pipeline pile field area of unit 5 of Kruonis PSHP do not significantly differ from the design properties, and the strength of the concrete also matches the design values. Furthermore, a bigger financial support was received under the Connecting Europe Facility the for technological and socioeconomic studies of unit 5 of Kruonis PSHP. The completion of these studies is scheduled for the beginning of 2020.

In 2019, **the risk factors** related to Market Developments and Competitiveness and Regulation and Compliance have manifested in the following cases:
• Provision of the strategic reserve service has been halted since the start of 2019. It is highly likely there will not be any demand for this type of reserve service until the creation of the new power market mechanisms.
• The European Commission has launched an investigation to assess if the EU State aid rules were followed when using a strategic reserve instrument which allocates proceeds of public interest services (hereinafter, SPI) to the Company. The Company is actively participating in the process and providing all the necessary information.

In January-September 2019, there were no other manifestations of any significant risks to the Company described in detail in the annual report of 2018 (link, p. 26).

All amounts in thousands of euros unless otherwise stated

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

## Structure of authorised share capital and securities in issue

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

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

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

ISIN code LT0000128571. Ticker - LNR1L.

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

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

**Structure of the authorised share capital (as of 30 September, 2019)**

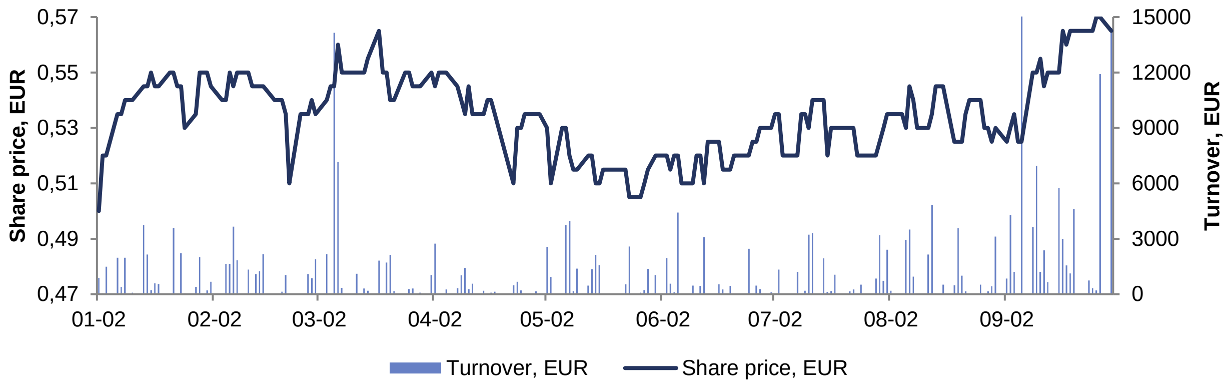
| Class of shares | Number of shares | Par value per share, EUR | Total par value, EUR | % of authorised share capital |
|---|---|---|---|---|
| Ordinary registered shares | 648,002,629 | 0.29 | 187,920,762.41 | 100.00 |

## The Company's share price and turnover dynamics

**Statistics on trade in the Company's shares**

| | | 9 months 2015 | 9 months 2016 | 9 months 2017 | 9 months 2018 | 9 months 2019 |
|---|---|---|---|---|---|---|
| Last trading session price, EUR | | 0.780 | 0.674 | 0.640 | 0.585 | 0.575 |
| Maximum price, EUR | | 0.940 | 0.713 | 0.665 | 0.640 | 0.575 |
| Minimum price, EUR | | 0.751 | 0.611 | 0.600 | 0.540 | 0.505 |
| Average price, EUR | | 0.836 | 0.658 | 0.629 | 0.592 | 0.542 |
| Turnover, shares | | 492,558 | 820,097 | 694,960 | 653,838 | 474,595 |
| Turnover, EUR MLN | | 0.41 | 0.54 | 0.44 | 0.39 | 0.26 |
| Capitalisation, EUR MLN | Company | 495.37 | 428.05 | 406.45 | 379.08 | 372.6 |
| | Baltic Main List | 4,756.25 | 4,896.61 | 5,551.01 | 5,935.36 | 5,518.9 |

Figure 3
***The Company's share price and turnover dynamics during the reporting period***



All amounts in thousands of euros unless otherwise stated

Figure 4
***The Company's share price and turnover dynamics between the trading start date and end of the reporting period***

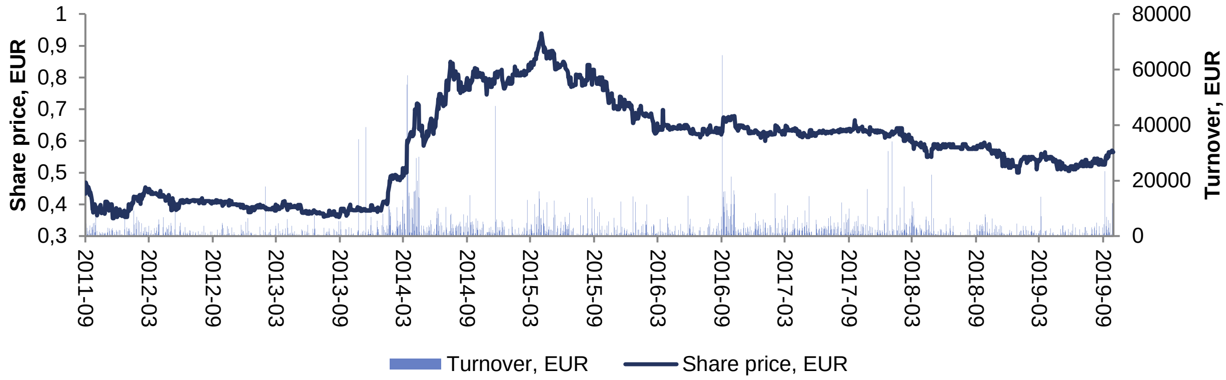
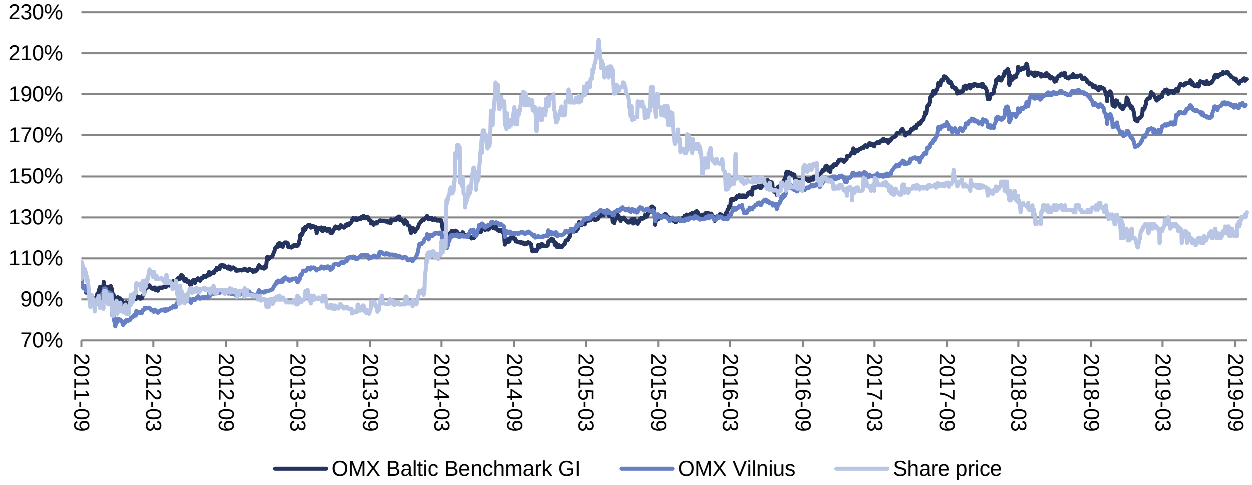



Figure 5
***Dynamics of the Company's share price, OMX Vilnius and OMX Baltic Benchmark Indices***




## Shareholder structure

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

As of 20 September 2019, at the record date of the rights of shareholders, the Company had in total 5.866 shareholders.

**Shareholders holding more than 5% of the Company's shares (as of 20 September 2019)**

| Name | Class of shares | Number of shares | % of authorised share capital | % of shares with voting rights |
|---|---|---|---|---|
| **UAB Ignitis Group**<br>Company code – 301844044<br>Žvejų g. 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 |
| **TOTAL** | 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 pr. 12, LT-01103 Vilnius,
Tel. 1528 or +370 5 268 2800.

### Dividends and dividend policy

The **dividend policy** of Ignitis 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 EUR 6.48 million in dividends for the six-month period ended on 31 December 2018. EUR 0.01 in dividends per share is paid for this period. Persons, who were shareholders of the Company at the end of the 10th working day following the decision on the payment of dividends adopted by the Extraordinary General Meeting of Shareholders, i.e. at the end of the working day of 29 April 2019, received dividends.

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

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

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

All amounts in thousands of euros unless otherwise stated

# THE COMPANY AND ITS MANAGEMENT BODIES

## Information about the Company and its contact details

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

## The Company's main business activity

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

The Company operates the following power generation facilities:

- Elektrėnai Complex with a reserve power plant (the former Lietuvos Elektrinė) and a combined cycle unit (CCU),
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP),
- Vilnius Third Combined Heat and Power Plant (Vilnius PP-3) (since March 31, 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.

## Information about ownership interest in other entities

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

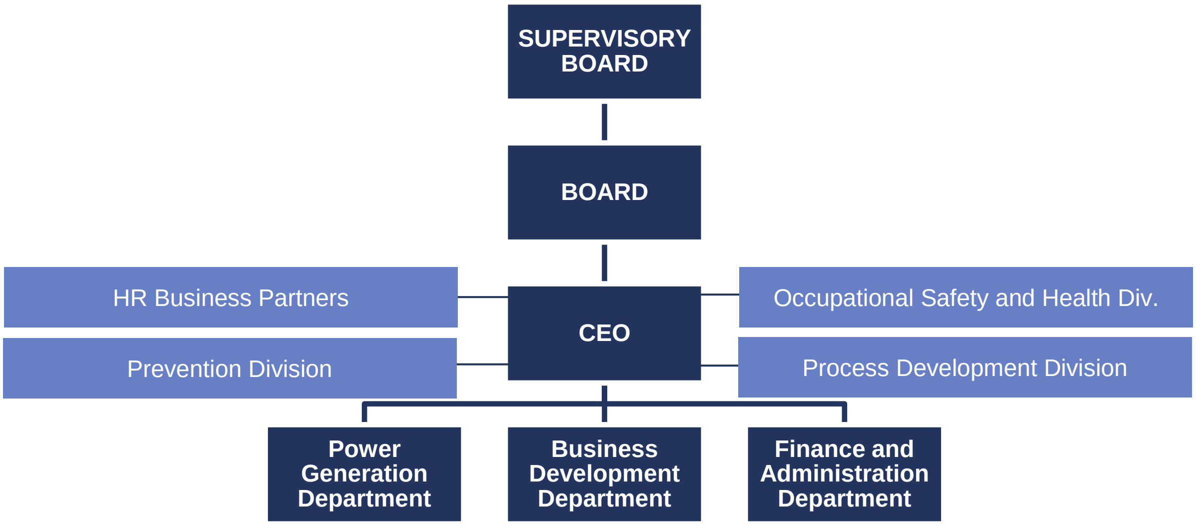
As at the date of signing the report, the Company had no subsidiaries and had ownership interest jointly with other entities in the following entities: Geoterma UAB, which is undergoing liquidation due to insolvency, UAB Ignitis Grupės Paslaugų Centras, UAB Verslo Aptarnavimo Centras (see below).

| | UAB Ignitis grupės paslaugų centras | UAB Verslo Aptarnavimo Centras | BUAB Geoterma (to be liquidated due to insolvency) |
|---|---|---|---|
| **Name** | A. Juozapavičiaus g. 13, Vilnius, Lithuania | P. Lukšio g. 5B, Vilnius, Lithuania | Lypkių g. 17, Klaipėda, Lithuania |
| **Registration date** | 4 December 2013 | 30 July 2014 | 1 March 1996 |
| **Company code** | 303200016 | 303359627 | 123540818 |
| **Contacts** | +370 5 278 2272, gpc@ignitis.lt | +370 5 259 4400, vac@ignitis.lt | +370 46 326 163, info@geoterma.lt |
| **Website** | www.ignitisgrupe.lt | www.ignitisgrupe.lt | www.geoterma.lt |
| **Ownership interest** | 20.26% | 15% | 23.44% |
| **Main activities** | 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. | Geothermal heating plant. |

**Information on major related party transactions**

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

Figure 6
***Structure of the Company (as of 30 September 2019)***




## Information about the Company's management bodies

Based on the Articles of Association effective at 30 September 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.

## The General Meeting of Shareholders

The following 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. Tthe dividends are to be paid for the six-month period ended 31 December, 2018.
3. **On 26 July 2019**, the Extraordinary General Meeting of Shareholders of the Company decided to elect Edvardas Jatautas as a new independent member of the Company's Supervisory Board until the end of the Supervisory Board's term. Edvardas Jatautas began his tenure upon the end of the General Meeting of Shareholders that had elected him.
4. **On 27 August 2019**, the Extraordinary General Meeting of Shareholders decided to change the name of the Company to Ignitis Gamyba AB and to approve a new version of the Company's Articles of Association.
5. **On 27 September 2019**, the Extraordinary General Meeting of Shareholders approved the Company's interim report and approved the financial statements for the six-month period that ended on 30 June 2019, audited by ERNST & YOUNG BALTIC UAB. It also decided to allocate dividends to the Company's shareholders, amounting to EUR 0.029 per Company's share, for the six-month period that ended on 30 June 2019.

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".

All amounts in thousands of euros unless otherwise stated

## The Company's Supervisory Board

**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.
- On 26 July 2019, the Extraordinary General Meeting of Shareholders of the Company decided to elect Edvardas Jatautas as a new independent member of the Company's Supervisory Board until the end of the Supervisory Board's term. Edvardas Jatautas began his tenure upon the end of the General Meeting of Shareholders that had elected him.

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

Overall 11 meetings of the Supervisory Board were held in January-September 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, Surname | Term of office | Shareholding in the company | Participation in other companies and organisations | Ownership interest in other companies (>5%) |
|---|---|---|---|---|
| **Dominykas Tučkus**<br>Chairman of the Supervisory board | December 21, 2015 – August 5, 2017<br><br>August 10, 2017 – March 26, 2018<br><br>March 26, 2018 – March 25, 2022 | – | - UAB Ignitis (former Lietuvos Energijos Tiekimas UAB), Member of the Board (until 2019-06-11), Member of the Supervisory Board (from 2019-06-01).<br>- Eurakras UAB, Member of the Board (until 2019-09-03)<br>- Tuulueenergia OU, Chairman of the Board (until 2019-01-28)<br>- UAB Ignitis Renewables (former Lietuvos Energija Renewables UAB), Member of the Board (since 2019-01-03).<br>- UAB Vilnius Combined Heat and Power Plant, Member of the Board<br>- KŪB Smart Energy Fund powered by Lietuvos Energija, Member of the Advisory Committee. | – |
| **Živilė Skibarkienė**<br>Member | March 26, 2018 – March 25, 2022 | – | - UAB Verslo Aptarnavimo Centras, Member of the Board (since 2019-06-18), Chairwoman of the Board (since 2019-07-31);<br>- UAB Ignitis Grupės Paslaugų Centras (former UAB Technologijų ir inovacijų centras), member of the board (since 2019-06-18), Chairwoman of the Board (since 2019-07-31);<br>- UAB Elektroninių Mokėjimų Agentūra, Member of the Board. | – |
| **Rimgaudas Kalvaitis**<br>Independent member | March 26, 2018 – March 27, 2019 | | - Technology Competence Center, UAB, Director (until 27 March 2019).<br>- Lietuvos Radijo ir Televizijos Centras, UAB, Independent Member of the Board (until October 2018).<br>- Luno, UAB, consultant (until 27 March 2019). | |
| **Edvardas Jatautas**<br>Independent member | July 26, 2019 – March 25, 2022 | – | - UAB Profectus Novus owner, Chairman of the Board;<br>- Addendum Group Inc., founder, President;<br>- UAB Addendum Solutions founder, Member of the Board. | – |

All amounts in thousands of euros unless otherwise stated

**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 reporting period, independent member of the Supervisory Board R. Kalvaitis received a monthly remuneration of EUR 771 (before taxes) for the activities carried out in the Supervisory Board. No other payments were made. During the reporting period, independent member of the Supervisory Board E. Jatautas hasn't received any payments.

## The Company's Board

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

- Taking into account a notification received from Eglė Čiužaitė on her resignation from the position of the CEO of the Company, the Board and the Supervisory Board of the Company on 7 January, 2019 adopted a decision to recall E. Čiužaitė from the position of CEO of the Company form 21 January, 2019. E. Čiužaitė also resigned from the position of Chairwoman of the Board form 21 January, 2019.
- The Company initiated 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 started 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 23 meetings of the Board were held in January-September 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, surname | Term of service | Shareholding of 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) |
|---|---|---|---|---|---|
| **Eglė Čiužaitė**<br><br>Chairwoman of the Board, CEO | April 3, 2018 – January 21, 2019 | – | - UAB Geoterma, Member of the Board (until 2018-03-23).<br>- Lietuvos energijos paramos fondas, Member of the Board (until 2019-01-23).<br>- UAB Ignitis Grupės Paslaugų centras (former UAB Technologijų ir inovacijų centras), Member of the Board (until 2019-01-21). | – | 981 |
| **Rimgaudas Kalvaitis**<br><br>Chairman of the Board, CEO | March 27, 2019 – April 2, 2022 | – | - Lietuvos energijos paramos fondas, Member of the Board (since 2019-04-23). | – | 1,815 |
| **Darius Kucinas**<br><br>Member of the Board, Director of Power Generation | April 3, 2018 – April 2, 2022 | – | – | – | 1,300 |

All amounts in thousands of euros unless otherwise stated

| | | | | |
|---|---|---|---|---|
| **Mindaugas Kvekšas**<br><br>Member of the Board, Director of Finance and Administration | April 3, 2018 –<br>April 2, 2022 m. | - UAB Verslo aptarnavimo centras, Member of the Board (since 2019-06-18);<br>- UAB Ignitis Grupės Paslaugų Centras (former UAB Technologijų ir inovacijų centras), Member of the Board (since 2019-06-18). | – | 1,300 |

## 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-calling 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 | 6,059 | 2,741 |
| To the acting CEO Darius Kucinas | 4,137 | – |
| To the CEO Rimgaudas Kalvaitis | 5,594 | – |
| To the Chief Financier * | – | – |

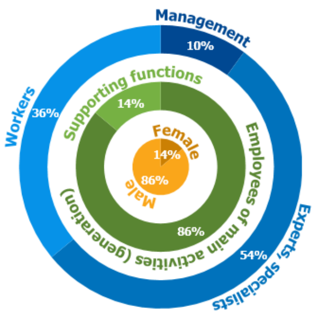
* As from 1 December 2014, the accounting function has been moved from the Company to Verslo Aptarnavimo Centras UAB, and accordingly, the Company no longer has accounting employees, nor the Chief Financier. Verslo Aptarnavimo Centras UAB performs a complete set of accounting services for the Company,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

The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During January-September 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.

## Employees of the Company

On 30 September 2019, the Company had 354 employees (including employees on parental leave). There were 372 employees in the Company as at 31 December 2018. The number of employees decreased due to lower production volumes as well as due to integration of communication function in Ignitis Group and retirement of a number of employees or termination of employment with the Company for other reasons. Figure 7 illustrates the composition of the staff. More information on the Company's employees, their salary, organizational culture, etc. is available in semi-annual and annual re-ports of the Company.

Figure 7
***Employees of the Company***




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

| | Breakdown of headcount by category of employees as of 30 September, 2019 | Average work pay in January-September 2019, EUR |
|---|---|---|
| CEO | 1 | 8,027 |
| Top level management | 3 | 6,166 |
| Middle-level management | 30 | 3,285 |
| Experts, specialists | 190 | 2,057 |
| Workers | 130 | 1,412 |
| **Total** | **354** | **1,988** |

All amounts in thousands of euros unless otherwise stated

# MATERIAL EVENTS AT THE COMPANY

## Notifications on materials events during the reporting period

| | |
|---|---|
| **7/01/2019** | Regarding the resignation of Eglė Čiužaitė, Chairwoman of the Board and CEO of Lietuvos Energijos Gamyba |
| **11/01/2019** | On adopted Resolution of the Court |
| **31/01/2019** | Regarding the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB |
| **31/01/2019** | Lietuvos Energijos Gamyba preliminary financial results for 12 months of 2018 |
| **12/02/2019** | Regarding the financial reparation received by Lietuvos Energijos Gamyba |
| **25/02/2019** | Regarding the decisions of the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba, AB |
| **28/02/2019** | Interim information of Lietuvos Energijos Gamyba for the twelve-month period of 2018: good financial results and a new strategy |
| **28/02/2019** | Lietuvos Energijos Gamyba preliminary financial results for the 1st month of 2019 |
| **12/03/2019** | Regarding the nomination of the Chief Executive Officer of Lietuvos Energijos Gamyba, AB |
| **15/03/2019** | Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB |
| **27/03/2019** | The Supervisory board of Lietuvos Energijos Gamyba, AB elected Rimgaudas Kalvaitis as the member of the Management board. He became the Chairman of the Management Board and Chief Executive Office |
| **28/03/2019** | Regarding the resolutions of Lietuvos Energijos Gamyba, AB Supervisory Board |
| **29/03/2019** | Lietuvos Energijos Gamyba preliminary financial results for 2 months of 2019 |
| **12/04/2019** | Regarding the resolutions of Ordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders |
| **12/04/2019** | Regarding the Lietuvos Energijos Gamyba, AB, Annual Information 2018 |
| **24/04/2019** | A notice of the new trademark applications |
| **30/04/2019** | Results of Lietuvos Energijos Gamyba for January-March 2019: stable profitability indicators and preparation for important projects |
| **31/05/2019** | Lietuvos Energijos Gamyba preliminary financial results for 4 months of 2019 |
| **3/06/2019** | Regarding the investigation of the European Commission |
| **28/06/2019** | Lietuvos Energijos Gamyba preliminary financial results for 5 months of 2019 |
| **1/07/2019** | Regarding the agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB |
| **26/07/2019** | Regarding the resolutions of the Extraordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders |
| **31/07/2019** | Lietuvos Energijos Gamyba preliminary financial results for 6 months of 2019 |
| **5/08/2019** | Regarding the agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB |
| **27/08/2019** | Regarding the resolutions of the Extraordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders |
| **29/08/2019** | CORRECTION: Reporting dates of Lietuvos Energijos Gamyba in 2019 |
| **4/09/2019** | Regarding the bankruptcy and liquidation of BUAB Geoterma |
| **5/09/2019** | Lietuvos Energijos Gamyba, AB, audited interim financial information for the first six months of 2019 |
| **5/09/2019** | Regarding the agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB |
| **6/09/2019** | Lietuvos Energijos Gamyba preliminary financial results for 7 months of 2019 |
| **6/09/2019** | Regarding the registration of the amended Articles of Association of Lietuvos Energijos gamyba, AB |
| **11/09/2019** | Regarding the resolutions of the Supervisory Board of AB Ignitis Gamyba |
| **27/09/2019** | Regarding the resolutions of Extraordinary General Meeting of AB Ignitis Gamyba Shareholders |
| **30/09/2019** | Ignitis Gamyba preliminary financial results for 8 months of 2019 |

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

| | |
|---|---|
| **21/10/2019** | Regarding the initiation of reorganisation of Verslo aptarnavimo centras, AB and Ignitis grupės paslaugų centras, UAB |

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | 30/09/2019 | 31/12/2018 (restated*) | 01/01/2018 (restated*) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 6 | 51.073 | 48.597 | 15.238 |
| Property, plant and equipment | 7 | 456.655 | 476.271 | 496.818 |
| Investments in associates | 10 | 2.098 | 1.588 | 1.535 |
| Other non-current assets | | 5.087 | 5.087 | 3.236 |
| Investment property | 9 | 3.818 | 4.212 | - |
| Other financial assets | | 173 | 232 | 1.799 |
| Right-of-use assets | 8 | 6.116 | - | - |
| **Total non-current assets** | | **525.020** | **535.987** | **518.626** |
| **Current assets** | | | | |
| Inventories | | 1.276 | 3.370 | 5.580 |
| Prepayments | | 3.762 | 3.698 | 3.479 |
| Receivables from contracts with customers | | 12.533 | 12.037 | 17.216 |
| Other financial assets | | 7.947 | 3.787 | 15.468 |
| Loans granted | 11 | 49.968 | 49.950 | 14.930 |
| Cash and cash equivalents | | 80.841 | 47.885 | 60.700 |
| **Total current assets** | | **156.327** | **120.727** | **117.373** |
| **TOTAL ASSETS** | | **681.347** | **656.714** | **635.999** |
| **EQUITY AND LIABILITIES** | | | | |
| **EQUITY** | | | | |
| 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 | | 20.078 | 20.659 | 2.289 |
| Retained earnings | | 91.334 | 79.360 | 69.036 |
| **Total equity** | | **404.687** | **391.812** | **354.030** |
| **Non-current liabilities** | | | | |
| Borrowings | 14 | 22.421 | 33.619 | 34.039 |
| Lease liabilities | 15 | 5.596 | 34 | 172 |
| Grants | 16 | 168.821 | 171.039 | 177.875 |
| Provisions | 17 | 3.541 | 5.598 | 5.034 |
| Other non-current payables and liabilities | | 1.095 | 1.141 | 1.159 |
| Deferred income tax liabilities | | 24.638 | 24.574 | 17.508 |
| **Total non-current liabilities** | | **226.112** | **236.005** | **235.787** |
| **Current liabilities** | | | | |
| Borrowings | 14 | 4.417 | 4.417 | 21.208 |
| Lease liabilities | 15 | 227 | 138 | 138 |
| Trade payables | | 13.856 | 13.425 | 17.380 |
| Contract liabilities | | 93 | 1.003 | 1.135 |
| Income tax payable | | 5.041 | 2.236 | 2.916 |
| Provisions | 17 | 5.195 | 4.509 | 528 |
| Other payables and liabilities | | 21.719 | 3.169 | 2.877 |
| **Total current liabilities** | | **50.548** | **28.897** | **46.182** |
| **Total liabilities** | | **276.660** | **264.902** | **281.969** |
| **TOTAL EQUITY AND LIABILITIES** | | **681.347** | **656.714** | **635.999** |

** 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.*

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | 01/01/2019-30/09/2019 | 01/01/2018-30/09/2018 (restated*) |
|---|---|---|---|
| **Revenue and other income** | | | |
| Revenue from contracts with customers | 18 | 105,205 | 100,596 |
| Other income | 20 | 10,369 | 553 |
| | | **115,574** | **101,149** |
| **Operating expenses** | | | |
| Purchases of electricity or related services | | (22,523) | (22,926) |
| Gas, biofuel and heavy fuel expenses | | (17,454) | (22,361) |
| Depreciation and amortisation | 6,7,8,16 | (13,706) | (13,973) |
| Wages, salaries and related expenses | | (6,299) | (6,269) |
| Repair and maintenance expenses | | (3,774) | (2,283) |
| Emission rights downwards revaluation and utilization (expenses)/income | | (893) | 8,381 |
| Other non-current assets impairment (expenses)/income | | - | 1,851 |
| Inventory write-down (allowance)/reversal | | 4 | (241) |
| (Impairment)/reversal of property, plant and equipment | | (283) | 30 |
| Other expenses | 23 | (5,938) | (4,506) |
| **Total operating expenses** | | **(70,866)** | **(62,297)** |
| **OPERATING PROFIT** | | **44,708** | **38,852** |
| Financial income (expenses): | | | |
| Financial income | | 222 | 92 |
| Financial (expenses) | | (522) | (408) |
| | | **(300)** | **(316)** |
| Share of results of operations of associates | 10 | **333** | **184** |
| **PROFIT BEFORE TAX** | | **44,741** | **38,720** |
| Income tax and deferred income tax expenses | | (6,837) | (8,690) |
| **NET PROFIT FOR THE PERIOD** | | **37,904** | **30,030** |
| Other comprehensive income (loss) that will not be reclassified to profit (loss) | | 242 | 13,401 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **38,146** | **43,431** |
| **Basic and diluted earnings per share (EUR)** | | **0.058** | **0.047** |
| **Weighted average number of shares** | | **648,002,629** | **643,270,389** |

** 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.*

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

All amounts are presented in EUR thousand unless otherwise stated

| | 01/07/2019-30/09/2019 | 01/07/2018-30/092018 (restated*) |
|---|---|---|
| **Revenue and other income** | | |
| Revenue from contracts with customers | 38,964 | 37,292 |
| Other income | 229 | 239 |
| | **39,193** | **37,531** |
| **Operating expenses** | | |
| Purchases of electricity or related services | (12,968) | (10,921) |
| Gas, biofuel and heavy fuel expenses | (5,395) | (8,879) |
| Depreciation and amortisation | (4,584) | (4,636) |
| Wages, salaries and related expenses | (1,872) | (1,894) |
| Emission rights downwards revaluation and utilization (expenses)/income | (1,148) | (1,019) |
| Emission allowance revaluation and use (expenses)/income | (461) | 2,863 |
| Other non-current assets impairment (expenses)/income | - | (893) |
| Inventory write-down (allowance)/reversal | 12 | (1) |
| (Impairment)/reversal of property, plant and equipment | 12 | 7 |
| Other expenses | (1,696) | (1,794) |
| **Total operating expenses** | **(28,100)** | **(27,167)** |
| **OPERATING PROFIT** | **11,093** | **10,364** |
| Financial income (expenses): | | |
| Financial income | 82 | 31 |
| Financial (expenses) | (174) | (127) |
| | **(92)** | **(96)** |
| Share of results of operations of associates | **167** | **113** |
| **PROFIT BEFORE TAX** | **11,168** | **10,381** |
| Income tax and deferred income tax expenses | (1,686) | (3,959) |
| **NET PROFIT FOR THE PERIOD** | **9,482** | **6,422** |
| Other comprehensive income (loss) that will not be reclassified to profit (loss) | 2,661 | 7,511 |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | **12,143** | **13,933** |
| **Basic and diluted earnings per share (EUR)** | **0.015** | **0.01** |
| **Weighted average number of shares** | **648,002,629** | **648,002,629** |

** 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.*

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

All amounts are presented in EUR thousand unless otherwise stated

| | Share capital | Share premium | Revaluation reserve | Legal reserve | Retained earnings (restated*) | Total equity (restated*) |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | **184,174** | **85,660** | **2,289** | **12,871** | **68,880** | **353,874** |
| Corrections* (Note 4) | - | - | - | - | 156 | 156 |
| Impact of changes in accounting policy due to application of new IFRS | - | - | - | - | (21) | (21) |
| **Restated balance as at 1 January 2018 (restated*)** | **184,174** | **85,660** | **2,289** | **12,871** | **69,015** | **354,009** |
| Revaluation of emission allowances** | - | - | 13,401 | - | - | 13,401 |
| Net profit for the reporting period (restated*) | - | - | - | - | 30,030 | 30,030 |
| **Total comprehensive income for the period** | **-** | **-** | **13,401** | **-** | **30,030** | **43,431** |
| 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 | - | - | (23) | - | 23 | - |
| Dividends (Note 13) | - | - | - | - | (23,795) | (23,795) |
| **Balance as at 30 September 2018 (restated*)** | **187,921** | **89,975** | **15,194** | **13,897** | **74,720** | **381,707** |
| **Balance as at 1 January 2019** | **187,921** | **89,975** | **20,659** | **13,897** | **74,184** | **386,636** |
| Corrections* (Note 4) | - | - | - | - | 5,175 | 5,175 |
| **Restated balance as at 1 January 2019 (restated*)** | **187,921** | **89,975** | **20,659** | **13,897** | **79,359** | **391,811** |
| Revaluation of emission allowances** | - | - | 241 | - | - | 241 |
| Net profit for the reporting period | - | - | - | - | 37,904 | 37,904 |
| **Total comprehensive income for the period** | **-** | **-** | **241** | **-** | **37,904** | **38,145** |
| Legal reserve | - | - | - | 1,482 | (1,482) | - |
| Emission allowances utilised | - | - | (812) | - | 812 | - |
| Depreciation of revaluation reserve | - | - | (10) | - | 10 | - |
| Dividends (Note 13) | - | - | - | - | (25,272) | (25,272) |
| **Balance as at 30 September 2019** | **187,921** | **89,975** | **20,078** | **15,379** | **91,334** | **404,687** |

** 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; 30/09/2018 – 21,15 EUR/unit; 30/09/2019 – 24,72 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.*

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | 01/01/2019-30/09/2019 | 01/01/2018-30/09/2018 (restated*) |
|---|---|---|---|
| Net profit | | 37,904 | 30,030 |
| ***Reversal of non-cash expenses (income) and other adjustments:*** | | | |
| Depreciation and amortisation expenses | 6,7,8 | 19,984 | 20,424 |
| Loss from impairment of property, plant and equipment (reversal of impairment) | 7 | 439 | (31) |
| Revaluation result of property, plant and equipment | 7 | (96) | 241 |
| Impairment (reversal) of inventory | | (4) | 908 |
| Expenses (income) of revaluation of emission allowances | | 603 | (20,186) |
| Other impairments | | (1,045) | (226) |
| Share of (profit) of associates | 10 | (333) | (184) |
| Income tax expenses | | 6,547 | 8,692 |
| Change in deferred income tax liability | | 230 | (6,452) |
| Depreciation of grants | 16 | (6,279) | 4,406 |
| Increase (decrease) in provisions | | (547) | 30 |
| (Gain) loss on disposal/write-off of non-current assets (other than financial assets) | | 229 | (3) |
| Elimination of results of financing and investing activities: | | | |
| - Interest (income) | | (222) | (91) |
| - Interest expenses | | 522 | 400 |
| - Other (income) expenses from financial activity | | 18,787 | 7 |
| ***Changes in working capital*** | | | |
| (Increase) decrease in trade receivables and other receivables | | (5,812) | 11,060 |
| (Increase) decrease in inventories and prepayments | | 1,981 | (180) |
| Increase (decrease) in payables and contract liabilities | | (4,324) | (533) |
| Income tax (paid) | | 664 | (3,235) |
| **Net cash flows from (to) operating activities** | | **69,228** | **45,077** |
| **Cash flows from (to) investment activities** | | | |
| (Acquisition) of property, plant and equipment and intangible assets | | (878) | (3,844) |
| Disposal of property, plant and equipment and intangible assets | | 8 | 8 |
| Loans granted | | (18) | (3,926) |
| Disposal of investments in associates | | - | 4,049** |
| Disposal of a part of the business | | 2,000*** | 2,000*** |
| Interest received | | 222 | 62 |
| Dividends received | | 83 | 70 |
| **Net cash flows from (to) investment activities** | | **1,417** | **(1,581)** |
| **Cash flows from (to) financing activities** | | | |
| Repaid borrowings | | (11,198) | (12,909) |
| Financial lease payments | | (697) | (110) |
| Interest (paid) | | (522) | (400) |
| Dividends (paid) | | (25,272) | (8,865) |
| **Net cash flows from (to) financing activities** | | **(37,689)** | **(22,284)** |
| **Net increase (decrease) in cash and cash equivalents** | | **32,956** | **21,212** |
| **Cash and cash equivalents at the beginning of the period** | | **47,885** | **60,700** |
| **Cash and cash equivalents at the end of the period** | | **80,841** | **81,912** |

** 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 Valdos, UAB to parent company Ignitis grupe 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.*

# 1 General information

AB Ignitis gamyba is a public limited liability company registered in the Republic of Lithuania. AB Ignitis gamyba (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 AB Ignitis gamyba 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 AB Ignitis gamyba has been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 30 September 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), obtained the licence of an independent electricity supplier.

This condensed interim financial information contains condensed interim financial information of AB Ignitis gamyba 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 September 2019 and 31 December 2018, the Company had no subsidiaries.

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

As at 30 September 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 September 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 September 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) 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:

*EUR thousand*

| | As at 31 December 2018 (recognized until the adoption of IFRS 16) | IFRS 16 | As at 1 January 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 446 | (446) | - |
| Right-of-use assets | - | 6,272 | 6,272 |
| Total: | 446 | 5,826 | 6,272 |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 34 | 5,661 | 5,695 |
| **Current liabilities** | | | |
| 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:

| | 1 January 2019 |
|---|---|
| **Future minimal payments for non-cancellable operating lease agreements as at 31 December 2018** | **16.583** |
| 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 | **5,998** |
| whereof: | |
| Short-term lease liabilities | 303 |
| Long-term lease liabilities | 5,695 |
| | **5,998** |

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.

- **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 INTERPETATION 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.

- **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 al 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.

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.

# 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 September 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 Elektrenai 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 September 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 September 2019 the total amount of provision amounted to EUR 2,809 thousand, out of which non-current liabilities make up EUR 2,322 thousand and current liabilities make up EUR 487 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.

As at 30 September 2019, the Company recognised PSO funds of EUR 1,219 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 September 2019 as the effect of change was immaterial. As at 30 September 2019, a payable amount of EUR 4,349 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 September 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 UAB Verslo aptarnavimo centras*

The shareholders of UAB Verslo aptarnavimo centras 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, UAB Verslo Aptarnavimo Centras 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.

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 9-month period, ended on 30 September 2019, the actual expenses for regulated services were less than what NERC had projected for the same period by EUR 6,041 thousand amount, which was recognized as part current year Revenue from contracts with customers. Total amount of difference from prior periods as at 30 September 2019, was EUR 13,433 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 parables 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

### 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 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Intangible assets | 6 | 48,597 | | | | | 48,597 |
| 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 |
| **Total non-current assets** | | **535,987** | **-** | **-** | **-** | **-** | **535,987** |
| **Current assets** | | | | | | | |
| Inventories | | 3,370 | | | | | 3,370 |
| Prepayments | | 3,698 | | | | | 3,698 |
| Receivables from contracts with customers | | 12,037 | | | | | 12,037 |
| Other financial assets | | 3,787 | | | | | 3,787 |
| Loans granted | 11 | 49,950 | | | | | 49,950 |
| Cash and cash equivalents | | 47,885 | | | | | 47,885 |
| **Total current assets** | | **120,727** | **-** | **-** | **-** | **-** | **120,727** |
| **TOTAL ASSETS** | | **656,714** | **-** | **-** | **-** | **-** | **656,714** |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **EQUITY** | | | | | | | |
| Share capital | 12 | 187,921 | | | | | 187,921 |
| Share premium | | 89,975 | | | | | 89,975 |
| Legal reserve | | 13,897 | | | | | 13,897 |
| Revaluation reserve | | 20,659 | | | | | 20,659 |
| Retained earnings | | 44,540 | 222 | (33) | (33) | | 44,696 |
| Result of 2018 | | 29,644 | 7,170 | (1,075) | (1,075) | | 34,664 |
| **Total equity** | | **386,636** | **7,392** | **(1,108)** | **(1,108)** | **-** | **391,812** |
| **Non-current liabilities** | | | | | | | |
| Borrowings | 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 |
| **Total non-current liabilities** | | **239,495** | **(4,598)** | **1,108** | **-** | **-** | **236,005** |
| **Current liabilities** | | | | | | | |
| 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 |
| **Total current liabilities** | | **30,583** | **(2,794)** | **-** | **1,108** | **-** | **28,897** |
| **Total liabilities** | | **270,078** | **(7,392)** | **1,108** | **1,108** | **-** | **264,902** |
| **TOTAL EQUITY AND LIABILITIES** | | **656,714** | **-** | **-** | **-** | **-** | **656,714** |

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

All amounts are presented in EUR thousand unless otherwise stated

### 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) Reclassification of non-current payables and liabilities to provisions* | 01/01/2018 after corrections |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| 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 |
| **Total non-current assets** | | **518,626** | **-** | **-** | **-** | **-** | **518,626** |
| **Current assets** | | | | | | | |
| 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 |
| **Total current assets** | | **117,662** | **(289)** | **-** | **-** | **-** | **117,373** |
| **TOTAL ASSETS** | | **636,288** | **(289)** | **-** | **-** | **-** | **635,999** |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **EQUITY** | | | | | | | |
| 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 |
| **Total equity** | | **353,874** | **222** | **(33)** | **(33)** | **-** | **354,030** |
| **Non-current liabilities** | | | | | | | |
| Borrowings | | 34,039 | | | | | 34,039 |
| Lease liabilities | | 172 | | | | | 172 |
| Grants | | 177,875 | | | | | 177,875 |
| Provisions | | - | | | | 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 |
| **Total non-current liabilities** | | **236,265** | **(511)** | **33** | **-** | **-** | **235,787** |
| **Current liabilities** | | | | | | | |
| Borrowings | | 21,208 | | | | | 21,208 |
| Lease liabilities | | 138 | | | | | 138 |
| Trade payables | | 17,380 | | | | | 17,380 |
| 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 |
| **Total current liabilities** | | **46,149** | **-** | **-** | **33** | **-** | **46,182** |
| **Total liabilities** | | **282,414** | **(511)** | **33** | **33** | **-** | **281,969** |
| **TOTAL EQUITY AND LIABILITIES** | | **636,288** | **(289)** | **-** | **-** | **-** | **635,999** |

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

All amounts are presented in EUR thousand unless otherwise stated

### Retrospectively corrected captions of Interim statement of comprehensive income:
**Correction of 1st and 3nd quarters of year 2018**

| | Notes | 01/01/2018 – 30/09/2018 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 – 30/09/2018 after corrections |
|---|---|---|---|---|---|---|
| **Revenue and other income** | | | | | | |
| Revenue from contracts with customers | 18 | 95,927 | 4,669 | | | 100,596 |
| Other income | 20 | 553 | | | | 553 |
| | | **96,480** | **4,669** | **-** | **-** | **101,149** |
| **Operating expenses** | | | | | | |
| Purchases of electricity or related services | | (22,926) | | | | (22,926) |
| Gas, biofuel and heavy fuel expenses | | (22,361) | | | | (22,361) |
| Depreciation and amortisation | 6, 7, 8, 16 | (13,973) | | | | (13,973) |
| Wages, salaries and related expenses | | (6,269) | | | | (6,269) |
| Repair and maintenance expenses | | (2,283) | | | | (2,283) |
| Emission rights downwards revaluation and utilization (expenses)/income | | 8,381 | | | | 8,381 |
| Other non-current assets impairment (expenses)/income | | 1,851 | | | | 1,851 |
| Inventory write-down (allowance)/reversal | | (241) | | | | (241) |
| (Impairment)/reversal of property, plant and equipment | | 30 | | | | 30 |
| Other expenses | 23 | (4,506) | | | | (4,506) |
| **Total operating expenses** | | **(62,297)** | **-** | **-** | **-** | **(62,297)** |
| **OPERATING PROFIT** | | **34,183** | **4,669** | **-** | **-** | **38,852** |
| Financial income (expenses): | | | | | | |
| Financial income | | 92 | | | | 92 |
| Financial (expenses) | | (408) | | | | (408) |
| | | **(316)** | | | | **(316)** |
| Share of results of operations of associates | 10 | **184** | | | | **184** |
| **PROFIT BEFORE TAX** | | **34,051** | **4,669** | **-** | **-** | **38,720** |
| Income tax and deferred income tax expenses | | (7,288) | | (701) | (701) | (8,690) |
| **NET PROFIT FOR THE PERIOD** | | **26,763** | **4,669** | **(701)** | **(701)** | **30.030** |
| Other comprehensive income (loss) that will not be reclassified to profit (loss) | | 13,401 | | | | 13,401 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **40,164** | 4,669 | **(701)** | **(701)** | **43,431** |
| **Basic and diluted earnings per share (EUR)** | | **0,042** | | | | **0,047** |
| **Weighted average number of shares** | | **643,270,389** | | | | **643,270,389** |

All amounts are presented in EUR thousand unless otherwise stated

## Retrospectively corrected captions of Interim statement of comprehensive income (continued):

**Correction of 3nd quarter of year 2018**

| | Notes | 01/07/2018 – 30/09/2018 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 | 01/07/2018 – 30/09/2018 after corrections |
|---|---|---|---|---|---|---|
| **Revenue and other income** | | | | | | |
| Revenue from contracts with customers | | 35,086 | 2,206 | | | 37,292 |
| Other income | | 239 | | | | 239 |
| | | **35,325** | **2,206** | **-** | **-** | **37,531** |
| **Operating expenses** | | | | | | |
| Purchases of electricity or related services | | (10,921) | | | | (10,921) |
| Gas, biofuel and heavy fuel expenses | | (8,879) | | | | (8,879) |
| Depreciation and amortisation | | (4,636) | | | | (4,636) |
| Wages, salaries and related expenses | | (1,894) | | | | (1,894) |
| Repair and maintenance expenses | | (1,019) | | | | (1,019) |
| Emission rights downwards revaluation and utilization (expenses)/income | | 2,863 | | | | 2,863 |
| Other non-current assets impairment (expenses)/income | | (893) | | | | (893) |
| Inventory write-down (allowance)/reversal | | (1) | | | | (1) |
| (Impairment)/reversal of property, plant and equipment | | 7 | | | | 7 |
| Other expenses | | (1,794) | | | | (1,794) |
| **Total operating expenses** | | **(27,167)** | **-** | **-** | **-** | **(27,167)** |
| **OPERATING PROFIT** | | **8,158** | **2,206** | **-** | **-** | **10,364** |
| Financial income (expenses): | | | | | | |
| Financial income | | 31 | | | | 31 |
| Financial (expenses) | | (127) | | | | (127) |
| | | **(96)** | | | | **(96)** |
| Share of results of operations of associates | | **113** | | | | **113** |
| **PROFIT BEFORE TAX** | | **8,175** | **2,206** | **-** | **-** | **10,381** |
| Income tax and deferred income tax expenses | | (3,297) | | (331) | (331) | (3,959) |
| **NET PROFIT FOR THE PERIOD** | | **4,878** | **2,206** | **(331)** | **(331)** | **6,422** |
| Other comprehensive income (loss) that will not be reclassified to profit (loss) | | 7,511 | | | | 7,511 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **12,389** | **2,206** | **(331)** | **(331)** | **13,933** |
| **Basic and diluted earnings per share (EUR)** | | **0,008** | | | | **0,01** |
| **Weighted average number of shares** | | **648,002,629** | | | | **648,002,629** |

All amounts are presented in EUR thousand unless otherwise stated

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

| | Notes | 01/01/2018 – 30/09/2018 before corrections | 01/01/2018 – 30/09/2018 after corrections | 01/01/2018 – 30/09/2018 difference |
|---|---|---|---|---|
| Net profit | | 26,760 | 30,030 | 3,270 |
| ***Reversal of non-cash expenses (income) and other adjustments:*** | | | | |
| Depreciation and amortisation expenses | 6, 7, 8 | 20,424 | 20,424 | - |
| Loss from impairment of property, plant and equipment (reversal of impairment) | 7 | (31) | (31) | - |
| Revaluation result of property, plant and equipment | | 241 | 241 | |
| Expenses (income) of revaluation of emission allowances | | 908 | 908 | - |
| Other impairments | | (20,186) | (20,186) | - |
| Share of (profit) of associates | 10 | (184) | (184) | - |
| Income tax expenses | | 7,290 | 8,692 | 1,402 |
| Depreciation of grants | 16 | (6,452) | (6,452) | - |
| Increase (decrease) in provisions | | 373 | 4,406 | 4,033 |
| Impairment of financial assets (reversal of imperment) | | (226) | (226) | - |
| (Gain) loss on disposal/write-off of non-current assets (other than financial assets) | | (3) | (3) | - |
| Result of write-off of property, plant and equipment | | 30 | 30 | - |
| Elimination of results of financing and investing activities: | | | | |
| - Interest (income) | | (91) | (91) | - |
| - Interest expenses | | 400 | 400 | - |
| - Other (income) expenses from financial activity | | 7 | 7 | - |
| ***Changes in working capital*** | | | | |
| (Increase) decrease in trade receivables and other receivables | | 11,060 | 11,060 | - |
| (Increase) decrease in inventories and prepayments | | (180) | (180) | - |
| Increase (decrease) in payables and prepayments received | | 8,172 | (533) | (8,705) |
| Income tax (paid) | | (3,235) | (3,235) | |
| **Net cash flows from (to) operating activities** | | **45,077** | **45,077** | **-** |
| **Cash flows from (to) investment activities** | | | | |
| (Acquisition) of property, plant and equipment and intangible assets | | (3,844) | (3,844) | - |
| Disposal of property, plant and equipment and intangible assets | | 8 | 8 | - |
| Loans granted | | (3,926) | (3,926) | - |
| Disposal of investments in associates | | 4,049** | 4,049** | - |
| Disposal of a part of the business | | 2,000*** | 2,000*** | - |
| Interest received | | 62 | 62 | - |
| Dividends received | | 70 | 70 | - |
| **Net cash flows from (to) investment activities** | | **(1,581)** | **(1,581)** | **-** |
| **Cash flows from (to) financing activities** | | | | |
| Repaid borrowings | | (12,909) | (12,909) | - |
| Financial lease payments | | (110) | (110) | - |
| Interest (paid) | | (400) | (400) | - |
| Dividends (paid) | | (8,865) | (8,865) | - |
| **Net cash flows from (to) financing activities** | | **(22,284)** | **(22,284)** | **-** |
| **Net increase (decrease) in cash and cash equivalents** | | **21,212** | **21,212** | **-** |
| **Cash and cash equivalents at the beginning of the period** | | **60,700** | **60,700** | **-** |
| **Cash and cash equivalents at the end of the period** | | **81,912** | **81,912** | **-** |
| | | | | - |

# 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.

*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 September 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 September 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 September 2019 and 2018, the movement of the Company's non-current intangible assets was as follows:

| | Software | Emission allowances | Other intangible assets | Total |
|---|---|---|---|---|
| **As at 31 December 2017** | | | | |
| Acquisition cost | 1,394 | 14,830 | 123 | 16,347 |
| Accumulated amortisation | (988) | - | (121) | (1,109) |
| **Balance as at 31 December 2017** | **406** | **14,830** | **2** | **15,238** |
| **Period ended on 30 September 2018** | | | | |
| Balance at the beginning of the period | 406 | 14,830 | 2 | 15,238 |
| Additions | 73 | 1 | - | 74 |
| Grant received (Note 16) | - | 2,554 | - | 2,554 |
| Emission allowances utilised | - | (908) | - | (908) |
| Emission allowance revaluation | - | 24,994 | - | 24,994 |
| Amortisation | (146) | - | (2) | (148) |
| **Balance as at 30 September 2018** | **333** | **41,471** | **-** | **41,804** |
| **As at 31 December 2018** | | | | |
| Acquisition cost | 1,483 | 48,293 | 103 | 49,879 |
| Accumulated amortisation | (1,179) | - | (103) | (1,282) |
| **Balance as at 31 December 2018** | **304** | **48,293** | **-** | **48,597** |
| **Period ended on 30 September 2019** | | | | |
| 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 | - | (435) | - | (435) |
| Amortisation | (62) | - | (1) | (63) |
| **Balance as at 30 September 2019** | **69** | **51,002** | **2** | **51,073** |
| **As at 30 September 2019** | | | | |
| Acquisition cost | 1,310 | 51,002 | 106 | 52,418 |
| Accumulated amortisation | (1,241) | | (104) | (1,345) |
| **Balance as at 30 September 2019** | **69** | **51,002** | **2** | **51,073** |

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 September 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2017** | | | | | | | | | | | | |
| Acquisition cost | 1,880 | 657 | 4,119 | 207,297 | 389,195 | 388,095 | - | 138 | 46 | 172 | 2,112 | 993,711 |
| Accumulated depreciation | - | (56) | (1,587) | (94,508) | (216,483) | (77,082) | - | (122) | (45) | (117) | - | (390,000) |
| Accumulated impairment | - | - | - | - | (106,670) | - | - | - | - | - | (223) | (106,893) |
| **Balance as at 31 December 2017** | **1,880** | **601** | **2,532** | **112,789** | **66,042** | **311,013** | **-** | **16** | **1** | **55** | **1,889** | **496,818** |
| **Period ended on 30 September 2018** | | | | | | | | | | | | |
| 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 | - | - | - | 10 | 23 | 21 | - | - | 2 | - | 3,709 | 3,765 |
| Asset which was the payment for share capital | - | - | - | - | - | - | 3,850 | - | - | - | - | 3,850 |
| Disposals | - | - | - | - | (8) | - | - | - | - | - | - | (8) |
| Write-offs | - | - | - | (5) | (16) | - | (9) | - | - | - | - | (30) |
| Impairment reversal | - | - | - | - | 29 | - | - | - | - | - | - | 29 |
| Impairment | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification between items | - | - | - | 2,910 | 21 | - | - | - | - | - | (2,931) | - |
| Reclassification to intangible assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification from/to inventories | - | - | - | (67) | (234) | 36 | - | - | - | - | - | (265) |
| Depreciation | - | (10) | (91) | (5,399) | (3,417) | (11,072) | (265) | (11) | (1) | (11) | - | (20,277) |
| **Balance as at 30 September 2018** | **1,880** | **591** | **2,441** | **110,238** | **62,440** | **299,998** | **3,576** | **5** | **2** | **44** | **2,667** | **483,882** |
| **As at 30 September 2018** | | | | | | | | | | | | |
| Acquisition cost | 1,880 | 657 | 4,119 | 210,145 | 388,981 | 388,152 | 3,841 | 138 | 48 | 172 | 2,890 | **1,001,023** |
| Accumulated depreciation | - | (66) | (1,678) | (99,907) | (219,900) | (88,154) | (265) | (133) | (46) | (128) | - | **(410,277)** |
| Accumulated impairment | - | - | - | - | (106,641) | - | - | - | - | - | (223) | **(106,864)** |
| **Balance as at 30 September2018** | **1,880** | **591** | **2,441** | **110,238** | **62,440** | **299,998** | **3,576** | **5** | **2** | **44** | **2,667** | **483,882** |

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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | | | | | | | | |
| Acquisition cost | 1,845 | 666 | 3,581 | 210,852 | 383,882 | 387,278 | 3,841 | 148 | 49 | 172 | 1,538 | 993,852 |
| Accumulated depreciation | - | (70) | (1,709) | (101,638) | (215,286) | (91,633) | (397) | (134) | (47) | (132) | - | (411,046) |
| Accumulated impairment | - | - | - | - | (106,312) | - | - | - | - | - | (223) | (106,535) |
| **Balance as at 31 December 2018** | **1,845** | **596** | **1,872** | **109,214** | **62,284** | **295,645** | **3,444** | **14** | **2** | **40** | **1,315** | **476,271** |
| **Period ended 30 September 2019** | | | | | | | | | | | | |
| 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 | 54 | 22 | 3 | - | - | 314 | **432** |
| Write-offs | - | - | - | - | - | (8) | - | - | - | - | - | **(8)** |
| Revaluation of assets | - | - | - | - | 96 | - | - | - | - | - | - | **96** |
| Impairment reversal | - | - | - | - | 33 | - | - | - | - | - | - | **33** |
| Impairment | - | - | - | - | (78) | - | - | - | - | - | - | **(78)** |
| Reclassification between items | - | - | - | 108 | 50 | - | - | - | - | - | (158) | - |
| Reclassification from/to inventories | - | - | - | 42 | (4) | 15 | - | - | - | - | - | 53 |
| Depreciation | - | (10) | (72) | (4,676) | (3,476) | (11,055) | (397) | (3) | - | (9) | - | (19,698) |
| **Balance as at 30 September 2019** | **1,845** | **586** | **1,800** | **104,706** | **58,480** | **284,651** | **3,069** | **14** | **2** | **31** | **1,471** | **456,655** |
| **As at 30 September 2019** | | | | | | | | | | | | |
| Acquisition cost | 1,845 | 596 | 1,872 | 210,787 | 383,305 | 387,338 | 3,863 | 151 | 49 | 172 | 1,694 | 991,672 |
| Accumulated depreciation | - | (10) | (72) | (106,081) | (241,742) | (102,687) | (794) | (137) | (47) | (141) | - | (451,711) |
| Accumulated impairment | - | - | - | - | (83,083) | - | - | - | - | - | (223) | (83,306) |
| **Balance as at 30 September 2019** | **1,845** | **586** | **1,800** | **104,706** | **58,480** | **284,651** | **3,069** | **14** | **2** | **31** | **1,471** | **456,655** |

* 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 September 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<br>Quoted prices in active markets | Level 2<br>Other directly or indirectly observable inputs | Level 3<br>Unobservable inputs | Total |
|---|---|---|---|---|
| Land | - | 1,845 | - | 1,845 |
| Buildings | - | 586 | | 586 |
| Structures and equipment | - | 1,800 | - | 1,800 |
| Vehicles | - | 14 | - | 14 |
| Computer hardware, communication and other office equipment other property, plant and equipment | - | 33 | - | 33 |
| **Fair value as at 30 September 2019** | **-** | **4,278** | **-** | **4,278** |

As at 31 December 2018 independent asset valuators 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 valuators 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, valuators used adjusting coefficients which were used to adjust the base of comparable transactions. Valuators also used coefficients to adjust value based on location (which were approved by director of State Company Center of Registry on 27 September 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'), the values were also adjusted using physical condition corrective coefficients and area corrective coefficients.

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

| | Land | Buildings | Vehicles | Total |
|---|---|---|---|---|
| **Period ended on 30 September 2019** | | | | |
| 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** | **533** | **5,910** |
| Right of use assets as at 1 January 2019 | 5,220 | 157 | 449 | 5,826 |
| Signed lease contracts from 2 January 2019 to 30 September 2019 | - | - | 84 | 84 |
| Write-offs and disposals | - | - | (16) | (16) |
| Depreciation | (54) | (30) | (140) | (224) |
| **Balance as at 30 September 2019** | **5,166** | **127** | **823** | **6,116** |
| | | | | |
| **As at 30 September 2019** | | | | |
| Acquisition cost | 5,220 | 157 | 1,233 | **6,610** |
| Accumulated depreciation | (54) | (30) | (410) | **(494)** |
| Write-offs and disposals | **5,166** | **127** | **823** | **6,116** |
| **Balance as at 30 September 2019** | **-** | **-** | **-** | **-** |

* 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 September 2019 and 2018, movement of the Company's investment property was as follows:

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

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 AB Ignitis gamyba issued 12,919,014 shares which were acquired by parent company Ignitis grupe 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<br>Quoted prices in active markets | Level 2<br>Other directly or indirectly observable inputs | Level 3<br>Unobservable inputs | Total |
|---|---|---|---|---|
| Buildings | - | 3,529 | - | 3,529 |
| Structures and equipment | - | 289 | - | 289 |
| **Fair value as at 30 September 2019** | **-** | **3,818** | **-** | **3,818** |

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 valuators 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 September 2019 is approximately the same as evaluated by valuators.

The valuation of movable property was based on cost method, which was chosen on the basis that the property being valued has special purpose and has no analogous comparative transactions. The valuators 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 valuators 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 September 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.

## 10 Investments

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

| Company | Registered office address | Company's ownership interest as at 30/09/2019 | 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 |
| Ignitis grupes paslaugu 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 UAB Verslo aptarnavimo centras as an associate.

On 28 September 2019, the Company has acquired 897,326 shares of Ignitis grupes paslaugu 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 |
|---|---|---|---|---|---|---|
| Ignitis grupes paslaugu centras, UAB | 19 March 2019 | 897,326 | 0.29 | 260 | 260 | 28 Jun 2019 |
| **Total:** | | | | **260** | **260** | |

* 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 30/09/2019 |
|---|---|---|---|---|---|
| UAB Geoterma, undergoing bankruptcy | - | - | - | - | - |
| Ignitis grupes paslaugu centras, UAB | 1,446 | 322 | 109 | (65) | 1,812 |
| Verslo aptarnavimo centras, UAB | 142 | 104 | 58 | (18) | 286 |
| **Total** | **1,588** | **426** | **167** | **(83)** | **2,098** |

| | 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) | - | - |
| Ignitis grupes paslaugu centras, UAB | 1,287 | 189 | (30) | 1,446 |
| Verslo aptarnavimo centras, UAB | 87 | 95 | (40) | 142 |
| **Total** | **3,516** | **(1,858)** | **(70)** | **1,588** |

## 11 Loans granted

The Company signed a Group account agreement under which the Company's current loans granted to the companies of the Ignitis group amounted to EUR 49,968 thousand as at 30 September 2019 (as at 31 December 2018, EUR 49,950 thousand). The market interest rate 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 Ignitis group level.

## 12 Share capital

As at 30 September 19 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 September 2019 and 31 December 2018, the shareholders of the Company were as follows:

| Shareholders | Share capital as at 30/09/2019 (EUR) | % | Share capital as at 31/12/2018 (EUR) | % |
|---|---|---|---|---|
| Ignitis grupe, UAB | 181,938,103 | 96,82 | 181,938,103 | 96,82 |
| Other shareholders | 5,982,659 | 3,18 | 5,982,659 | 3,18 |
| **Total** | **187,920,762** | **100,00** | **187,920,762** | **100,00** |

Ignitis grupe, 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 AB Ignitis gamyba, held on 27 September 2019, a decision was made to pay out dividends of EUR 0.029 per share for January - June 2019.

Declared dividends per share are as follows:

| | 30/09/2019 | 30/09/2018 |
|---|---|---|
| Dividends (EUR thousand) | 25,272 | 23,795 |
| Weighted average number of shares (units) | 648,002,629 | 643,108,108 |
| **Dividends per share (EUR)** | **0.039** | **0.037** |

During the Ordinary General Meeting of the Shareholders of AB Ignitis gamyba, 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 AB Ignitis gamyba, held on 28 September 2018, a decision was made to pay out dividends of EUR 0.023 per share for January–June 2018, amounting to EUR 14,904 thousand in total.
During the Extraordinary General Meeting of the Shareholders of AB Ignitis gamyba, held on 12 April 2019, a decision was made to pay out dividends of EUR 0.01 per share for July - December 2018, amounting to EUR 6,480 thousand in total.

## 14 Loans received

The Company's borrowings by maturities were as follows:

| | 30/09/2019 | 31/12/2018 |
|---|---|---|
| **Non-current borrowings** | | |
| Loan from Luminor Bank AB Lithuania branch, in EUR, to be repaid by 31 March 2027 | 7,968 | 8,888 |
| Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027 | 14,453 | 24,731 |
| **Total non-current borrowings** | **22,421** | **33,619** |
| **Current borrowings and current portion of non-current borrowings** | | |
| 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 |
| **Total current borrowings and current portion of non-current borrowings** | **4,417** | **4,417** |

For the loans granted, the Company has pledged property, plant and equipment for EUR 21,267 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:

| | 30/09/2019 | 31/12/2018 |
|---|---|---|
| **Minimum payments** | | |
| Within the 1st year | 444 | 150 |
| Within the 2nd and 5th year | 1,300 | 34 |
| After 5 years | 15,291 | **-** |
| **Total** | **17,035** | **184** |
| **Future financial costs** | | |
| Within the 1st year | (217) | (12) |
| Within the 2nd and 5th year | (845) | - |
| After 5 years | (10,150) | - |
| **Total** | **(11,212)** | **(12)** |
| **Carrying amount** | **5,823** | **172** |

## 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 September 2019 was as follows:

| | Asset-related grants | | | |
|---|---|---|---|---|
| | Fuel combustion equipment and other assets | Project for renovation, improvement of environmental and safety standards | Grants for emission allowances | Total |
| **Balance as at 1 January 2018** | **26,780** | **149,896** | **1,199** | **177,875** |
| Grants received | - | - | 2,555 | 2,555 |
| Depreciation of property, plant and equipment | (480) | (5,971) | - | (6,451) |
| Utilisation of grant for emission allowances | - | - | (164) | (164) |
| **Balance as at 30 September 2018** | **26,300** | **143,925** | **3,590** | **173,815** |
| **Balance as at 1 January 2019** | **26,462** | **140,998** | **3,579** | **171,039** |
| Grants received | - | - | 4,131 | 4,131 |
| Depreciation of property, plant and equipment | (318) | (5,961) | - | (6,279) |
| Utilisation of grant for emission allowances | - | - | (70) | (70) |
| **Balance as at 30 September 2019** | **26,144** | **135,037** | **7,640** | **168,821** |

During the six-month period ended 30 September 2019, asset-related grants decreased by EUR 6,307 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.

All amounts are presented in EUR thousand unless otherwise stated

## 17 Provisions

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

| | 2019 | 2018 |
|---|---|---|
| **Balance as at January 1** | **894** | **528** |
| Utilised emission allowances | (987) | (907) |
| Revaluation of utilised emission allowances | 93 | 379 |
| Provisions for emission* | 359 | 141 |
| **Balance as at September 30** | **359** | **141** |

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

As at 30 September 2019, the Company recognised PSO funds of EUR 1,219 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 September 2019 as the effect of change was immaterial. As at 30 September 2019, a payable amount of EUR 4,349 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 September 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 2,809 thousand, out of which non-current liability make up EUR 2,322 thousand, current liabilities make up EUR 487 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 - 30/09/2019 | 01/01/2018 - 30/09/2018 (restated*) |
|---|---|---|
| Sales of electricity | 44,577 | 46,694 |
| Revenue from PSO | - | - |
| Revenue from capacity reserve services | 33,723 | 36,982 |
| Revenue from other system maintenance services | 18,161 | 13,003 |
| Revenue from sale of thermal energy | 2,864 | 2,651 |
| Sales of inventory | 4,292 | - |
| Other operating income | 1,588 | 1,266 |
| **Total revenue** | **105,205** | **100,596** |

** 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 EBIDTA, 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 September ended on 30 September 2019 is presented in the table below:

| 2019 | Regulated activities | Commercial activities | Total |
|---|---|---|---|
| Sales of electricity | 1,044 | 43,533 | 44,577 |
| Revenue from capacity reserve services | 32,708 | 1,015 | 33,723 |
| Revenue from other system maintenance services | 18,161 | - | 18,161 |
| Revenue from sale of thermal energy | 2,864 | - | 2,864 |
| Sales of inventory | - | 4,292 | 4,292 |
| Other operating income | - | 1,588 | 1,588 |
| Other income | - | 10,369 | 10,369 |
| **Total revenue of segments** | **54,777** | **60,797** | **115,574** |
| Purchase of electricity, gas trading and related services, purchases of gas and fuel oil | (19,130) | (23,580) | (42,710) |
| Operating expenses | (8,838) | (5,773) | (14,611) |
| **EBITDA** | **26,809** | **31,444** | **58,253** |
| **Management's adjustments** | **(6,041)** | **(9,276)** | **(15,317)** |
| Received compensation from Ministry of Finance of Republic of Lithuania* | - | (9,276) | (9,276) |
| Management's adjustments related to allowable profit of regulated activity** | (6,041) | - | (6,041) |
| **Adjusted EBITDA*** ** | **20,768** | **22,168** | **42,936** |
| **Other adjustments** | **(10,209)** | **(3,336)** | **(13,545)** |
| Depreciation and amortisation expenses of non-current assets | (10,209) | (3,497) | (13,706) |
| (Increase) in value of non-current and other assets | - | 764 | 764 |
| Revaluation of emission allowances and utilization | - | (603) | (603) |
| **Operating profit** | **16,600** | **28,108** | **44,708** |
| Financial income | | | 222 |
| Financial (expenses) | | | (522) |
| Share of results of operations of associates | | | **333** |
| **Profit before tax** | | | **44,741** |

* 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 September ended on 30 September 2018 is presented in the table below:

| 2018 (restated*) | Regulated activities | Commercial activities | Total |
|---|---|---|---|
| Sales of electricity | 4,510 | 42,184 | 46,694 |
| Revenue from PSO | - | - | - |
| Revenue from capacity reserve services | 35,847 | 1,135 | 36,982 |
| Revenue from other system maintenance services | 13,003 | - | 13,003 |
| Revenue from sale of thermal energy | 2,651 | - | 2,651 |
| Sales of inventory | - | - | - |
| Other operating income | - | 1,266 | 1,266 |
| Other income | - | 553 | 553 |
| **Total revenue of segments** | **56,011** | **45,138** | **101,149** |
| Purchase of electricity, gas trading and related services, purchases of gas and fuel oil | (25,048) | (20,793) | (45,841) |
| Operating expenses | (9,358) | (3,418) | (12,776) |
| **EBITDA** | **21,605** | **20,927** | **42,532** |
| **Management's adjustments** | **(4,669)** | **-** | **(4,669)** |
| Management's adjustments related to allowable profit of regulated activity** | (4,669) | - | (4,669) |
| **Adjusted EBITDA*** ** | **16,936** | **20,927** | **37,863** |
| **Other adjustments** | **(10,162)** | **6,482** | **(3,680)** |
| Depreciation and amortisation expenses of non-current assets | (10,162) | (3,811) | (13,973) |
| (Increase) in value of non-current and other assets | - | (492) | (492) |
| Revaluation of emission allowances and provisions | - | 10,785 | 10,785 |
| **Operating profit** | **11,443** | **27,409** | **38,852** |
| Financial income | | | 92 |
| Financial (expenses) | | | (408) |
| Share of results of operations of associates | | | **184** |
| **Profit before tax** | | | **38,720** |

* 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.

All amounts are presented in EUR thousand unless otherwise stated

## 20 Other Income

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

| | 01/01/2019-30/09/2019 | 01/01/2018-30/09/2018 (restated*) |
|---|---|---|
| Profit from disposal of property, plant and equipment | - | 3 |
| Sanctions | 520 | 52 |
| Property rental income | 426 | 408 |
| Other income** | 9,423 | 90 |
| **Total** | **10,369** | **553** |

* 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 September of 2019 and the balances arising on these transactions as at 30 September 2019 were as follows:

| Related parties | Amounts payable and accrued expenses | Amounts receivable and unbilled revenue | Loans granted | Purchases | Sales |
|---|---|---|---|---|---|
| | 30/09/2019 | 30/09/2019 | 30/09/2019 | 01/01/2019 – 30/09/2019 | 01/01/2019 – 30/09/2019 |
| Associates of the Company | 172 | - | 521 | 672 | 5 |
| Companies of the Ignitis group | 1,011 | 49 | 49,447 | 6,687 | 202 |
| Parent company Ignitis grupe UAB | 50 | - | - | 214 | - |
| Companies of the state-owned EPSO-G Group | 2,451 | 9,999 | - | 12,070 | 56,381 |
| Impairment | - | - | - | - | - |
| **Total** | **3,684** | **10,048** | **49,968** | **19,643** | **56,588** |

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 6,687 thousand during January– September 2019, EUR 2,477 thousand during January– September 2018) and sales (EUR 56,381 thousand during January – September 2019, EUR 96,950 thousand during January–September 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 September 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 | 31/12/2018 | 01/01/2018 – 30/092018 | 01/01/2018 – 30/092018 |
| Associates of the Company | 159 | 144 | 521 | 784 | 5 |
| Companies of the Ignitis group, | 1,498 | 2,023 | 49,447 | 7,724 | 159 |
| Parent company Ignitis grupe, UAB | 60 | - | - | 340 | 9 |
| Companies of the state-owned EPSO-G Group | 2,923 | 11,714 | - | 23,639 | 96,777 |
| Impairment | - | (125) | - | - | - |
| **Total** | **4,640** | **13,756** | **49,968** | **32,487** | **96,950** |

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 - 30/09/2019 | 01/01/2018 - 30/09/2018 |
|---|---|---|
| Employment-related payments (EUR thousand) | 261 | 192 |
| Whereof: other significant payments to key management personnel (EUR thousand) | 35 | 33 |
| Number of key management personnel as at 30 September | 4 | 4 |

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

## 23 Other expenses

| | 01/01/2019-30/09/2019 | 01/01/2018-30/09/2018 |
|---|---|---|
| Other expenses | 1,345 | 1,936 |
| Taxes of operating activity | 1,361 | 1,442 |
| Protection of assets | 250 | 441 |
| Services of business administration and management | 356 | 375 |
| Insurance | 111 | 174 |
| Rent | 19 | 107 |
| Audit | 51 | 29 |
| Reversal of accounts receivable impairment | 2,445 | 2 |
| **Total** | **5,938** | **4,506** |

All amounts are presented in EUR thousand unless otherwise stated

## 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 |
| **Fair value as at 31 December 2018** | | | | |
| **Financial assets** | | | | |
| 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 | - | - |
| **Total Financial assets** | **113,891** | **47,885** | **-** | **66,006** |
| **Financial liabilities** | | | | |
| Loans | (38,036) | - | - | (38,036) |
| Lease liabilities | (172) | - | - | (172) |
| Accounts payable and liabilities | (13,425) | - | - | (13,425) |
| **Total Financial liabilities** | **(51,633)** | **-** | **-** | **(51,633)** |
| **Fair value as at 30 September 2019** | | | | |
| **Financial assets** | | | | |
| Accounts receivable based on agreements with customers | 12,533 | - | - | 12,533 |
| Other financial assets | 7,947 | - | - | 7,947 |
| Loans granted | 49,968 | - | - | 49,968 |
| Cash and Cash equivalents | 80,841 | 80,841 | - | - |
| **Total Financial assets** | **151,289** | **80,841** | **-** | **70,448** |
| **Financial liabilities** | | | | |
| Loans | (26,838) | - | - | (28,838) |
| Lease liabilities | (5,823) | - | - | (5,823) |
| Accounts payable and liabilities | (13,656) | - | - | (13,656) |
| **Total Financial liabilities** | **(46,317)** | - | - | **(46,317)** |

## 25 Commitments and contingencies

Based on a press release of the European Commission, the Company informs that on 3 September 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 September 2019 amounted to EUR 13,433 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 September of 2019, the Company did not sign any new guarantee agreements.

As at 30 September 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 September 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 AB Ignitis gamyba.

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 AB Ignitis gamyba.

There were no other significant events after 30 September2019 until the date of approval of the financial statements.

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