



# INTERIM REPORT I HALF 2019

**CONSOLIDATED INTERIM REPORT OF THE COMPANY AND THE GROUP**

1 January 2019 - 30 June 2019

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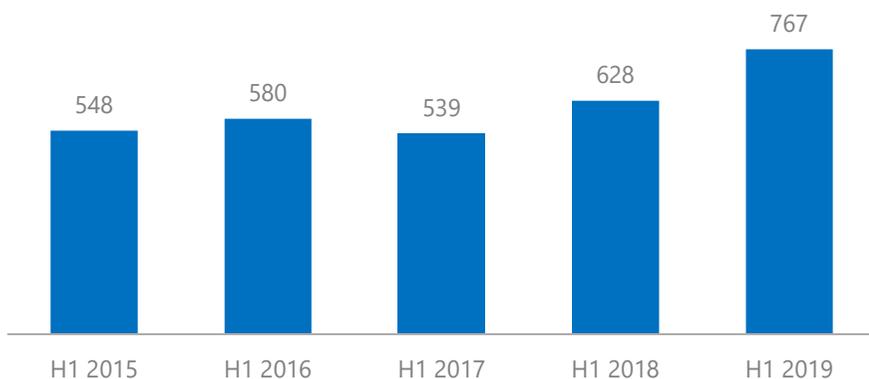
## Key Financial Indicators of the Lietuvos Energija Group

		H1 2019	H1 2018	Δ, million	Δ, %
Revenue	EUR million	767.3	628.5	138.9	22.1%
Cost of goods sold	EUR million	581.2	457.7	123.5	27.0%
Operating expenses	EUR million	70.9	61.5	9.4	15.3%
EBITDA	EUR million	113.4	108.4	5.0	4.6%
EBITDA margin	%	14.8%	17.2%	-	-
Adjusted EBITDA	EUR million	135.7	123.6	12.1	9.8%
Adjusted EBITDA margin	%	17.7%	19.8%	-	-
EBIT	EUR million	56.1	71.7	-15.6	-21.8%
FFO	EUR million	110.2	102.4	7.8	7.6%
Net profit	EUR million	37.5	60.0	-22.5	-37.5%
Net profit margin	%	4.9%	9.6%	-	-
Adjusted net profit	EUR million	44.0	84.5	-40.5	-47.9%
Adjusted net profit margin	%	5.7%	13.4%	-	-
Investments	EUR million	212.5	149.5	63.0	42.1%
		At 30 Jun 2019	At 31 Dec 2018	Δ, million	Δ, %
Total assets	EUR million	2,990.6	2,854.1	136.5	4.8%
Equity	EUR million	1,349.0	1,321.7	27.3	2.1%
Borrowings	EUR million	1,004.3	864.5	139.8	16.2%
Net debt	EUR million	842.0	736.0	106.0	14.4%
Return on equity (ROE) 12-months	%	-1.9%	-0.2%	-	-
Adjusted return on equity (ROE) 12-months	%	5.7%	8.7%	-	-
Return on assets (ROA) 12-months	%	-0.9%	-0.1%	-	-
Equity ratio	%	45.1%	46.3%	-	-
Net debt / EBITDA 12-months	times	5.19	4.69	-	-
Net debt / Adjusted EBITDA 12-months	times	3.55	3.27	-	-
Net debt / Equity	%	62.4%	55.7%	-	-
FFO / Adjusted net debt	%	18.3%	19.6%	-	-
Assets turnover ratio	times	0.468	0.442	-	-
Current liquidity	times	0.973	1.161	-	-
Working capital	EUR million	-17.0	-19.0	2.0	10.5%
Working capital / Revenue 12-months	%	-1.2%	-1.5%	-	-



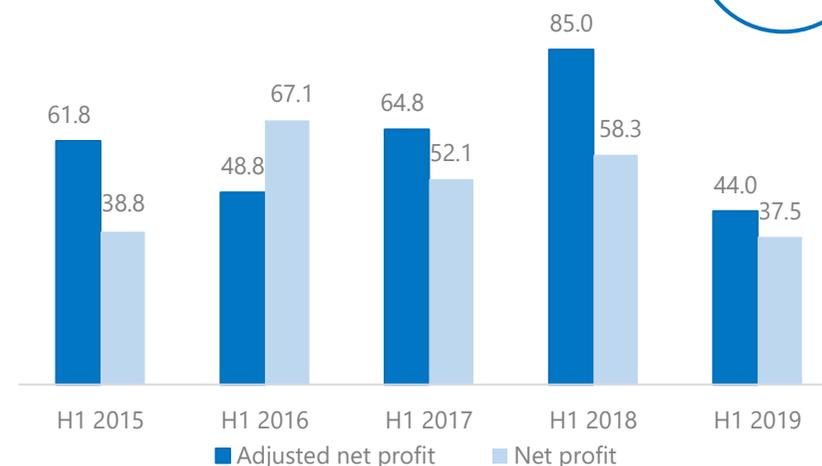
Revenue growth was mainly driven by increased volumes of electricity wholesale trading in Poland

↑122%



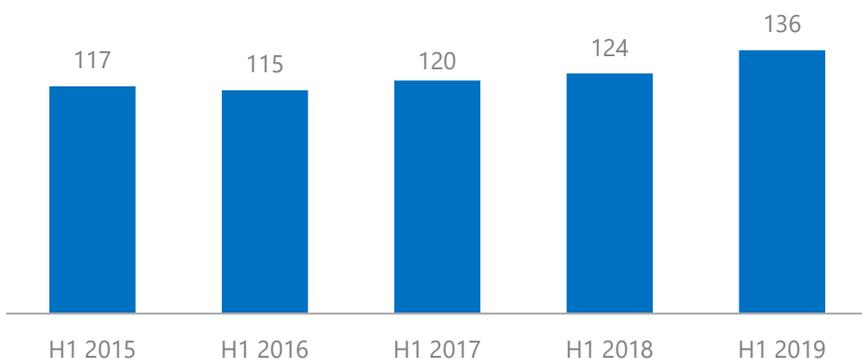
Net profit decreased mainly due to changes in the market value of open financial derivatives. Adjusted return on equity amounted to 5.7%.

↓38%



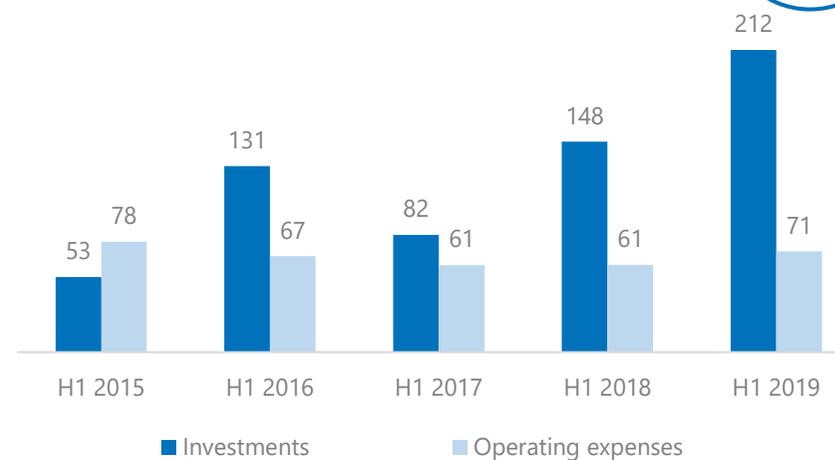
Adjusted EBITDA increased by 9.8%. The growth was determined by the result of growing investments in electricity and gas network development and increased portfolio of wind power plants

↑110%



As construction of co-generation power plants gained momentum as well as investing in wind power plant projects - total investments grew by 42%. Operating expenses grew by 15.3% due to higher network maintenance expenses.

↑42%



Adjusted EBITDA and adjusted net profit for 2015 are presented before the elimination of the effect of recalculation of regulated revenue of ESO and LET because such data is collected from the beginning of 2016. Financial data is presented in million euros.



## Foreword by the chairman of the Board

### Dear Customers, Partners, Employees and Shareholders,

We present to you the results of Lietuvos Energija Group of the first half of 2019. The report contains the key events for you reference showing how the Group succeeds in implementing the Strategy LE 2030.

We continue expanding our capacity of electricity production from wind, also plan investments in increasing network reliability and security, deployment of innovative solutions, we invest in start-ups that apply smart energy solutions, and not only ourselves act in accordance with transparency standard but also encourage other companies to do so. We believe that Lietuvos Energija has already become an example in the area of corruption prevention.

We are proud that after having carried out the annual review of Lietuvos Energija credit rating, the international credit rating agency S&P Global Ratings has left BBB+ credit rating valid for the Company. This shows that Lietuvos Energija Group remains reliable and financially strong.

We have great news in the area of green energy development. Lietuvos Energija renewables has acquired Pomerania wind farm in Poland. This is already the second wind farm project that we will construct ourselves – in January we announced about the acquisition of wind farm project in Mazeikiai.

The test of Lithuanian energy system recovery after the total accident and isolated operation of a part of the system was successfully completed in the power plants managed by “Lietuvos energijos gamyba”. We have proven that in the event of a global accident we are ready to respond and ensure the electricity supply to the country’s consumers. The important fact is that after having assessed the results of the tests we will be able to prepare better for strategic project which lies ahead - synchronization of the Lithuanian Power System with the Continental Europe Network System.

We are constantly striving to improve customer experience and ensure the best electricity and gas prices. In pursuit of these goals, “Energijos Tiekimas” was connected to “Lietuvos Energijos Gamyba”. Convergence of competences of professional staff of these companies will allow creating even better services for the customers.

We understand that sharing good practices is of particular importance for performance improvement. For this reason, “Energijos skirstymo operatorius” has joined EDSO (European distribution system operators), one of the most numerous associations of distribution system operators in Europe. Here, the operators share and take good examples of efficient investment in network infrastructure, proven to be successful solutions in rearranging or introducing network innovations.

We strive to create value for Lithuania. Accordingly, we are constantly trying to perform all works as efficiently and transparently as possible. Big changes lie ahead in the second half of the year. Through these changes, we will seek to consolidate the different brands of Lietuvos Energija and the Companies of the Group under one modern, international brand – Ignitis. We will work to make Lithuanians proud of a modern, international, “green” energy company.



**Darius Maikštėnas**

Chairman of the Board and the CEO  
Lietuvos Energija, UAB





# THE COMPANY AND THE GROUP



## About the Group and the Company

The Lietuvos Energija Group is one of the largest state-owned groups of energy companies in the Baltic countries. The main activities of the Group include the generation and supply of electricity and heat, trading and distribution of electricity, trading and distribution of natural gas, as well as the servicing and development of the energy sector. The rights and obligations of the shareholder of the Lietuvos Energija Group are implemented by the Ministry of Finance of the Republic of Lithuania.

The Lietuvos Energija Group implements energy projects of strategic importance for Lithuania, and pursues the objectives set forth in the National Energy Strategy. The Group employing about 3,800 employees manages and operates the key energy generation capacities of Lithuania that ensure the security of energy supply, a distribution network covering the entire territory of the country. Group provides services to more than 1.6 million consumers across Lithuania, offers electricity supply services to consumers abroad, supplies gas to 570 thousand consumers. In I half 2019, 0.47 TWh of electricity was generated and 4.81 TWh distributed to consumers and 3.80 TWh of natural gas was transported via gas distribution pipelines.

The parent company of the Group – Lietuvos Energija UAB (hereinafter – Lietuvos Energija or the Company, or LE) is responsible for transparent management and coordination of activities of the whole Group, improvement of the efficiency in order to ensure competitive services for consumers, and for socially responsible creation of long-term value for its shareholders. The Company analyses the activities of the Group, represents the Group, implements rights and obligations of the shareholder, establishes operational guidelines and rules, and coordinates activities in the areas of production, commerce, finance, law, strategy and development, human resources, risk management, audit, technology, communication and others.



0.47 TWh of electricity generated



4.81 TWh of electricity distributed



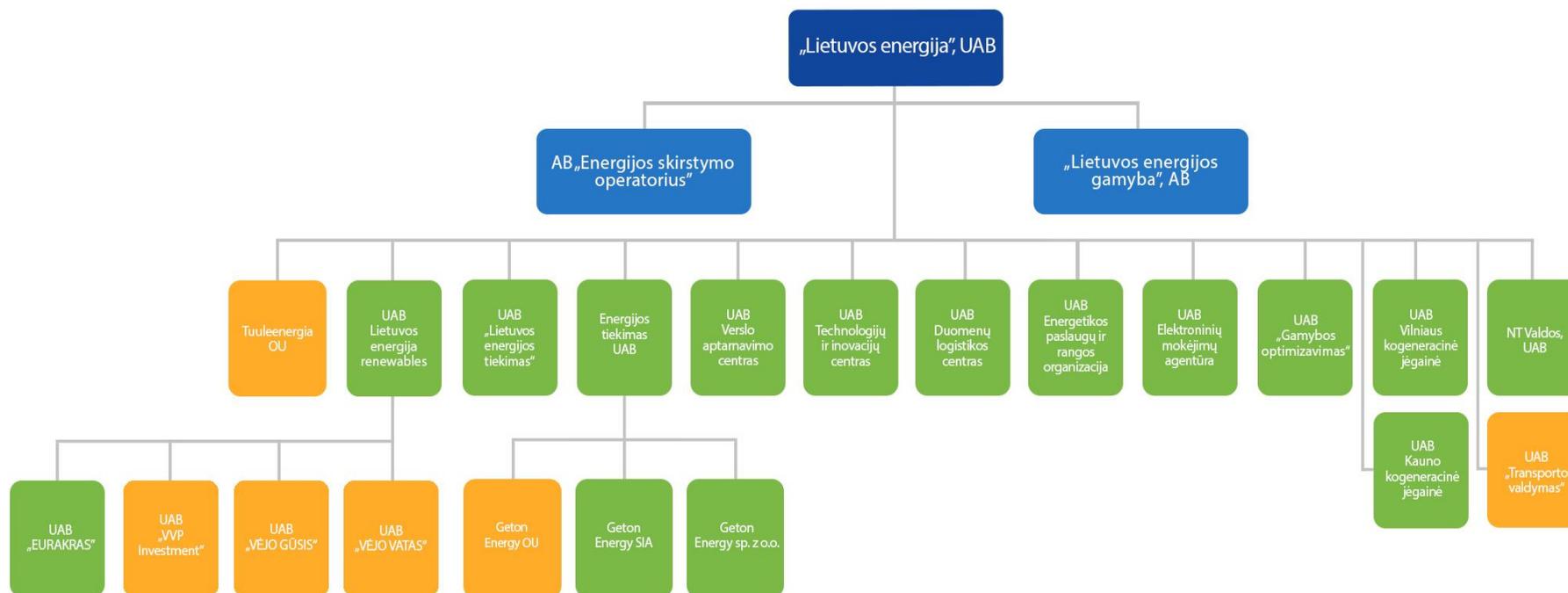
3.80 TWh of natural gas distributed



More than 1.6 million customers served

## Structure of the Group

At the end of the reporting period, the Lietuvos Energija Group consisted of 24 companies: the parent Company and 23 directly and indirectly controlled companies. The main business activities of the Group are the generation of electricity and heat, electricity trading, distribution and supply, and trade in natural gas and its distribution. Activities of the Group's companies servicing these main types of business activities comprise ITT, real estate, transport, repair of energy facilities, public procurement, accounting, administration of employment relationships, and other services.



**The Supervisory Board** is formed of 5 members (3 of them are independent)

**The Board** is formed of 5 members (working at the Company)

**CEO** – Chairman of the Board

**The Supervisory Board** is formed of 3 members (1 of them is independent)

**The Board** is formed of 5 or 3 members (working at the Company)

**CEO** – Chairman of the Board

**The Board** is formed of 3 members (2 shareholder representatives and 1 independent)\*

**CEO** is not chairman of the Board

**CEO**

The Board is not formed

\* The structure of the Board is different across companies: the Board is not formed until active operations; the Board of service providers is formed ensuring the representation of all shareholders.



## The Strategy of the Group

In May 2018, Lietuvos Energija has presented the Strategy of the Group for 2030. Sustainable international development, quality, effectiveness, and transparency will be in focus during the implementation of the new strategy of Lietuvos Energija. The strategy includes the development of energy infrastructure and green energy, development of global competitiveness of the company and the country in general, creating a commercial organisation, development of new energy service platforms and the hub of energytech competences. Sustainable development will aim for quality and effectiveness to improve customer service, infrastructure quality, further clear the group activities, ensure stable return for the State, and maintain the top transparency standards in its activities. The implementation of the new strategy must support staying in the leadership position of the best prices for energy distribution services in the European Union.

During the upcoming twelve years Lietuvos Energija, the state capital energy company, is planning a material transformation: it will increase green generation capacities, expand its operations in international markets, will create and introduce innovations in the energy sector. All this will be implemented to ensure a stable return that will reach 1.6 billion EUR in 2018-2030 and maintain the best price and quality to customers.

### Lietuvos Energija group strategic directions 2018-2030:

**Sustainable development** – direction to international growth through strategic power generation, green energy, development of commercial organisation and creating of new energy.

**Quality and efficiency** – improving customer service, infrastructure quality, further clear group activities, ensure stable return for the State.

**Transparency** – maintain the top transparency standards in Lietuvos Energija activities.

## Strategy LE 2030

### Value for the country

- **Best** price and quality
- International standards of **transparency**
- **Catalyst** for the energy industry
- **Stability** of strategic production capacity
- By 2030, half of **dividends** from abroad

### Innovations and investments

- Investments of ~ **6 billion** euros
- 50% of value created from **green energy**
- **Wind, solar, innovations**, new technologies and business models
- **Quality, “smartification” and efficiency** of the distribution network
- Development of **strategic power generation** and collaboration with TSO in the **synchronization project**

### International expansion

- Up to 50% of value in **international** markets
- International-level **talent**
- An international **brand**
- Among the **10 most advanced** new energy companies

Please find the strategy of Lietuvos Energija LE 2030 [via this link](#).



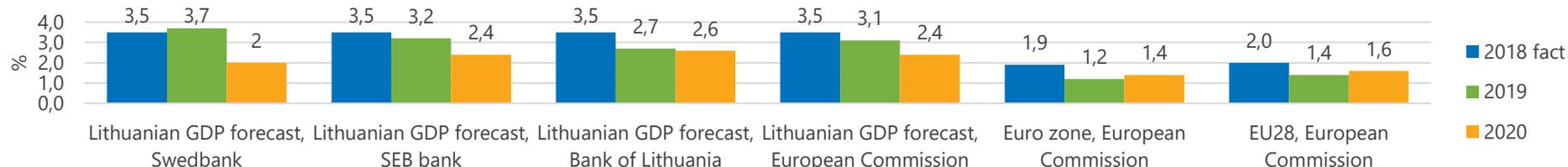
## Business environment

The changes in general domestic product have the biggest impact on increase in demand for energy and competitive environment, in which the Company is operating. The general domestic product has been growing for several years in the European Union already. According to the forecasts, due to increasing global uncertainties, it will be more moderate. According to the forecast of the European Commission published in July 2019<sup>1</sup>, total growth of the general domestic product in 2019 was going to reach 1.4 percent in the European Union (EU28), and the same 1.2 percent in the euro zone. Meanwhile, the economic growth should be 1.6 and 1.4 percent in 2020, respectively. The European Commission informed that the growth of the Lithuanian economy was going to reach 3.1 percent in 2019, 2.4 percent in 2020. A slightly bigger growth was projected in the EU28, the euro zone and Lithuania previously.

The growth of the Lithuanian economy is also forecasted by the economists of the Lithuanian banks in the publications of Lithuania's economic outlook. According to the forecasts presented by the analysts of SEB bank in June 2019<sup>2</sup>, the real Lithuanian general domestic product is going to increase by 3.2 percent in 2019, by 2.4 percent in 2020. The Swedbank analysts published Lithuania's economy outlook in the end of August 2019<sup>3</sup>: it is forecasted that the growth of general domestic product will reach 3.6 percent in 2018, 2.7 percent in 2019, and 2.0 percent in 2020. According to the forecast of the Bank of Lithuania<sup>4</sup> made in March 2019, the Lithuanian general domestic product is going to grow by 2.7 percent in 2019, and by 2.6 percent in 2020.

As the energy consumption is closely related to the growth of general domestic product, the changes in economic growth rates in Lithuania and neighbouring countries may also affect the performance results of company's of the Group. Given the macroeconomic forecasts presented by economists for a year as well as the actual results of operations of ESO, we hold the view that the volume of transmitted electricity will increase at a moderate pace.

**Growth of the general domestic product of the European Union, euro zone and Lithuania in 2018–2020, %**



### Situation on the electricity market

During the first half of 2019, compared to the corresponding period of 2018, electricity prices increased, but moderately. The average price on Nord Pool exchange increased by 6% (from 38.82 EUR/MWh to 41.22 EUR/MWh). In Scandinavian countries the prices increased from 1% to 12%, and throughout the Baltic region the prices increased quite similarly: in Lithuania – 5%, in Latvia – 6%, in Estonia – 8%. The resulting price situation has also contributed to conditions which were more favourable for the operation of Kruonis Pumped Storage Plant – the price ratio between peak and off-peak prices increased by 2%.

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

<sup>2</sup> Source: SEB bank. *Lithuanian Macroeconomic Review, June 2019, No 69.*

<sup>3</sup> Source: Swedbank *Economic Outlook. August 2019.*

<sup>4</sup> Source: Bank of Lithuania. *Lithuanian Economy Review: March 2019.*



Analysis of electricity consumption reveals no significant changes. Consumption in Scandinavian countries decreased by 3%, and in the Baltic countries – only by 1%. Lithuania was the only country where, during the period under consideration, electricity consumption increased by 1%.

There were more changes in production area. Production volumes in the Baltic countries dropped by 22%. Not all Baltic countries were affected by the decline in production – in Lithuania production increased by 7% (increased electricity production in wind farms significantly contributed to this). The said overall decrease in production volumes in the Baltic countries was generated by Latvia and Estonia (production in these countries decreased by 21% and 32% respectively). Generation of hydroelectric power plants of the river Daugava, which decreased by 42%, can be identified as the main reason for the decrease in production in Latvia. In contrast to the Baltic region, Scandinavia has not faced such drastic changes in production. In this region production decreased as follows: in Sweden - by 4%, in Norway – by 11%, while in Finland and Denmark it has scarcely changed.

It is worth noting that the average commercial flow of electricity from Belarus to Lithuania increased by as much as 154%. The flow from Kaliningrad Region also increased by 17%. With regard to trade relations with other neighbours, import both from Latvia and Sweden, and Poland decreased, and export to all these countries increased.

Significant events of the 1st half of 2019:

- The Heads of State and Government of Estonia, Latvia, Lithuania and Poland, and the President of the European Commission have signed the plan for the synchronization of Baltic energy networks with continental Europe. The synchronization is expected to be completed by 2025.
- The European Commission approved a scheme of 385 million euros of the Government of Lithuania which is aimed at promoting electricity production from renewable energy sources. This is part of the Government's efforts to achieve that by 2025 the share of renewable energy sources in gross final share of energy consumption would account for 38%.
- Danish company European Energy plans to develop a 500 MW wind power farm in Lithuania. The company has established a subsidiary considering this as a low-risk investment. Construction could be started within two years.
- Estonian company Eesti Energia has closed the first two of four older devices in their Power Plant in Narva (600 MW). 50 years old shale blocks are closed due to the requirements of the EU Industrial Emissions Directive.

## Situation on the natural gas market

In the first half of 2019, price drops began following high gas prices at the end of 2018 (above 27 EUR/MWh in October): partially due to heating season, partially due to drop of short-term transaction prices on the Asian liquefied natural gas (LNG) market, and partially due to comparatively full storage facilities and due to increasing LNG extraction in the basins of Pacific and Atlantic oceans.

Last year, namely additional gas demand in European gas storage facilities, which were severely emptied after 2017-2018 winter season (the filling level was only 18%), accounted for up to 30% of Europe's gas demand during the summer. Higher gas demand influenced the rise in prices during the summer and reduced the difference with the forecasted winter prices. The LNG prices were also high due to unexpectedly higher demand for LNG in China and other Asian countries fuelled by hot weather and fears of gas shortages (gas crisis) that hit China in 2017-2018 winter.

In 2019, the situation is inverse. Historically, the demand for additional gas in European storage facilities will be low. The demand for LNG in Asia is also likely to be lower, and in this year, the whole global gas market is better supplied with gas than last year – from the end of 2018, new LNG liquefaction projects were launched in the USA, Australia and Russia. All these factors form a surplus European gas market of this year with low prices and falling supplier margins.

It should be noted that a new law which obliges heat producers operating in Lithuania and meeting the established criteria to purchase a part of the consumed natural gas amount at the natural gas exchange came into force from 1 January 2019. This resulted in a more active interest of natural gas suppliers in the natural gas exchange where in the first quarter of 2019 almost 3 times more natural gas was sold than at the same time last year.

In the first half of 2019, due to favourable LNG prices on the market, 15 LNG gas carriers were received at Klaipeda LNG terminal, while in the same period in 2018 – 5 LNG gas carriers. The developing LNG market in the region resulted in expansion of the list of the countries of origin of LNG imported to Lithuania. One more supplier started using Klaipeda LNG terminal.



## Most significant events during I half of 2019 and after the reporting period

### JANUARY 2019

- **7 January.** Taking into account a notification received from Ms. Eglė Čiužaitė (dated on the 7th of January, 2019) on her resignation from the position of the Chief Executive Officer of the Company, the Board and the Supervisory Board of the Company adopted a decision to recall Ms. Eglė Čiužaitė from the position of Chief Executive Officer of the Company from the 21<sup>st</sup> of January, 2019.
- **8 January.** Lietuvos Energijos Gamyba (hereinafter – and LEG) announced the start of the project aimed at installing a one-megawatt energy storage system in Kaunas A. Brazauskas' HPP. Operating in synergy with the plant, the new storage system would become the first and the biggest innovation of this kind in the Baltic States.
- **18 January.** Implementing the Strategy LE 2030 and gradually uniting and merging the electricity and natural gas trading, supply, and related activities, Lietuvos Energija announced its plans to initiate the reorganisation process of UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB.
- **18 January.** ESO updated its strategy. The main goal laid down in the new document – reliable, effective and smart grid that enables further market development and the best customer experience.
- **31 January.** At the solemn ceremony of The Nasdaq Baltic Awards 2019, Lietuvos energija received award for the best bond issuer's relations with investors. The company has received a favourable opinion after evaluating the quality of information disclosure in the annual report and other statements, transparent governance of the company and its presentation to investors as well as other criteria.

### FEBRUARY 2019

- **1 February.** The Ministry of Finance of the Republic of Lithuania (hereinafter – the Ministry of Finance), being the holder of a 100 per cent shareholding in the Company, submitted to the Company a shareholder's decision to appoint Daiva Kamarauskienė the member of the Supervisory Board of the Company. She has replaced Ramūnas Dilba, a former member of the Supervisory Board of the Company.
- **13 February.** Lietuvos Energija announced international search for a strategic partner to develop offshore wind energy projects. Lithuanian company has initiated an Expression of Interest (EOI) process to select an experienced partner for the development of projects in the European Economic Area. The company expects to find an experienced partner with a proven track record who would bring best-practises and expertise in building offshore wind projects and, later on, could develop joint offshore wind energy projects in Lithuania.
- **14 February.** In the combined cycle unit, owned by LEG, tests have been implemented with an aim to test the power plant's readiness to participate in the first stage of the Baltic States energy systems isolated work regime. In January, the tests have been carried out in Kruonis PSHP.
- **25 February.** Lietuvos energija signed a partnership agreement with the adult coding school „Vilnius Coding School“. Implementing the Strategy LE 2030 and preparing for the global transformation of the energy sector, the company expects to attract data analysts, data engineers, big data project managers, and professionals with skills in artificial intelligence.

### MARCH 2019

- **4 March.** In preparation for the implementation of smart energy accounting in Lithuania, ESO launched public procurement procedures for the necessary infrastructure.
- **12 March.** Taking into account the opinion of the Supervisory Board, the Board of Lietuvos Energija nominated Rimgaudas Kalvaitis as the CEO of LEG. Aleksandr Spiridonov has been appointed as the head of UAB Lietuvos energija renewables. Darius Montvila was elected as the head of the commercial organization, which will start its activities after the merge of UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB.
- **14 March.** Geton Energy, the company of the group of energy companies of Lietuvos Energija since 2017 operating on the wholesale electricity market of Poland, has joined Nasdaq Commodities OMX exchange in Scandinavia.



## APRIL 2019

- **9 April.** Members of the board of UAB Lietuvos Energijos Tiekimas nominated Tadas Adomaitis, Haroldas Nausėda, Andrius Kavaliauskas.
- **9 April.** Lietuvos Energija resumed the sale of shares of Data Logistics Centre (DLC), one of the most advanced IT and telecommunications companies in the Baltic region, which provides data transmission and data centre services.

## MAY 2019

- **2 May.** The process of selection of the board of the commercial organization, was finished.
- **10 May.** After initiating a search for partners in offshore wind project development in February 2019, Lietuvos Energija announced that it has received initial interest from 10 potential partners, all of them – European offshore wind market leaders. 7 participants submitted official Expression of Interest (EOI).
- **15 May.** Smart Energy Fund powered by Lietuvos Energija, and managed by Contrarian Ventures along with Honda, Japanese automobile manufacturer, and other partners invested in Moixa, UK-based company developing smart energy storage devices and virtual power plants technologies. The UK smart battery specialist has received fresh funding of around € 10 million. Smart Energy Fund managed by Contrarian Ventures has invested € 500 thousand.
- **18 and 19 of May.** The test of Lithuanian energy system recovery after the total accident and isolated operation of a part of the system was successfully completed in the power plants managed by “Lietuvos energijos gamyba” – in Kruonis Pumped Storage Plant (Kruonis PSP), Kaunas Hydroelectric Power Plant (Kaunas HPP), and in the combined cycle block in Elektrenai.
- **On May 27,** Lietuvos energija renewable, which belongs to the Group, has signed the agreement with a Spanish company IGE which is controlled by the Environmental Investment Fund “SI Capital”, and acquired the 100% shareholding of Pomerania Invall Sp. z o. o., the company which develops a 94 megawatt (MW) installed power wind farm project in Poland.
- **31 May.** After having carried out the annual review of Lietuvos Energija credit rating, the international credit rating agency S&P Global Ratings has left BBB+ credit rating valid for the Company. Historically the highest annual investment flow intended for connecting new users of AB “Energijos skirstymo operatorius” and for investments in the projects of cogeneration power plants under construction in Vilnius and Kaunas led to a change in credit rating outlook from stable to negative.

## JUNE 2019

- **On 1 June,** “Lietuvos energijos tiekimas”, to which “Energijos tiekimas” was connected, started its operation.
- During LOGIN Innovation and Technology Festival that was held on 6 and 7 of June Lietuvos Energija organized the fifth hackathon on the topic of energy innovation. The team of “EV parity”, which offered a solution of using electric car batteries for power grid balancing, were chosen by a special commission as the winners of the “Smart Energy” hackathon.
- **On 7 June,** the Smart Energy Fund powered by Lietuvos Energija, which is managed by Contrarian Ventures, invested in Estonian start-up Hepta Airborne. The drone created by the start-up company, together with a software, allows power lines to be inspected without direct human intervention. The investments of the Smart Energy Fund in a start-up Hepta Airborne amount to EUR 300 thousand.
- **On 10 June,** “Energijos skirstymo operatorius” has joined EDSO (European distribution system operators), one of the most numerous associations of distribution system operators in Europe. ESO became an associate member of the organization along with the distribution operator from Northern Ireland.

## JULY 2019 (after the reporting period)

- **On 1 July,** under its Green Bond program, Lietuvos Energija issued a letter to investors. The Company has committed to submit a report to investors once a year on its green bonds, which would be audited by an independent auditor.
- **On 11 July,** the Smart Energy Fund powered by Lietuvos Energija, which is managed by Contrarian Ventures, invested in Norwegian start-up Choose, which mitigates the effects of climate change. This globally recognised and multi-award winner start-up has created a platform through which individuals and organizations can simply compensate carbon dioxide they have created and thus contribute to reduction of air pollution. The total investments of all investing partners, including Norwegian “Wiski”, “Katapult”, and German “Vito”, amount to EUR 4 million. Investment of the Smart Energy Fund amounts to EUR 300 thousand.



- **On 30 July**, the Smart Energy Fund invested in Lithuanian start-up LastMile which applies smart energy solutions. The start-up has created a platform that allows the residents and businesses to simply order goods and receive them within an hour using electric and non-polluting transport. The investments of the Smart Energy Fund in a start-up LastMile amount to EUR 50 thousand. LastMile will use this initial investment to develop its business and platform.
- **On 31 July**, the Supervisory Board of ESO approved the updated ESO 10-year investment plan. It is provided that over the next 10 years (2019-2028) ESO plans to invest EUR 1.83 billion in increasing network reliability and security, deploying smart solutions, improving customer experience, and establishing the market of services providing a level playing field for all market participants.

## AUGUST 2019 (after the reporting period)

- **On 2 August**, the National Energy Regulatory Council approved the total investments of EUR 30.486 million which are planned to be implemented by ESO in 2020-2023. 13 transformer sub-stations and 27 electricity distribution points will be renewed through investments. This will increase the reliability of electricity supply for about 182 thousand users.
- **On 5 August**, the Ministry of Finance of the Republic of Lithuania implementing the rights of the Company's shareholder approved the amendment of the Articles of Association of Lietuvos Energija UAB by changing the legal name to Ignitis Group UAB. There are also plans to change at the level of the companies belonging to Lietuvos Energija UAB Group of Companies the name of "Lietuvos energijos gamyba" AB to the name "Ignitis gamyba" AB, the name of Lietuvos energija renewables UAB to the name "Ignitis renewables" UAB, and the legal name of "Lietuvos energijos tiekimas" UAB is planned to be changed to "Ignitis" UAB.
- **On 9 August**, the Innovation Centre of Lietuvos Energija started publishing open data sets. In the first phase, the data sets provided by "Energijos skirstymo operatorius", which meet the requirements of publicly available data, are published. The published data includes information about the installed electricity production capacity connected to the distribution network, the energy amount received from the network and given to the network by the producing users, and the total electricity consumption.
- **On 14 August**, the Smart Energy Fund powered by Lietuvos Energija, which is managed by Contrarian Ventures, invested in a start-up Inion which develops a platform for optimizing and monitoring electricity produced by solar power plants. The start-up has developed both hardware and software that allows manufacturing users not only to use electricity more efficiently, but also combines equipment of different manufacturers and allows the owner of the solar power plant to monitor data on a single platform. The investments of the Smart Energy Fund in a start-up Inion amount to EUR 50 thousand.





## ANALYSIS OF THE GROUP'S FINANCIAL AND OPERATIONAL RESULTS



## Analysis of the Group's financial and operational results

Key operating indicators		H1 2019	H1 2018	Δ, +/-	Δ, %
<b>Electricity</b>					
Volume of electricity distributed:	TWh	4.81	4.78	0.03	0.62%
Distributed to customers of independent suppliers	TWh	3.11	3.13	-0.02	-0.56%
Public and guaranteed supply	TWh	1.70	1.65	0.05	2.85%
Volume of electricity generated (incl. Kruonis PSHP)	TWh	0.47	0.50	-0.03	-6.50%
Generated electricity using renewable energy sources (excl. Kruonis PSHP)	TWh	0.29	0.29	0.00	0.35%
Generated electricity part from renewable energy sources (excl. Kruonis PSHP)	%	96.8%	97.4%	-	-0.58%
Volume of electricity sold:	TWh	5.21	3.22	1.99	61.80%
Public and guaranteed supply	TWh	1.70	1.65	0.05	2.92%
Sales in retail market	TWh	1.25	1.23	0.02	1.78%
Sales in wholesale market	TWh	2.26	0.34	1.92	572.02%
Number of newly connected customers	units	19,025	13,803	5,222	37.83%
Duration of connection of new customers (average)	calendar days	34.50	47.90	-13.40	-27.97%
<b>Quality indicators of electricity supply</b>					
SAIDI (with „force majeure“)	min.	51.26	31.29	19.97	63.80%
SAIFI (with „force majeure“)	units	0.69	0.49	0.21	42.19%
Technological costs in the distribution network	%	5.99%	6.36%	-	-5.86%
<b>Gas</b>					
Volume of gas distributed	TWh	3.80	4.21	-0.41	-9.84%
Volume of gas sold in retail market	TWh	5.02	6.21	-1.19	-19.09%
Volume of gas purchased:	TWh	5.29	5.22	0.07	1.31%
Volume of LNG purchased	TWh	1.86	2.07	-0.21	-10.31%
Volume of natural gas purchased	TWh	3.43	3.15	0.28	8.96%
Number of newly connected customers	units	5,850	4,782	1,068	22.33%
Duration of connection of new customers (average)	calendar days	65.72	82.09	-16.37	-19.94%
<b>Quality indicators of gas supply</b>					
SAIDI (with „force majeure“)	min.	0.68	0.26	0.42	159.80%
SAIFI (with „force majeure“)	units	0.005	0.003	0.00	45.66%
Technological costs in the distribution network	%	1.91%	1.84%	-	4.04%



## Analysis of key operating indicators

In the 1st half of 2019, the volume of distributed electricity slightly increased compared to the 1st half of 2018, and totalled 4.81 TWh (+0.03 TWh). The distribution of electricity to customers of the independent suppliers slightly decreased and amounted to 3.11 TWh (-0.02 TWh), while the volumes of public and guarantee supply increased by +2.85% and amounted to 1.70 TWh (in the 1<sup>st</sup> half of 2018 – 1.65 TWh).

Compared to the 1st half of 2018, in the 1st half of 2019 the volume of electricity sold increased by +61.8% due to a significant increase in sales volume on the wholesale market. This was due to more active wholesale activities in Poland. Sales volume on the wholesale market increased by +572.1% and totalled 2.26 TWh, while in the 1st half of 2018 – 0.34 TWh. Compared to the 1st half of 2018, electricity sales on the retail market (+1.8%) and sales of public and guarantee supply (+2.9%) slightly increased.

Compared to the 1st half of 2018, during the 1st half of 2019, electricity generation volumes in Kaunas A. Brazauskas HPP decreased by 25.7% due to the lower level of water in the river Nemunas and was 0.17 TWh. The output of electricity generation volumes in Kruonis PSHP due to the decreasing daily and night-time electricity price difference, less frequently activated secondary active power reserve and longer repairs have also decreased (-17.4%) and was 0.17 TWh. 0.010 TWh of electricity or +22.5% more than in the 1st half of 2018 (0.008 TWh) were produced in Elektrenai complex during the 1st half of 2019.

Since new wind farms were acquired and due to favourable weather conditions, the volume of electricity that was generated in the wind farms operated in Estonia and Lithuania was 0.12 TWh, or 0.06 TWh (+104.7%) more than during the same period last year. In the 1st half of 2019, the share of electricity generation from renewable energy sources (excluding Kruonis PSHP) made up 96.8% of the Group's total electricity generation (in the 1st half of 2018 – 97.4%).

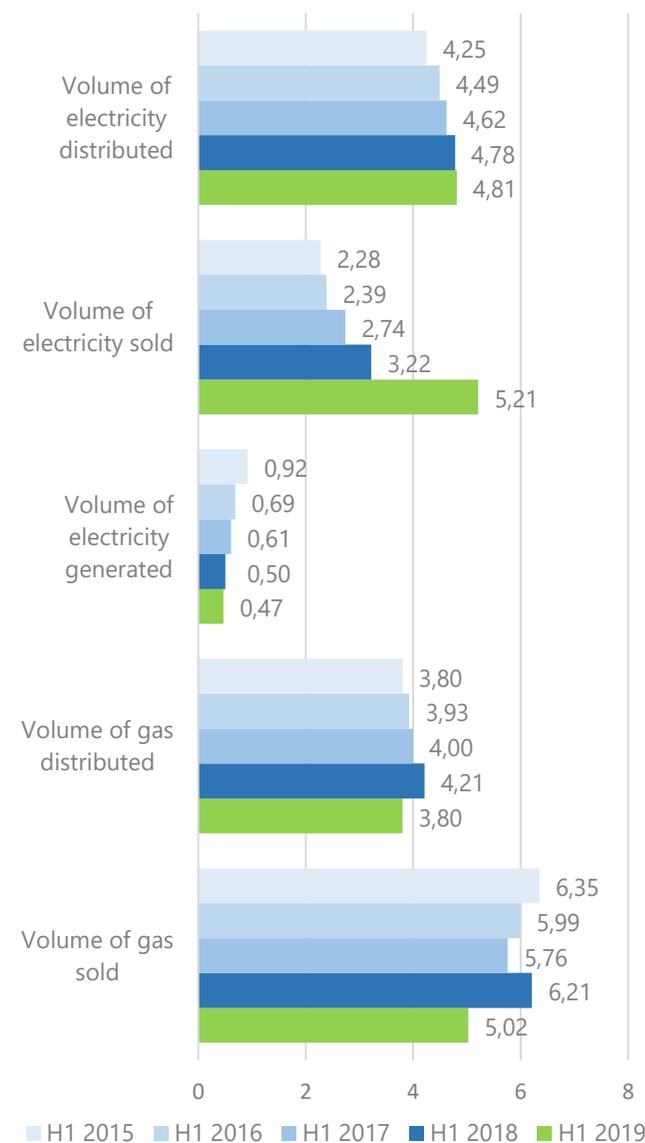
During the 1st half of 2019, the technological costs in the electricity distribution network declined to 5.99% (in the 1st half of 2018 – 6.36%). During the comparative period, SAIDI, with the impact of force majeure, increased to 51.26 min (in the 1st half of 2018 – 31.29 min). In the 1st half of 2019, SAIFI was 0.69 times (in the 1st half of 2018 – 0.49 times). Such deterioration of indicators was due to faults in cables resulting from prevailing high air temperatures and frequency of unscheduled long interruptions due to external effects.

Due to higher average air temperature during the heating season, compared to the same period last year, during the 1st half of 2019, 9.8% less natural gas than during the 1st half of 2018 were transported through gas distribution pipelines. The volume of gas sold on the retail market during the 1st half of 2019 decreased by -19.1% or -1.19 TWh. This was mainly influenced by changes in the legal framework. The obligation for regulated energy producers to purchase natural gas supplied through the Klaipėda LNG Terminal from a designated supplier was abolished.

During the 1st half of 2019, technological costs in the gas distribution network have increased from 1.84% to 1.91%. During the 1st half of 2019, SAIDI of gas distribution, with the impact of force majeure, increased and was 0.68 min (in the 1st half of 2018 – 0.26 min). This deterioration of indicator was due to network violations by third parties. SAIFI was ~0.005 pcs (in the 1st half of 2018 ~0.003 pcs).

During the 1st half of 2019, 19,025 new consumers were connected to the electricity distribution network. Compared to the same period last year, +37.8% more new customers were connected. During the 1st half of 2019, 5,850 new customers or +22.3% more than during the same period last year were connected to the gas distribution network.

## Electricity distribution and generation, gas distribution and sale, TWh



## Key financial indicators

Financial data are presented in millions of euros, unless otherwise stated.

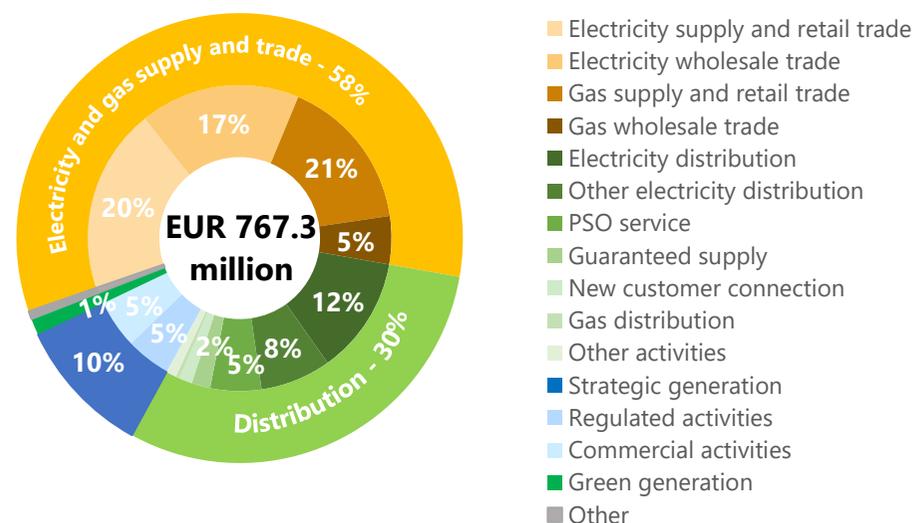
### Revenue

During the 1st half of 2019, revenue of Lietuvos Energija Group increased by +22.1% (EUR 138.9 million) as compared to the 1st half of 2018 and totalled EUR 767.3 million. The main reasons causing revenue changes were as follows:

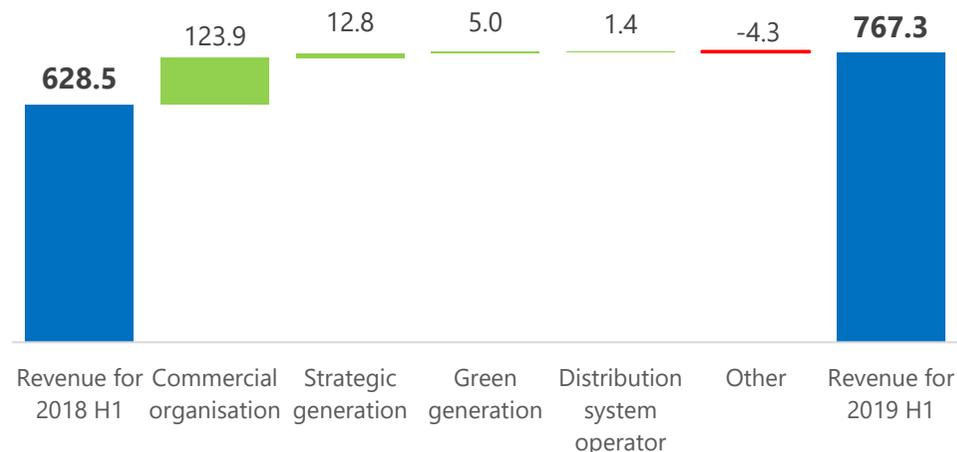
1. **Higher commercial organization segment revenue.** The growth in the segment was mainly driven by the increase in wholesale turnover of Geton Energy, the subsidiary of Lietuvos Energijos tiekimas in Poland, on the exchange market (EUR 113.9 million). Revenue from public supply of electricity activities also increased by EUR 19.0 million due to the higher service tariff. These reasons offset the decreased revenue from gas trading to business (EUR 15.2 million).
2. **Higher revenue of the strategic generation segment.** The segment revenue increased due to compensation of EUR 9.3 million received from the Ministry of Finance of the Republic of Lithuania in connection with damage possibly caused by Alstom Power Ltd in implementing the project of Lithuania Power Plant in 2005-2009. Revenue also increased due to sales of fuel oil which is no longer used in production and scrap metal sales. The above mentioned reasons outweighed the decline in revenues due to lower production volumes in Kruonis PSHP and Kaunas HPP. The decreased production volumes in Kruonis PSHP were largely driven by repair works. The production volumes in Kaunas HPP decreased due to hydrological drought.
3. **Higher revenue from the green energy segment.** Revenue in this segment grew by EUR 5.0 million. There were two main reasons for this: the increased portfolio of wind farms (EUR 4.0 million) and favourable meteorological conditions for the operation of wind farms (EUR 1.0 million).

Revenue of Lietuvos Energija Group from foreign markets compared to 1st half of 2018 increased by four times and totalled EUR 175.7 million during 1st half of 2019 (EUR 43.0 million during 1st half of 2018).

### The Group's revenue structure in H1 2019



### Dynamics of the Group's revenue by operating segment



## Cost of sales

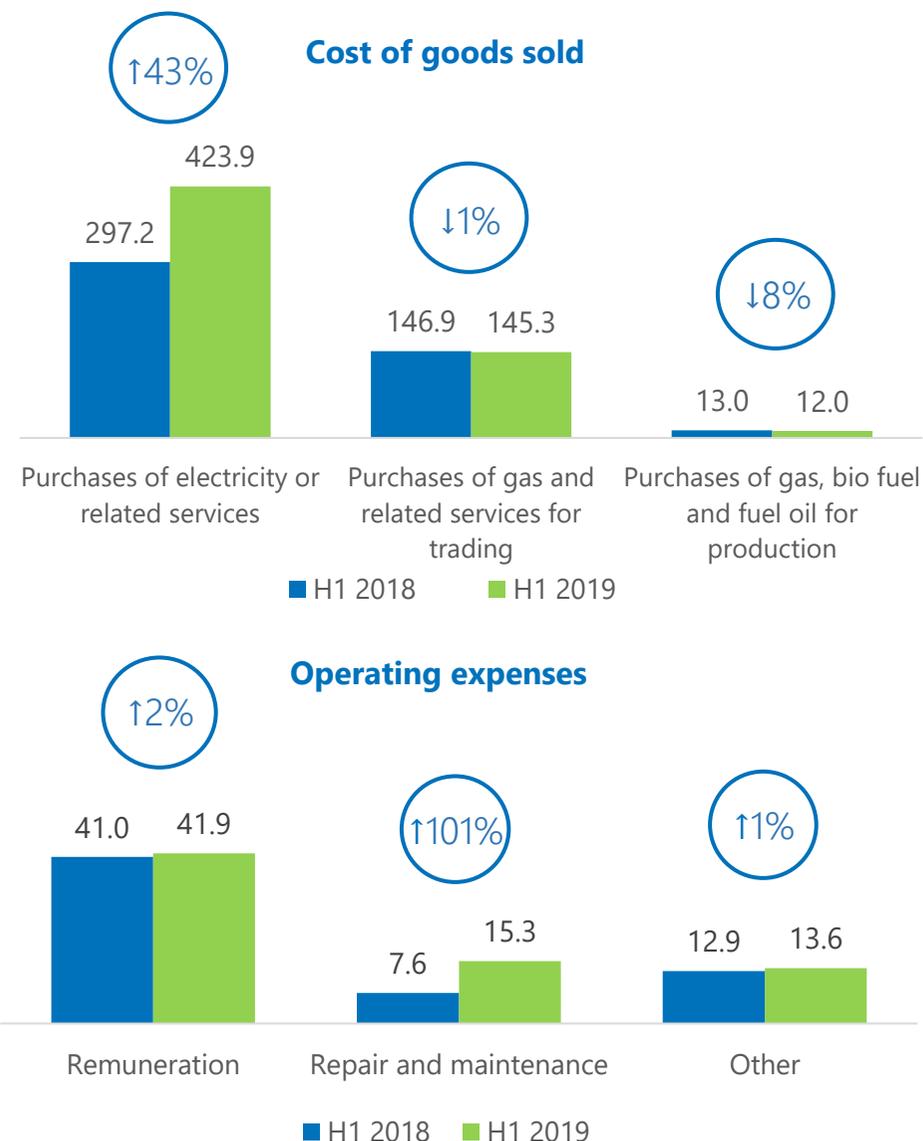
During the 1st half of 2019, the Group's purchasing costs of electricity, gas, fuel and related services (costs of sales) amounted to EUR 581.2 million (in the 1st half of 2018 – EUR 457.7 million). As compared with a respective period in 2018, these costs increased by +27.0%. Higher costs of purchasing electricity or related services due to the significant increase in wholesale turnover of Geton Energy, the subsidiary of Lietuvos Energijos tiekimas in Poland, on the exchange (+113.9 million euros), is the main reason behind the cost increase, respectively as the growth in revenue. Other components of cost of sales remained in the similar level as during the respective period in 2018.

## Operating costs

During the 1st half of 2019, the operating costs of the Group amounted to EUR 70.9 million. Compared to the 1st half of 2018, the operating costs increased by +15.3% (EUR 9.4 million). The increase was mainly driven by the growth in repair costs of EUR 7.7 million (or +101%). The main factors that caused the increase in repair costs were:

1. Increased need of "Elektros skirstymo operatorius" for carrying out repair and maintenance works on the power grid and transformer stations (EUR 5.8 million).
2. The provision that was formed by "Lietuvos energijos gamyba" for the costs of Elektrėnai complex dismantling projects (EUR 1.1 million).

Compared to the 1st half of 2018, wages and other operating costs increased insignificantly (+1-2%).



## EBITDA

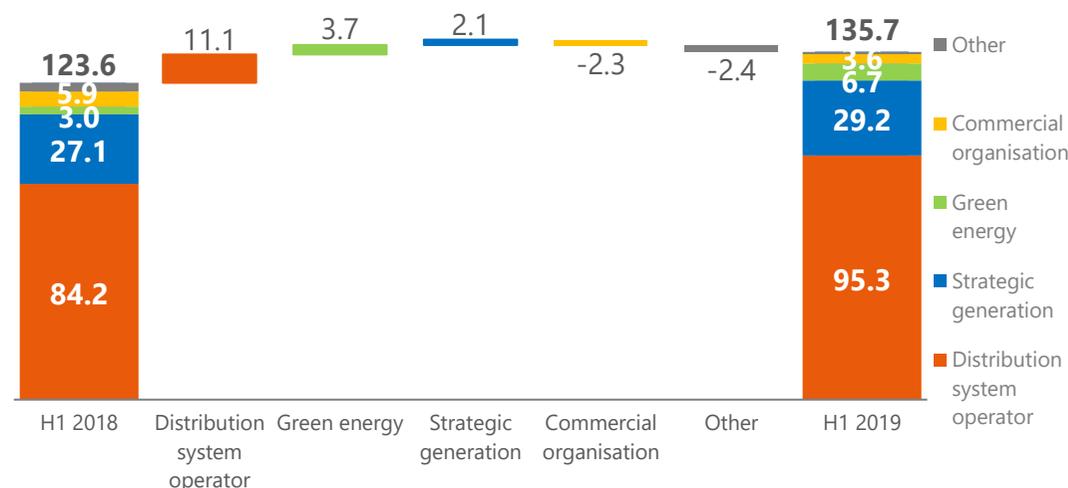
During the 1st half of 2019, the Group's adjusted EBITDA amounted to EUR 135.7 million. This is +9,8% or EUR 12,1 million more than in the 1st half of 2018 when the adjusted EBITDA was equal to EUR 123.6 million. In the 1st half of 2019, the adjusted EBITDA margin was 17.7% (in the 1st half of 2018 – 19.8%). The main reasons for the change in the Group's adjusted EBITDA were as follows:

- Higher EBITDA result of the distribution network operator.** The Group's adjusted EBITDA growth was driven by a positive change (EUR 11.1 million) in result of electricity and gas distribution activities. The difference was due to higher investments in network modernization and development.
- Higher EBITDA of green energy segment.** Compared to the corresponding period in 2018, in the 1st half of 2019, the result of green generation grew by EUR 3.7 million. This was mainly influenced by the increased portfolio of the Group's wind power plants at the end of 2018 (EUR 3.5 million).
- Higher EBITDA of strategic generation segment.** The extremely favourable difference between the electricity prices during the day-time peak hours and night hours resulted in better financial production result of Kruonis PSHP – although production volumes of the power plant were lower, this was offset by increased generation margin. Good production performance of Kruonis PSHP (EUR 0.9 million) and positive result of sale of fuel oil stocks (EUR 1.8 million) resulted in adjusted EBITDA of the segment that during the 1st half of 2019, compared to the same period in 2018, increased by EUR 2.1 million.
- Lower EBITDA result of commercial organisation segment.** In the 1st half of 2019, compared to the 1st half of 2018, the adjusted EBITDA result of commercial organisation segment decreased by EUR 2.3 million. This was due to lower gas demand in the market due to warmer weather conditions and decreasing market prices of natural gas.

As of 1 January 2019 the IFRS 16 standard defining treatment of operating lease has changed. Expenses shifted from operating expenses to depreciation. As a result, the Group's consolidated EBITDA increased by EUR 1.8 million. Compared to the corresponding period in 2018.

*\*The adjusted EBITDA indicator was estimated based on the management adjustments that are not presented in financial statements. A more detailed description of the management adjustments is presented in consolidated and company's condensed interim financial information, Note 18 "Operating segments".*

## Dynamics of adjusted EBITDA by operating segment



	H1 2019	H1 2018	Δ, +/-
<b>EBIT</b>	<b>56.1</b>	<b>71.7</b>	<b>-15.6</b>
Depreciation and amortisation expenses	54.6	42.7	11.9
Impairment expenses and write-offs of PPE	2.4	2.3	0.1
Revaluation result of emission allowances	0.3	-8.3	8.6
<b>EBITDA</b>	<b>113.4</b>	<b>108.4</b>	<b>5.0</b>
<b>Management's adjustments*, write-offs of inventories and receivables</b>			
Recalculation of regulated revenue of ESO (1)	19.1	33.3	-14.2
Change in market value of open financial derivative instruments	14.2	-14.3	28.5
Recalculation of regulated revenue of LET (2)	4.2	-2.1	6.3
Write-offs of inventories and receivables	0.3	0.8	0.7
Recalculation of regulated revenue of LEG (3)	-3.7	-2.5	-1.2
Compensations received for past periods (4)	-11.9	-	-11.9
<b>Total adjustments</b>	<b>22.3</b>	<b>15.2</b>	<b>7.1</b>
<b>Adjusted EBITDA</b>	<b>135.7</b>	<b>123.6</b>	<b>12.1</b>

(1) elimination of the effect of the difference between the actual profit earned during the reporting and earlier periods and the allowable return on investments for respective periods as established by the National energy regulatory council.

(2) elimination of deviation between actual and regulated revenue of the gas supply and electricity public supply, by which the company's future financial results will be adjusted.

(3) elimination of deviation between actual and regulated revenue of the secondary emergency power reserve, the tertiary active power reserve, the system disaster recovery after the total emergency and the reactive power management services by which the company's future financial results will be adjusted.

(4) a) LEG received a remittance from the Ministry of Finance of the Republic of Lithuania as a reparation for the potential loss that was inflicted through the actions carried out by Alstom Power Ltd while implementing Lietuvos Elektrine's, AB Fuel Gas Desulphurisation (FGD) project, implemented from 2005 to 2009. b) One-off cost adjustment due to compensation received from Litgrid AB for transmission (including systemic) services (for January and February 2016).



## Net profit

During the 1st half of 2019, the Group's net profit amounted EUR 37.5 million. This is EUR 22.5 million less than during the 1st half of 2018 (EUR 60.0 million). The following effects had the biggest impact on the net profit results of the 1st half of 2019 compared to the 1st half of 2018:

1. **Change in the market value of open financial derivatives.** The effect of change in the market value of financial derivatives of "Lietuvos energijos tiekimas" due to the movement of electricity prices equalled EUR 24.2 million.
2. **Result of the revaluation of "Lietuvos energijos gamyba" allowances.** The result of the revaluation of emission allowances had a negative effect on the result of net profit. Change between years – EUR 8.7 million.
3. **Increased investments resulted in higher depreciation expenses.** The Group's net profit was reduced by EUR 8.6 million (not including the increase in depreciation expenses due to the effect of IFRS 16).
4. **Compensations received for the past periods.**
  - The Ministry of Finance of the Republic of Lithuania transferred a compensation of EUR 9.3 million to AB "Lietuvos Energijos gamyba" in connection with damage possibly caused by Alstom Power Ltd in implementing the project of the Public Limited Liability Company Lithuania Power Plant in 2005-2009. The impact on the net profit EUR 7.9 million.
  - "Litgrid" AB compensated for the higher price of transmission services that was applied in 2016 for "Energijos skirstymo operatorius" AB. The compensation's impact on the net profit equals EUR 2.2 million.

Following the assessment (elimination) of positive/negative effect of the recalculation of regulated income and one-off items (compensations received for previous periods), the adjusted net profit decreased by EUR 40.5 million or 47.9%, and amounted to EUR 44.0 million.

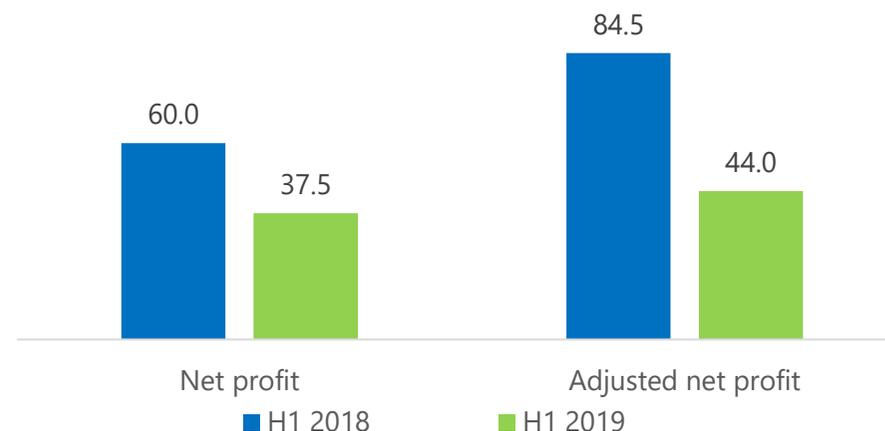
## Equity

During the 1st half of 2019, the Group's equity increased by 2.1% or EUR 27.3 million, and on 30 June 2019 equalled to EUR 1,349.0 million. Change in equity was caused by following factors:

1. In the 1st half of 2019, the Group's reported net profit equalled EUR 37.5 million.
2. In the 1st half of 2019, the Group paid out EUR 13.3 million of dividends, including the minority part.

The Group's equity rate decreased during the reporting period, and on 30 June 2019 it was 45.1% (on 31 December 2018: 46.1%).

### Net profit and adjusted net profit



Net profit adjustments	H1 2019	H1 2018	Δ, +/-
<b>Net profit for the reporting period</b>	<b>37.5</b>	<b>60.0</b>	<b>-22.5</b>
Recalculation of regulated revenue of ESO	16.3	28.3	-12.0
Recalculation of regulated revenue of LET	3.6	-1.7	5.3
Recalculation of regulated revenue of LEG	-3.2	-2.1	-1.1
Compensations received for past periods	-10.1	-	-10.1
<b>Adjusted net profit</b>	<b>44.0</b>	<b>84.5</b>	<b>-40.5</b>



## Investments

During the 1st half of 2019, the Group's investments amounted to EUR 212.5 million or +42.1% more than during the same period last year. The largest part of investments was made for development of Vilnius and Kaunas cogeneration power plant projects (36%), electricity distribution network development (21%) and wind farm projects (12%).

Compared to the same period last year, during the 1st half of 2019, as per project plans, higher investments were made in works of construction of Vilnius and Kaunas cogeneration power plants. During the first half of 2019, investments in these projects amounted to EUR 76.7 million.

In the 1st half of 2019, investments in the development of the electricity distribution network increased by EUR 7.5 million and amounted EUR 42.6 million. During the 1st half of 2019, ESO invested EUR 25.9 million in renewal of the electricity distribution network. During the 1st half of 2019, ESO connected 19.0 thousand new consumers to the electricity distribution network – 37.8% more than during the 1st half of 2018 when 13.8 thousand consumers were connected. During the 1st half of 2019, the permissible power for use of the connected objects of new consumers amounted to 167.7 thousand kW and was 5.3% lower than in the 1st half of 2018 when it was 177.1 thousand kW.

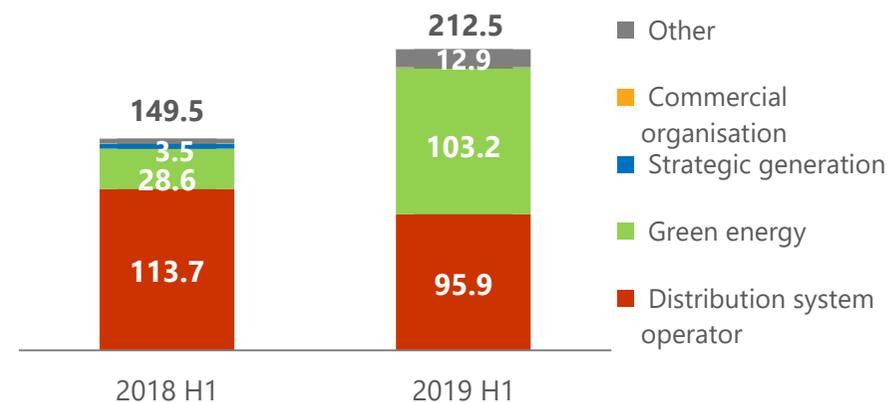
During the 1st half of 2019, the investments of ESO in the development of the gas distribution network reached EUR 24.5 million and were 63.0% higher than in the 1st half of 2018 (EUR 15.0 million). During the 1st half of 2019, ESO constructed 241.8 km of distribution gas pipelines for connecting new customers to the gas network, while 222.3 km of gas pipelines were constructed during the comparable period of 2018.

In May, "Lietuvos energija renewables" has signed contract for the acquisition of 100% shares of Pomerania Invall Sp. z o. o. – the Company that develops a 94 MW installed capacity wind farm project in Poland.

The strong growth in transport investments in the 1st half of 2019 was driven by almost completely renewed vehicle fleet of the Group's company "Transporto valdymas".

On 31 December 2018, the Group's assets totalled EUR 2,854.1 million. During the 1st half of 2019, the Group's assets increased by + 4.8% (or EUR 136.5 million), and on 30 June 2019 totalled to EUR 2,990.6 million. The change in the Group's assets was mainly influenced by the increase in tangible non-current assets due to investments made by the Group companies.

### Group's investments by operating segments



Dynamics of the Group's investments by sector	H1 2019	H1 2018	Δ, +/-	Δ, %
Co-generation power plants	76.7	28.6	48.1	168%
Development of electricity distribution network	42.6	35.1	7.5	21%
Investments in wind farms	26.5	-	26.5	100%
Renewal of electricity distribution network	25.9	56.7	-30.8	-54%
Development of gas distribution network	24.5	15.0	9.5	63%
Transport	11.2	1.7	9.5	559%
ITT	2.5	4.6	-2.1	-46%
Renewal of gas distribution network	1.5	3.2	-1.7	-53%
Electricity generation capacities	0.3	3.4	-3.1	-91%
Other investments	0.8	1.3	-0.5	-38%
<b>Gross investments</b>	<b>212.5</b>	<b>149.5</b>	<b>63.0</b>	<b>42%</b>
Subsidies	25.6	9.8	15.8	161%
<b>Net investments</b>	<b>186.9</b>	<b>139.6</b>	<b>47.3</b>	<b>34%</b>



## Financing

On 30 June 2019, the Group's net debt amounted to EUR 842.0 million. Compared to the net debt at the end of 2018, the rate increased by +14.4% or EUR 106.0 million. The increase in the net debt was driven by investments made by the Group companies.

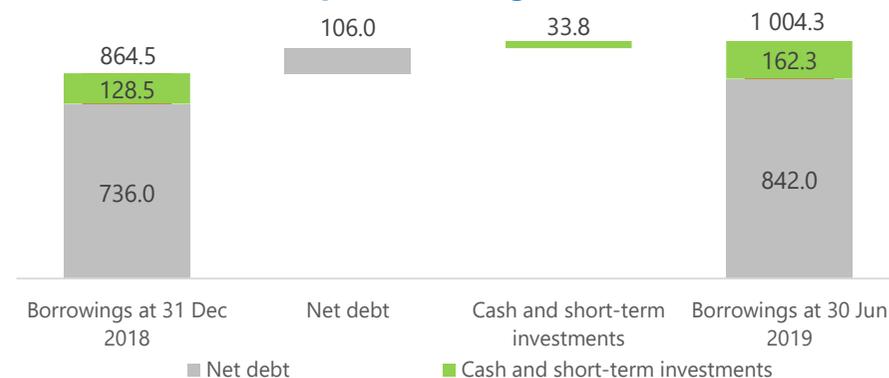
During the 1st half of 2019, the level of borrowings of the Group increased by 16.2% (or EUR 139.8 million), and on 30 June 2019 amounted to EUR 1,004.3 million (at the end of 2018 – EUR 864.5 million). On 30 June 2019, amount of borrowings of EUR 659.8 million was subject to a fixed interest rate (65.7% of the total borrowings), the remaining part of borrowings was subject to a variable interest rate..

On 30 June 2019, the average repayment period of borrowings was 7.4 years (on 31 December 2018 – 7.6 years).

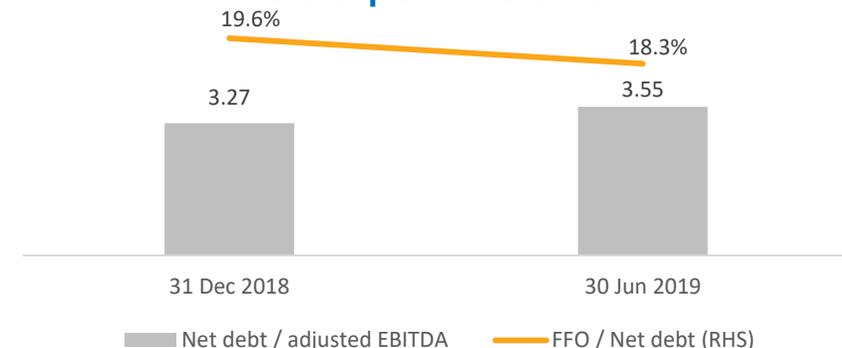
The Group's net debt to the Group's equity ratio increased from 55.7% at the end of 2018 to 62.4% on 30 June 2019. On 30 June 2019, the Group's current liquidity ratio was 0.97 (on 31 December 2018 – 1.16). The Group manages liquidity by entering into the credit line agreements with banks. The Group's unwithdrawn credit line facilities amounted to EUR 171.0 million as at 30 June 2019. All the credit lines are committed, i.e. funds are paid by the bank upon demand.

In May 2019, the International Credit Rating Agency "S&P Global Ratings", after having carried out the annual credit rating review of Lietuvos energija, extended the BBB+ credit rating for the Company. Last year, when implementing strategic projects, the Group entered the intensive investment stage when the historically highest annual investment flow for connecting new consumers of AB "Energijos skirstymo operatorius" and for investments in the projects of Vilnius and Kaunas cogeneration power plants under construction was achieved. These circumstances led to a change in the credit rating outlook from stable to negative.

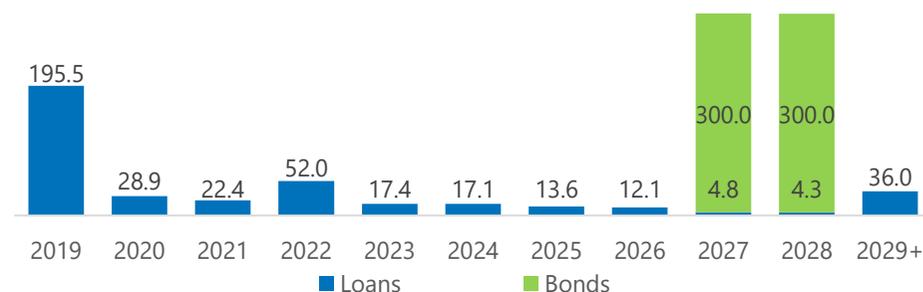
### The Group's borrowings and net debt



### The Group's net debt ratios



### Repayment schedule of the Group's borrowings



## Definitions

<b>Working capital</b>	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - short-term investments and term deposits - current liabilities (excluding current portion of financial liabilities)
<b>EA</b>	Emission allowances
<b>Current liquidity</b>	Current assets at the end of the period / current liabilities at the end of the period
<b>EBIT</b>	Profit (loss) before tax – finance income + finance costs
<b>EBITDA</b>	Operating profit (loss) + depreciation and amortisation expenses + expenses on revaluation and provisions for emission allowances + impairment expenses of non-current assets + write-off expenses of non-current assets
<b>EBITDA margin</b>	EBITDA / Revenue
<b>FFO</b>	EBITDA + interest received - interest paid - income tax paid
<b>Guaranteed supply</b>	Supply of electricity in order to meet electricity demand of customers who have not selected an independent supplier under the established procedure or an independent supplier selected by them does not fulfil its obligations, terminates activities or the agreement on the purchase and sale of electricity
<b>Net debt</b>	Borrowings - cash and cash equivalents - short-term investments and term deposits - a portion of other non-current financial assets representing investments in debt securities
<b>Net profit margin</b>	Net profit / Revenue
<b>Investments</b>	Acquisition of tangible and intangible non-current assets, acquisition of shares in companies
<b>Adjusted net profit</b>	Net profit + effect of the gas price discount to consumers +/- recalculation of regulated revenue from liquefied natural gas +/- recalculation of regulated revenue from electricity and gas transmission/distribution
<b>Adjusted net profit margin</b>	Adjusted net profit / Revenue
<b>Adjusted net debt</b>	Net debt adjusted for the put option execution obligation of Kauno Kogeneracinė Jėgainė UAB, provision for pensions to employees and a cash balance not available for immediate use in the ordinary course of business
<b>Adjusted EBITDA</b>	EBITDA + management's adjustments
<b>Adjusted EBITDA margin</b>	Adjusted EBITDA / Revenue
<b>Adjusted return on equity (ROE)</b>	Adjusted net profit (loss) for last 12-months / the average amount of equity during the reporting period
<b>Customers of independent suppliers</b>	Electricity users who have selected an independent electricity supplier as their supplier
<b>Return on equity (ROE)</b>	Net profit (loss) for last 12-months / the average amount of equity during the reporting period
<b>Equity ratio</b>	Equity at the end of the period / total assets at the end of the period
<b>SAIDI</b>	Average duration of unplanned interruptions in electricity or gas transmission
<b>SAIFI</b>	Average number of unplanned long interruptions per customer
<b>LNG</b>	Liquefied natural gas
<b>IFRS</b>	International financial reporting standards
<b>Assets turnover ratio</b>	Revenue for last 12-months / total assets at the end of the period
<b>Return on assets (ROA)</b>	Net profit (loss) for last 12-months / the average amount of total assets during the reporting period
<b>Operating expenses</b>	Expenses, excluding purchase expenses of electricity and related services, gas and fuel oil for production, depreciation and amortisation, impairment expenses (non-current assets, construction in progress, amounts receivable, etc.), expenses of revaluation of property, plant and equipment, write-offs of non-current assets, inventories and amounts receivable and EA revaluation expenses.
<b>Public supply</b>	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence





# REVIEW OF THE COMPANY'S AND THE GROUP'S ACTIVITIES



# Review of the Company's and the Group's Operations

The overview of Lietuvos Energija Group performance covers a period from 1 January 2019 until the report date.

## Strategic generation

### A battery energy storage system in the Kaunas A. Brazauskas Hydropower Plant

In January, LEG announced on initiating a unique pilot project in the Baltics – a battery energy storage system in the Kaunas A. Brazauskas HPP.

Using a unique algorithm, the storage system would allow to provide a high-quality frequency containment reserve (FCR) service, compensating the asymmetries in hydro-unit operations. As for today, the service in the Baltics is mainly provided by the Russian power plants, operating in the post-soviet BRELL energy ring.

The energy storage system innovation will allow Lithuania to strengthen its ability to provide an autonomous FCR service, which will be crucial for the country after the year 2025, when it will join the continental European network and leave the BRELL ring. Moreover, successful implementation of the hydro-unit and storage system synergy project could become an important source of primary reserve, allowing LEG to provide high-quality services to the electricity transmission system operator.

Although the installation of 1 megawatt energy storage system would become a pilot project in the region, high capacity (20 megawatts or more) lithium-ion batteries for large-scale grid energy storage already gained popularity in the USA, Australia, and part of the Western Europe. Due to the growing demand for autonomous FCR services in the Baltics, the innovative energy storage system may be later adopted for the much larger hydro-units in the Kruonis PSHP.

The public procurement procedure for acquiring equipment parts of the aforementioned storage system were initiated by LEG in the beginning of 2019.

### The operation of the Baltic States's electrical systems in the "island" mode

Tests were carried out in February in the combined cycle block of Elektrėnai Complex that is managed by LEG, and in Kruonis PSHP to assess the readiness of the plant to participate in the initial phase of the operation of the Baltic States' electrical systems in the "island" mode. Later, similar tests were carried out in Kaunas A. Brazauskas HPP.

In the course of the active preparation of the three Baltic States' energy systems to operate in the "island" mode, tests in the most important objects of the energy infrastructure of the country were initiated by the transmission system operator Litgrid together with the Lithuanian Energy Institute. The tests are carried out in accordance with the requirements of ENTSO-E, the European Network of Transmission System Operators.

### Pilot project of floating solar power plant in Kruonis PSHP receives funding

In February, experimental floating photovoltaic solar power plant project in Kruonis PSHP, developed by LEG has received funding from the Lithuanian Business Support Agency (LBSA). The total amount of 235k EUR have been granted.

LBSA together with the Ministry of the Economy and Innovation have decided to fund the project after considering 139 applications, 91 of which received grants. The floating solar power plant project has been rated among the best applications. LEG is developing the project together with the scientists from Kaunas University of Technology (KTU).

During the primary stage of the project, LEG and KTU plan to install an experimental (60 kW) solar power plant in the upper-reservoir of the Kruonis PSHP and to develop an algorithm for managing the power plant and energy storage system. The algorithm will take into account constantly registered network and other physical parameters of the Kruonis PSHP. The primary stage of the project is scheduled to be completed by the end of 2021.



## Green generation

### Lietuvos Energija Renewables started its operations

Lietuvos Energija seeking to develop further its renewable generation portfolio as well as optimize the activities its wind energy generation companies, has approved the establishment of a new company Lietuvos Energija Renewables, which will control the shares of its existing subsidiaries engaged in wind power generation and renewable power generation development. Lietuvos Energija owns 100 % of the shares of UAB Lietuvos Energija Renewables.

Lietuvos Energija Renewables concluded an agreement with a Spanish company IGE, owned by the environmental impact fund SI Capital, regarding the acquisition of a 94 megawatt (MW) wind farm project in Poland – Pomerania wind farm.

### LE calls for strategic partners to develop offshore wind energy projects

In February, Lietuvos Energija announced international search for a strategic partner to develop offshore wind energy projects. The company has initiated an Expression of Interest (EOI) process to select an experienced partner for the development of projects in the European Economic Area. LE is looking for an experienced partner with a proven track record who would bring best-practices and expertise in building offshore wind projects. Later on, it is expected to develop joint offshore wind energy projects in the Baltic sea as well.

LE has received initial interest from 10 potential partners, all of them – European offshore wind market leaders. 7 participants submitted official EOIs. LE plans to decide on potential partnership by the end of 2019.

In case of a successful cooperation agreement, the potential partnership will be implemented through a two-stage process. During the first phase, LE aims to gain relevant expertise related to the offshore wind energy projects by acquiring a minority stake in a project within European Economic Area, which already is in the late stage of development. During the second phase, Lietuvos Energija plans to take an active part in the development of offshore wind energy projects in the Baltic Sea. It can happen after the Lithuanian government conducts the necessary preparatory works needed to launch auctions for offshore wind energy development.

Wind farms' development in the Baltic Sea will contribute considerably to Lithuania's national goal to generate a lion's share of electricity from renewable energy sources.

## Energy distribution

### ESO announced its strategy till 2030

In January, Energijos Skirstymo Operatorius (ESO) approved its new strategy. The approved ESO strategy covers the period till 2030. Till that time, ESO plans to significantly increase network resistance to atmospheric factors, to implement technological, intelligent solutions that include remote, automated network control and maintenance, and to develop a customer experience management model across the ESO value chain. All this will ensure a stable return and maintain the optimal value-to-price ratio for customers.

The main focus in the implementation of the new ESO strategy will be placed on increasing the reliability of the network, the deployment of intelligent solutions for real-time operations, the empowerment of the development of the electricity market through open and neutral platform solutions, and the promotion of the creation of a service market, which provides the same operating conditions for all market participants. The totality of actions provided for in the ESO strategy will ensure the best value to customers both in terms of reliability and intelligence of infrastructure as well as of variety and price of services. Accordingly, the empowering infrastructure will allow market participants / energy suppliers to develop and provide services that meet individual needs of each customer.

Strategic directions of ESO 2030 correspond to the goals laid down in the ESO's 10-year investment plan and the National Energy Independence Strategy.



## **Electricity communications can be introduced more quickly**

The residents and businesses can already install electricity systems in their property or to enhance electric power faster, simpler and without leaving home. After having improved its procedures and systems, from February ESO gives its customers the opportunity to receive electricity services in one sitting. After logging in to the website [www.manogile.lt](http://www.manogile.lt) and selecting the service of installation of electric systems or power enhancement, the customer must do the following: specify the type of object and select the power demand accordingly, specify in the map the location where the system must be installed, get the contract generated by the system and the estimated price, and pay it and wait for the selected service to be provided. The ESO systems instantly generate an order with the possibility to pay, not an application that had to be dealt with earlier by the ESO staff. Therefore, the customer no longer has to wait for several days to get a response on the price and terms of the service – the customers instantly learn everything on his computer screen and can immediately pay.

## **ESO tendering procedure for the acquisition of smart metering infrastructure**

In the course of preparation for introduction of smart metering systems in Lithuania, in March ESO launched the public procurement procedures for the necessary infrastructure - suppliers will not only have to supply more than 1.2 million smart electricity meters, but will also need to provide an IT solution for electricity meter data collection and management, and to ensure the communication infrastructure.

There are several basic criteria that must be met by the prospective system: the system installed will have to support communication with meters and ensure the monitoring and management of the entire smart metering infrastructure; in line with the highest cyber security requirements, the system will need to collect securely encrypted metering data needed to manage the power grid and energy consumption metering; the system will have to process, verify and validate the data collected and to transfer data to other ESO business systems through interlinking. After introduction of smart metering infrastructure, and especially remote metering, with the possibility of seeing a very detailed use of electricity, electricity consumption is expected to decrease because the customers will be able to better understand their energy consumption habits, make rational energy-saving decisions. Network losses will also decrease, the innovations will allow for more accurate network investment planning, the system will allow for the conditions for deregulation of the electricity market to be created for private customers.

On 6 June of this year, ESO has announced the supplier prequalification procedure of smart accounting infrastructure procurement. The procurement volume and related qualification requirements have been updated in the terms of procurement. Therefore, the suppliers can participate in the procurement procedure with even clearer and already ultimate terms. Under a more consistent implementation scenario selected that is broken down by consumption, in this stage, the participants in the procurement procedure will need to meet the demand for about 1.2 million pcs of smart meters.

## **Vilnius Combined Heat and Power Plant launched the first public tendering procedure for waste acceptance**

In April, Vilnius Combined Heat and Power Plant, that will start operate in 2020, launched the public tendering procedure for waste acceptance and called all municipal waste managers to participate in the procedure. This is the first public tendering procedure that was launched by Vilnius Combined Heat and Power Plant. Municipal, non-recyclable but energy-rich waste will be used for energy production during the procedure. There are plans to offer the tenderers during the competition to handle up to 80 thousand tons of non-recyclable waste that in Vilnius Combined Heat and Power Plant will be turned into heat and electricity. A public tendering procedure was selected to accept waste for energy production because it creates a level playing field for all market players to properly handle waste that would otherwise be disposed in a much more polluting and expensive way in landfills. The installed electricity generation capacity of Vilnius Combined Heat and Power Plant that burns waste and biofuel will reach 92 MW (of which the capacity of a part of waste will be about 19 MW), while the heat production capacity – about 229 MW (of which the capacity of a part of waste will be about 60 MW). The total municipal waste management capacity is about 160 thousand tonnes per year. The total electricity produced by the Combined Heat and Power Plant will suffice to meet the needs of about 230,000 households, and the total heat produced – about 50% of the amount of heat supplied in Vilnius by district heating.

## Commercial activities

### **LET offered its customers a way to reduce their electricity bills**

With keen interest in its customers, the electricity and gas supply company Lietuvos Energijos Tiekimas (LET) urged its customers to check how much they could save on electricity if they had chosen the right tariff plan. The company's analysis has shown that more than a tenth of electricity consumers could pay less. An analysis of energy consumption and selected tariff plans conducted by LET has shown that the consumers have chosen their plans without taking into account their energy consumption habits and quantities. The 12-month analysis has shown that nearly 200,000 LET customers who have opted for the less favourable tariff plan could pay less for electricity. The customers having selected the most favourable plan could save EUR 150 on average per year.

### **Geton Energy joined Nasdaq Commodities OMX in Scandinavia**

Geton Energy, the company of the group of energy companies of Lietuvos Energija since 2017 operating on the wholesale electricity market of Poland, has joined Nasdaq Commodities OMX exchange in Scandinavia. This way, the Company is expanding the wholesale electricity trading portfolio in the region. Experience of trading in electricity and derivative instruments gained in Poland will also contribute to the enhancement of competences of the Group companies operating in Lithuania.

## Transparency and innovations

### **Lietuvos energija won the Nasdaq award for investor relations**

During the solemn ceremony of the Nasdaq Baltic Market Awards 2019, Lietuvos Energija received an award for the best bond issuer relations with investors. The award was given to the company after evaluating the quality of information disclosure in annual and other statements, transparent governance of the company and its presentation to investors, and other criteria.

### **Lietuvos Energija transfers its experience in the fight against corruption to other companies**

In May, Lietuvos Energija, seeking to ensure the highest requirements of transparency and anti-corruption, invited companies and state institutions to share their experiences in preventing possible corruption and ensuring transparent operation. The conference "Good Practices and Challenges for the Application of the Law on Protection of Rapporteurs", organized together with the State Tax Inspectorate (STI), is the second such event for anti-corruption specialists. The representatives of Lietuvos Energija, the Prosecutor General's Office, the State Tax Inspectorate, the Special Investigation Service, other institutions and state-owned companies take part in the conference. The representatives of more than 30 companies and institutions participated in the discussion organised by the group about the Law on Protection of Rapporteurs that was held on Friday.

This year, the Law that enshrines the protection of rapporteurs came into force. The law prevents the rapporteur from dismissal, humiliation or other form of prosecution. Lietuvos Energija Group has accumulated long experience in preventing corruption and allows for anonymous reporting of violations. The Group aims to implement one of the most advanced corruption prevention management systems and to certify itself according to the international ISO 37001 standard. This is also foreseen in the Lietuvos Energija strategy LE 2030.

### **Cooperation agreements with the programming school were signed**

LE continues to seek to attract competencies of Big Data and Artificial Intelligence, which are increasingly important in the energy sector. For this reason, the Company signed a cooperation agreement with the programming school for adults Vilnius Coding School and Academy of Programming CodeAcademy.



Under the signed cooperation agreement, the schools will give LE the opportunity to attract its graduates, while LE, in turn, will be able to offer them work or traineeship opportunities. Furthermore, the agreement will open up opportunities for cooperation in the development of Lietuvos Energija employees. This way, advanced analytics, robotization, artificial intelligence and other competencies will be further developed in LE Group.

### **Start-ups receive investments from LE**

Smart Energy Fund powered by LE and managed by Contrarian Ventures along with Honda, Japanese automobile manufacturer, and other partners invested in Moixa, UK-based company developing smart energy storage devices and virtual power plants technologies. The UK smart battery specialist has received fresh funding of around € 10 million. Smart Energy Fund managed by Contrarian Ventures has invested € 500 thousand. Other investors include ITOCHU Corporation, a Japanese investment house and Fortune 500 company and UK-based venture capital investor First Imagine! Ventures.

Moixa has pioneered smart charging of batteries and EVs with its patented GridShare technology.

Smart Energy Fund powered by LE and managed by Contrarian Ventures invested in Hepta Airborne, Estonia based startup developing solution for automatic power line inspection. Hepta Airborne, a company that offers utilities an inspection drone service, has raised € 300 thousand funding in a round led by Contrarian Ventures, marking it the firm's third investment.

Smart Energy Fund powered by Lietuvos Energija and managed by Contrarian Ventures invests in start-ups that are developing new technologies in the energy technology field. The Fund also manages AcceleratorOne Acceleration Programme which together with Lietuvos Energija invests in start-ups and helps them grow. The programme tests pilot products and services in the local market, providing further opportunity to grow internationally.

## **Purification of activities**

### **LE resumed the sale of Data Logistics Center**

LE continues divestment of its non-core activities and resumes the sale of shares of Data Logistics Centre (DLC), one of the most advanced IT and telecommunications companies in the Baltic region, which provides data transmission and data centre services. Lietuvos Energija resumes a sale of 79.64% of DLC shares it owns. Co-owner of DLC - Litgrid, also offers its 20.36% of DLC shares for sale.

### **The real property that is not in use is offered for sale**

NT Valdos, a company belonging to Lietuvos Energija, offered real estate objects to the market in August at already eighteenth auction. The company sells the property that is not in use in the main activities of the energy group. So, the buyers are invited to take interest in and advantage of this opportunity. Since 2016, NT Valdos has sold real estate for EUR 98 million, including VAT, in public auctions and tenders.

**The Company's and the Group's social responsibility activities, risk management and other issues are detailed in annual report.**



## Corporate governance

The aim of the Lietuvos Energija Group, with the State of Lithuania as its shareholder, is to ensure effective and transparent operations. In order to achieve this aim, the reorganisation of governance was carried out in 2013, during which the corporate governance of the Group was reorganised and improved.

The new governance structure and model of the Group have been developed on the basis of the most advanced international and national practices, following the recommendations published by the Organisation for Economic Cooperation and Development (OECD), having regard to the Corporate Governance Code of companies listed on the NASDAQ Vilnius exchange, Guidelines on the Governance for State-owned Enterprises recommended by the Baltic Institute of Corporate Governance (BICG). The corporate governance model of the power generation companies' group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013 and renewed on 1 June 2017 (the Guidelines are available at [www.le.lt](http://www.le.lt)).

The primary goal of the corporate governance is to achieve the effect of synergy aligning different activities of the Lietuvos Energija group companies and targeting them at the achievement of the common goals at the Group level.

The Company's shareholder is the State which controls 100% of its shares. The rights and obligations of the shareholder are implemented by the Ministry of Finance of the Republic of Lithuania, which adopts the main decisions relating to the implementation of the ownership rights and obligations.

For the fourth year in a row, Lietuvos Energija Group has been recognised as the best managed state-owned company. The company received the highest possible "A+" rating. The analysis was made by the Governance Coordination Centre which assesses state-owned companies by different criteria and establishes the good governance index.



# Supervisory bodies

## Supervisory Board

On 1 June 2017, the Minister of Finance approved the updated Corporate Management Guidelines replacing the former procedure for the formation of the Supervisory Board. Under the Corporate Management Guidelines, the Supervisory Board is a collegial supervisory body provided in the Statute of the Company. The Supervisory Board is elected by the General Meeting of Shareholders for the period of four years. The Supervisory Board of Lietuvos Energija consists of 5 members – 2 members representing the Ministry of Finance and 3 independent members. The Supervisory Board elects its Chairman from its members. Such a method for the formation of the Supervisory Board is in line with the corporate management principles. The term of office of the Supervisory Board operating at the time of report publication: from 30/08/2017 to 29/08/2021. No members of the Supervisory Board have any participation in the capital of the company or group enterprises. **At the date of publication of the report, the Supervisory Board of Lietuvos Energija consisted of the following members:**



**Darius Daubaras**  
(born 1973)

Chairman, independent member



**Daiva Lubinskaitė-Trainauskienė**  
(born 1970)

Independent member



**Andrius Prancėvičius**  
(born 1976)

Independent member  
(since 22/12/2017)



**Aušra Vičkačkienė**  
(born 1974)

Member



**Daiva Kamarauskienė**  
(born 1963)

Member  
(since 1/2/2019)

	Darius Daubaras	Daiva Lubinskaitė-Trainauskienė	Andrius Prancėvičius	Aušra Vičkačkienė	Daiva Kamarauskienė
<b>Education</b>	University of Cambridge, Master's degree in International Relations; University of Pennsylvania, USA, Business Administration Master's Degree in the field of finance and business management; University of Denver, USA, Bachelor's Degree in Business Administration with a major in finance and management	ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Vilnius University, Diploma of a Specialist in Philology	Kaunas University of Technology, Bachelor's degree in Business Administration and Master's degree in Marketing Management; Harvard Business School, Leadership Development	Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration	Vilnius University Faculty of Economics fakultetas, master's degree
<b>Place of employment, position</b>	SAUDI ARAMCO Senior Adviser; Member of the Supervisory Board of "Smart Energy Fund powered by Lietuvos Energija" (till 01/7/2019)	Thermo Fisher Scientific Baltics, UAB, Director of Personnel; Association of Personnel Management Professionals (PVOA), Board Member; ISM Masters Club, Member	Linas Agro Group, AB, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Chief Executive Officer and Chairman of the Board Linas Agro, AB, (Lithuania,) Member of the Board; Lielzeltini, SIA, (Latvia), Chairman of the Board. Broileks, SIA, (Latvia), Chairman of the Board. Cerova, SIA, (Latvia), Chairman of the Board.	Assets Management Department of the Ministry of Finance, Director Turto bankas, Būsto paskolų draudimas, UAB, Board Member	Budget Department of the Ministry of Finance, Director



**Changes in the composition of the Company's Supervisory Board during the reporting period:** On the 1st of February, 2019, the Ministry of Finance of the Republic of Lithuania submitted to the Company a shareholder's decision to appoint Daiva Kamarauskienė the member of the Supervisory Board of the Company.

**The main functions and responsibilities of the Supervisory Board are as follows:** election and removal of the Board Members, supervision of activities of the Board and the CEO, provision of comments to the General Meeting of Shareholders on the Company's strategy, a set of financial statements, appropriation of profit or loss, and annual report. The Supervisory Board also addresses other matters within its competence.

The Supervisory Board is functioning at the Group level, i.e., where appropriate, it addresses the issues related not only to the activities of the Company, but also to the activities of its subsidiaries or the activities of their management and supervisory bodies.

### Information about the Committees

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

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

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

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

On the day when this report was announced, the committees of Risk management and business ethics supervision, Audit and Nomination and remuneration were operating in Lietuvos Energija.

### Members of the Risk Management and Business Ethics Supervision Committee (during the reporting period):

Committee member	Number of shares held at the Company and the Group	Name of employer, job position
<b>Andrius Pranckevičius</b> Chairperson Independent member	-	AB „Linus Agro Group“ Deputy General Manager and Member of the Board; PF „Kekava“ CEO and Member of the Board Lielzeltini, SIA, (Latvia), Chairman of the Board; Broileks, SIA, (Latvia), Chairman of the Board; Cerova, SIA, (Latvia), Chairman of the Board.
<b>Darius Daubaras</b> Independent member	-	„Saudi Aramco“ Senior Adviser
<b>Šarūnas Rameikis</b> Independent member	-	R. Mištauto ir T. Milickio Law Firm „Konsus“, Lawyer

The term of office of the incumbent Risk Management and Business Ethics Supervision Committee will last until 19 April 2022.

#### Main functions of the committee:

- To monitor the way the risks relevant for the achievement of the targets set for Lietuvos Energija and its group entities are identified, assessed and managed;



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

### Members of the Audit Committee (during the reporting period):

Committee member	Number of shares held at the Company and the Group	Name of employer, job position
<b>Irena Petruškevičienė</b> Chairperson Independent member	-	ISM University of Management and Economics, Head of Master's Study module "Finance Strategy and Management" The Authority of Audit, Accounting, Property Valuation and Insolvency Management, Member of Audit Supervision Committee European Stability Mechanism (ESM), Member of Auditors Board

<b>Danielius Merkinas</b> Independent member	-	NNT Termo, UAB, CEO, Chairman of the Board NNT LT, UAB, CEO, Chairman of the Board Nordnet, UAB, Head of Commerce, Chairman of the Board Mercado prekyba, UAB, CEO Litcarga, UAB, Chairman of the Board Lietuvos paštas AB, Member of the Board
<b>Aušra Vičkačkienė</b> Member	-	Lithuanian Ministry of Finance, Asset Management Department, Director Būsto paskolų draudimas, UAB, Member of the Board
<b>Ingrida Muckutė</b> Member	-	The Ministry of Finance of the Republic of Lithuania, Head of Accountability, Audit, Property Valuation and Insolvency
<b>Šarūnas Radavičius</b> Independent member	-	Rodl & Partner, UAB, CEO

The term of office of the incumbent Audit Committee will last until 12 October 2021.

### Main functions of the committee:

- To supervise the preparation process of financial statements of Lietuvos Energija and the group of companies of Lietuvos Energija and to pay special attention to assessment of suitability and consistency of applied accounting methods;
- To supervise effectiveness of internal control and risk management systems of Lietuvos Energija and the group of companies of Lietuvos Energija that affect financial accountability of the audited company;
- To supervise independence and objectivity of auditors and audit companies, and to submit recommendations regarding selected audit company;
- To supervise audit processes of Lietuvos Energija and the group of companies of Lietuvos Energija, to check audit's effectiveness and reaction of the administration to the recommendations submitted in the letter of the audit company to the management;
- To supervise effectiveness of internal audit function of Lietuvos Energija and the group of companies of Lietuvos Energija, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of a manager of the Company's Internal Audit Service, to coordinate and evaluate periodically the work of the Company's Internal Audit Service, to discuss the inspection results, removal of defects and implementation of internal audit plans;



- To approve regulations of the Company's Internal Audit Service and plan of internal audit;
- To supervise whether the activities of Lietuvos Energija and the group of companies of Lietuvos Energija are in compliance with the laws of the Republic of Lithuania, other legal acts, Articles of Association and business strategy;
- To submit opinion to the Company's enterprises, whose shares may be sold in the regulated market, regarding transactions with the associated party, as provided in paragraph 5 of article 372 of the Law on Companies of the Republic of Lithuania;
- To access and analyse other issues assigned to the Committee by the Supervisory Board;
- To perform other functions related to the committee's functions and provided in the legal acts of the Republic of Lithuania and the Corporate Governance Code for the Companies listed on Nasdaq Vilnius.

### Members of the Nomination and Remuneration Committee (during the reporting period):

Committee member	Number of shares held at the Company and the Group	Name of employer, job position
<b>Daiva Lubinskaitė-Trainauskienė</b> Chairperson Independent Member	-	UAB „Thermo Fisher Scientific Baltics“ Director of Human Resources Personnel Management Professionals Association, Member of the Management Board
<b>Aušra Vičkačkienė</b> Member	-	Lithuanian Ministry of Finance, State Asset Management Department, Director Būsto paskolų draudimas, UAB, Member of the Board
<b>Lėda Turai-Petrauskienė</b> Independent member	-	L-CON Global UAB, leadership training partner, shareholder
<b>Daiva Kamarauskienė</b> Member	-	Budget Department of the Ministry of Finance, Director

The term of office of the incumbent Nomination and Remuneration Committee will last until 21 September 2021.

### Main functions of the committee:

- To make assessments and provide suggestions in relation to the long-term remuneration policy of Lietuvos Energija and its group entities (fixed pay, performance-based pay, pension insurance, other guarantees and remuneration forms, compensations, severance pay, other items of the remuneration package), and the principles of compensation for expenses related to the person's activities;
- To make assessments and provide suggestions in relation to the bonus (tantieme) policy of Lietuvos Energija and its group entities;
- To monitor compliance of the remuneration and bonus (tantieme) policies of Lietuvos Energija and its group entities with international practice and good governance practice guidelines, and provide suggestions for their improvement;
- To provide suggestions in relation to bonuses (tantiemes) upon appropriation of profit (loss) for the financial year of Lietuvos Energija and its group entities;
- To assess the terms and conditions of inter-company agreements between Lietuvos Energija and its group entities and the members of the management bodies of Lietuvos Energija and its group entities;
- To assess the procedures for recruitment and hiring of candidates to the positions of management bodies and top management of Lietuvos Energija and its group entities, and establishment of qualification requirements for them;
- To assess on a continuous basis the structure, size, composition and activities of management and supervisory bodies of Lietuvos Energija and its group entities;
- To oversee and assess the implementation of measures ensuring business continuity of management and supervisory bodies of Lietuvos Energija and its group entities;
- To perform other functions falling within the scope of competence of the Committee as decided by the Supervisory Board of Lietuvos Energija.



# Management bodies

## Board

The Board is a collegial management body provided for in the Articles of Association of the Company. Board members are elected by the proposal of the Committee of the Appointment and Remuneration for the term of office of four years and removed from office by the Supervisory Board. The Board consists of 5 members and elects the Chairman, the CEO of the Company, from among its members. Board members have to ensure the appropriate performance of Company activities/mentoring of the respective areas at Group level in the field of its competences. No Board Members have any interest in the capital of the Company or Group Enterprises. Remuneration for the activities in the Board is paid in accordance with the guidelines established by the shareholder of the Company. The term of office of the Board operating at the time of report publication: from 1/2/2018 to 31/1/2022. No members of the Board have any participation in the capital of the company or group enterprises. **At the date of publication of the report, the Board of Lietuvos Energija consisted of the following members:**



**Darius Maikštėnas**  
(born. 1970)

Chairman of the Board, CEO



**Vidmantas Salietis**  
(born 1987)

Member of the Board, Commerce and Services Director



**Darius Kašauskas**  
(born 1972)

Member of the Board, Finance and Treasury Director



**Domykas Tučkus**  
(born 1982)

Member of the Board, Infrastructure and Development director



**Živilė Skibarkienė**  
(born 1976)

Member of the Board, Organisational Development Director

### Education

Harvard Business School, General Management Program;  
Baltic Management Institute, Executive MBA degree;  
Kaunas University of Technology, Bachelor's degree in Business Administration

Stockholm School of Economics in Riga (SSE Riga),  
Bachelor's degree in Economics and Business

ISM University of Management and Economics, Doctoral studies of Social Sciences in the field of Economics;  
ISM University of management and Economics, BI Norwegian Business School, Master's degree in Management;  
Vilnius University, Master's degree in Economics

L. Bocconi University (Italy), Master's degree in Finance;  
L. Bocconi University (Italy), Bachelor's degree in Business Management and Administration

Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; Vilnius University, Faculty of Law, Master's degree in Law

### Place of employment, position

AB Energijos skirstymo operatorius, Member of the Supervisory Board;  
„WIDER COMMUNICATIONS INCORPORATED“, DELAWARE CORPORATION, USA shareholder, Member of the Board (till 21/05/2019);  
„WIDER COMMUNICATIONS LIMITED“, PRIVATE LIMITED COMPANY, UK, Member of the Board (till 21/05/2019).

Geton Energy SIA, Member of the Board; Geton Energy OÜ, Chairman of the Board; Energijos tiekimas UAB, Chairman of the Board (till 01/06/2019); Lietuvos Energijos Tiekimas, UAB, Chairman of the Board (till 01/06/2019); Lietuvos Energijos Tiekimas, UAB, Member of the Supervisory Board (since 01/06/2019); Elektroninių mokėjimų agentūra, UAB, member of the Board; NT Valdos, UAB, chairman of the board; „Gamybos optimizavimas“ UAB, member of the Board.

Duomenų logistikos centras UAB, Chairman of the Board;  
Lithuanian Energy Support Foundation, Member of the Board;  
288th DNSB Vingis, Member of the Revision Commission;  
Energetikos paslaugų ir rangos organizacija UAB, Chairman of the Board;  
AB Energijos skirstymo operatorius, Member of the Supervisory Board.

Lietuvos Energijos Gamyba AB, Chairman of the Supervisory Board;  
Lietuvos Energijos Tiekimas UAB, Member of the Board (till 01/06/2019); Lietuvos Energijos Tiekimas UAB, Member of the Supervisory Board (since 01/06/2019); Eurakras UAB, Member of the Board; Tuulueenergia OU, Chairman of the Board (till 28/1/2019); Vilnius Cogeneration Power Plant, UAB, Chairman of the Board;  
Lietuvos Energija Renewables, UAB, Member of the Board (since 3/1/2019); KUB Smart Energy Fund powered by Lietuvos Energija, Member of the Advisory Committee.

Verslo aptarnavimo centras, UAB, Chairman of the Board (till 17/06/2019), Member of the Board (since 18/06/2019); Technologijų ir inovacijų centras, UAB, Member of the Board (since 28/06/2019); Lietuvos Energijos Gamyba AB, Member of the Supervisory Board; Elektroninių Mokėjimų Agentūra UAB, Member of the Board.

**There were no changes in the composition of the Company's Board during the reporting period.**



## Information about the payments to the members of supervisory and management bodies of the Company (during the reporting period)

Position, name, surname	Fixed monthly remuneration (average, before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)	Calculated amounts for the activities (January-June 2019) of the Supervisory Board* (before taxes, EUR)	Average remuneration for the activities of the member of the Board (before taxes, EUR)	Other payments (before taxes, EUR)
<b>Members of the supervisory bodies*</b>					
<b>Darius Daubaras</b> , chairman of the Supervisory Board, member of the Risk management and business ethics supervision committee (independent member)			7,700		-
<b>Andrius Pranckevičius</b> , member of the Supervisory Board, chairman of the Risk management and business ethics supervision committee (independent member)			-		-
<b>Daiva Liubinskaitė-Trainauskienė</b> , member of the Supervisory Board, chairwoman of the Nomination and remuneration committee (independent member)			-		-
<b>Šarūnas Rameikis</b> , member of the Risk management and business ethics supervision committee (independent member)			-		-
<b>Irena Petruškevičienė</b> , chairwoman of the Audit committee (independent member)			6,113		-
<b>Danielius Merkinas</b> , member of the Audit committee (independent member)			5,528		-
<b>Šarūnas Radavičius</b> , member of the Audit committee (independent member)			3,983		-
<b>Lėda Turai-Petrauskienė</b> , member of the Nomination and remuneration committee (independent member)			-		-
<b>Members of the management bodies</b>					
<b>Darius Maikštėnas</b> , CEO	7,258	-			
<b>Darius Maikštėnas</b> , chairman of the Board				2,550	-
<b>Živilė Skibarkienė</b> , member of the Board				1,815	-
<b>Darius Kašauskas</b> , member of the Board				1,815	-
<b>Dominykas Tučkus</b> , member of the Board				1,815	-
<b>Vidmantas Salietis</b> , member of the Board				1,815	-

\* Members of the supervisory bodies can only be paid if they are independent members of the Supervisory Board and/or independent members of the committees of the Supervisory Board. Data on actual payments made in accordance with acts submitted by independent members during the reporting period is provided.



## Organisational culture and employees

Our work at Lietuvos Energija Group is based on our core values: responsibility, cooperation, and result orientation. We strive to continually maintain a value-based organizational culture which encourages the employees to continuously improve themselves, to help the colleagues and the whole organisation to improve. In response to the shareholder's expectation, we carry out sustainable, socially responsible development by creating a modern, globally competitive company. Through the implementation of strategy LE 2030 of Lietuvos Energija Group of Companies, whose core vision is to become a globally competitive energy company which creates value for Lithuania, we strive to attract and retain competent, fast-learning, technologically advanced, globally-minded and innovative staff. We build a long-term partnership with our employees and a shared successful future with the employees by ensuring a mutual benefit.

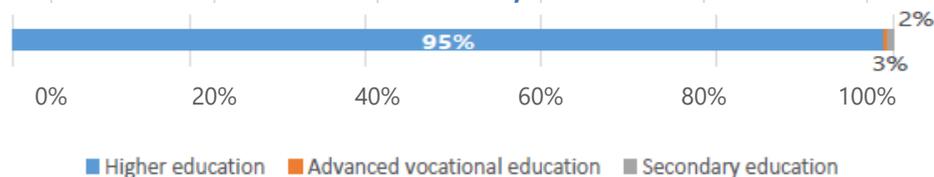
On 30 June 2019, 3 705 employees worked in the Group (see table on right). The average length of service of the employees in the Group is 13 years.

The majority of the employees of the Group were men - 70%, the rest 30% were women. Distribution by gender of the employees who hold executive positions is very similar: 70% of executives were men, and 30% were women.

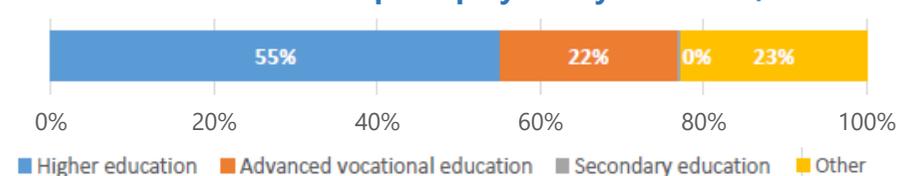
Company	Total number of employees
AB „Energijos skirstymo operatorius“	2,355
UAB Verslo aptarnavimo centras	438
„Lietuvos energijos gamyba“, AB	351
UAB Technologijų ir inovacijų centras	170
UAB „Lietuvos energijos tiekimas“	102
„Lietuvos energija“, UAB	96
Transporto valdymas, UAB	52
UAB Vilniaus kogeneracinė jėgainė	37
UAB Kauno kogeneracinė jėgainė	31
UAB Energetikos paslaugų ir rangos organizacija	22
NT Valdos, UAB	16
UAB Duomenų logistikos centras	15
UAB „Gamybos optimizavimas“	7
UAB „Lietuvos energijos renewables“	6
UAB „Elektroninių mokėjimų agentūra“	4
UAB Eurakras	1
UAB „VĖJO GŪSIS“	1
UAB „VĖJO VATAS“	1
<b>Iš viso</b>	<b>3,705</b>



### Structure of the Company's employees' by education, %



### Structure of Groups employees' by education, %



### Average monthly salary of the Company's employees in I half 2019 (before taxes):

Category	Average salary, EUR
Head of the company	8,516
Top level executives	7,051
Middle level managers	5,145
Experts, specialists	3,350
Average salary	4,127

The Company's total wage fund for I half 2019 was EUR 2.7 million.

### Average monthly salary of the Group's employees in I half 2019 (before taxes):

Category	Average salary, EUR
Head of the company	6,967
Top level executives	6,420
Middle level managers	3,272
Experts, specialists, workers	1,855
Workers	1,386
Average	1,959

The Group's total wage fund for I half 2019 was EUR 41.9 million.

## Development of the Organisation

To achieve the goals set in the LE 2030 strategy, the Group invests in the development of the competencies of its people, as well as in attracting talents not only in Lithuania but also in the surrounding countries. The strategic directions of development of the Group's organisation include a systematic approach to reorientation of existing competences to new areas of activity, gaining new competencies, flexible teamwork, employee experience, and operational efficiency.

### Staff development

Promoting employee development through innovative self-learning pathways that make up the learning eco-system represents the goal of staff development.

The group applies the 70/20/10 educational model where 70% comprise development in the workplace, 20% - learning from others, and 10% - formal learning. We strive for the education process to be based on business needs, strategic competence development, independence oriented, attractive, fast, not too demanding, and innovative. The employees choose educational activities that are best suited to their position, job type, level of competence, knowledge and skills.

### Practical training possibilities

The Companies of the Group create conditions for high school and vocational students to adapt theoretical knowledge and acquire practical skills. During the first half of 2019, 16 trainees completed the traineeship in the Group, 1 of them became the employee of the Group.

### Opinion of every employee matters

In 2019, the Group asks for the employee opinion about their experience in the organisation, organisational culture, process and working conditions using "Employee Net Promoted Score" - eNPS survey. Every quarter, the employees are invited to participate in an anonymous survey of their experience in areas such as employee selection and recruitment, adaptation, motivation, training, performance evaluation, and farewell process. Later, when the results of survey are available, they are analysed by the employees who are responsible for the People and Culture area, and by the Heads of the units of the Companies of the Group, who provide steps to improve specific operational processes.

The improving result of eNPS survey, showing the improving employee experience in the organisation, represents the goal of the Group.



## Supervisory and management bodies of the listed companies of the Group

As at 30 June 2019, the Supervisory Board of Energijos Skirstymo Operatorius consisted of the following members (term of office till 29 March 2022):

Full name	Participation in the capital of the Company and Group companies, %	Term of office	Place of employment
<b>Darius Maikštėnas</b> Chairman	-	2018-03-30 – 2022-03-29	Lietuvos Energija, UAB, CEO
<b>Darius Kašauskas</b> Member	-	2018-03-30 – 2022-03-29	Lietuvos Energija, UAB, Finance and Treasury Director
<b>Kęstutis Betingis</b> Independent member	-	2018-05-28 – 2022-03-29	Betingio ir Ragaišio Lawyer Firm, lawyer

During the reporting period, there were no changes in the composition of the Supervisory Board of Energijos Skirstymo Operatorius AB. On the 6th of August, 2019, AB Energijos Skirstymo Operatorius received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, UAB, Dalia Jakutavice and Zaneta Kovaliova have been nominated for the positions of the member of Supervisory Board of ESO.

As at 30 June 2019, the Board of Energijos Skirstymo Operatorius consisted of the following members (term of office till 26 December 2022):

Full name	Participation in the capital of the Company and Group companies, %	Term of office	Place of employment
<b>Mindaugas Keizeris</b> Chairman	-	2018-12-27 – 2022-12-26	Energijos Skirstymo Operatorius AB, CEO
<b>Augustas Dragūnas</b> Member	-	2018-12-27 – 2022-12-26	Energijos Skirstymo Operatorius AB, Director of Finance and Administration
<b>Virgilijus Žukauskas</b> Member	-	2018-12-27 – 2022-12-26	Energijos Skirstymo Operatorius AB, Director of Network Operations
<b>Ovidijus Martinonis</b> Member	-	2018-12-27 – 2022-12-26	Energijos Skirstymo Operatorius AB, Director of Network Development
<b>Renaldas Radvila</b> Member	-	2018-12-27 – 2022-12-26	Energijos Skirstymo Operatorius AB, Director of the Services

During the reporting period, there were no changes in the composition of the Board of Energijos Skirstymo Operatorius AB.

As at 30 June 2019, the Supervisory Board of Lietuvos Energijos Gamyba AB consisted of the following members (term of office till 25 March 2022):

Full name	Participation in the capital of the Company and Group companies, %	Term of office	Place of employment
<b>Dominykas Tučkus</b> Chairman	-	2018-03-26 – 2022-03-25	Lietuvos Energija, UAB, Infrastructure and Development Director
<b>Živilė Skibarkienė</b> Member	-	2018-03-26 – 2022-03-25	Lietuvos Energija, UAB, Organisational Development Director

On 12 March, 2019, LEG received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, UAB, Rimgaudas Kalvaitis has been nominated for the position of the CEO and member of the Board of the company. Accordingly, on the same day R. Kalvaitis submitted his request to resign from his current position as a member of the Supervisory Board of the company. He is out of these duties from 27 March, 2019. During the reporting period, no new member of the Supervisory Board of LEG was elected. After the reporting period, on 26 July 2019 Mr. Edvardas Jatautas has been elected as an independent member of the Supervisory board of Lietuvos Energijos Gamyba, AB until the end of the term of office.



**As at 30 June 2019, the Board of Lietuvos Energijos Gamyba AB consisted of the following members (term of office till 2 April 2022):**

<b>Full name</b>	<b>Participation in the capital of the Company and Group companies,%</b>	<b>Term of office</b>	<b>Place of employment</b>
<b>Rimgaudas Kalvaitis</b> Chairman	-	2019-03-27 – 2019-01-21	Lietuvos Energijos Gamyba, AB, CEO
<b>Darius Kucinas</b> Member	-	2018-04-03 – 2022-04-02	Lietuvos Energijos Gamyba, AB Director of Production
<b>Mindaugas Kvekšas</b> Member	-	2018-04-03 – 2022-04-02	Lietuvos Energijos Gamyba, AB, Director of Finance and Administration

LEG's Board and the Supervisory Board received the notice of Eglė Čiužaitė regarding her resignation from the office of Managing Director and thus on 07 January 2019 decided to remove E. Čiužaitė from the office of the company's Managing Director from 21 January 2019. E. Čiužaitė also resigned from the office of the company's Board member and chairwoman of the Board from 21 January 2019. The Production Director Darius Kucinas has been acting as a temporary Managing Director of LEG from 22 January 2019. On 27 March, 2019 the Board of the company has elected Rimgaudas Kalvaitis as the Chairman of the Management Board and Chief Executive Officer of LEG.



## Risk factors and their management

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

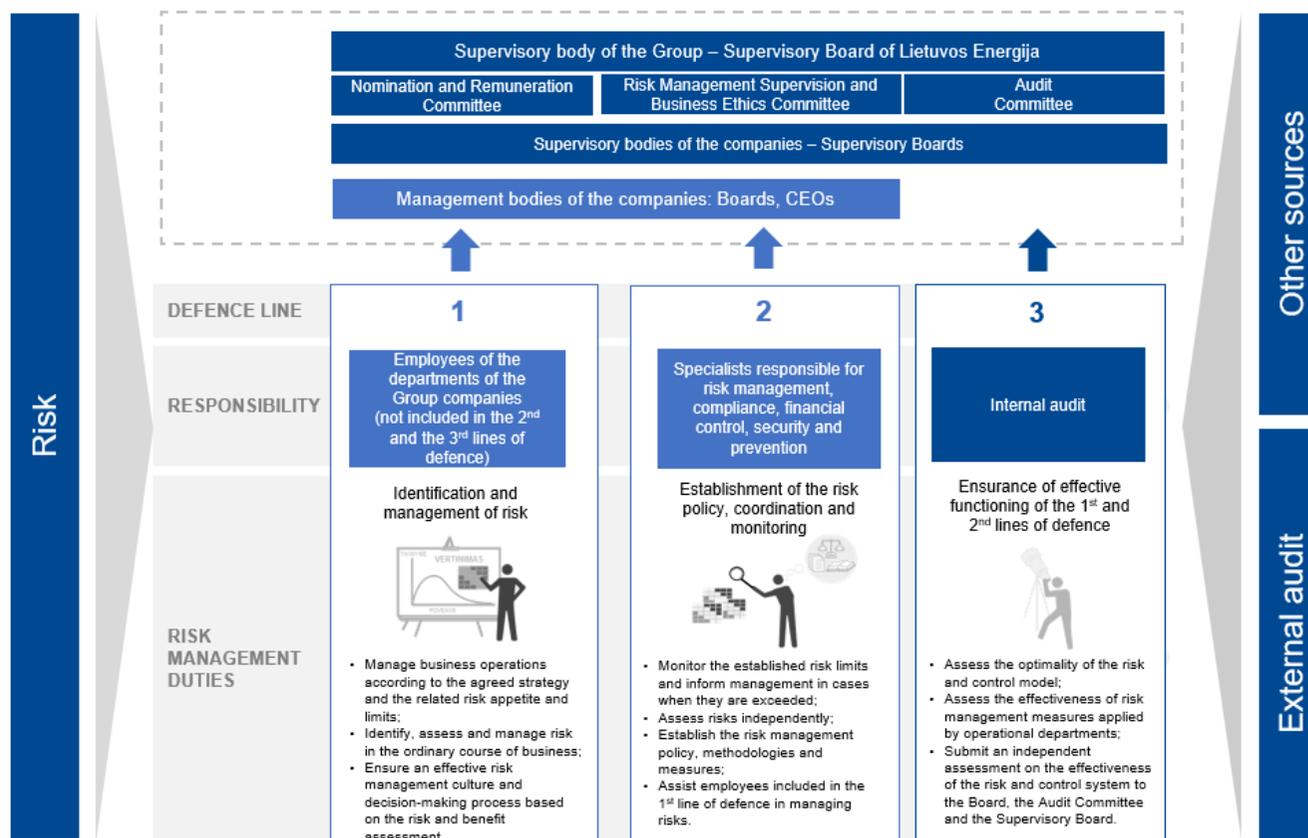
The main objectives of the risk management process at the Company are as follows:

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

The risk management principles established by Lietuvos Energija are consistently applied across the entire Lietuvos Energija group. The uniform risk management principles ensure that the management personnel of the Lietuvos Energija group receive risk management information covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement information on their activities with detailed risk assessment, monitoring, and management principles.

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

Risk appetite and risk tolerance limits are established within the Lietuvos Energija group. Risk appetite means the level and type of risk that the Lietuvos Energija group is ready to accept aiming to implement strategic objectives. Risk appetite is determined by assessing financial impact of risk as well as impact on health and safety of persons. Tolerance limit means the level of risk the excess of which is not acceptable for the Group of companies and which is expressed in the results of operations or values of incidents. The risk appetite and risk tolerance limits of the Lietuvos Energija group are established by the Board of Lietuvos Energija and reviewed once a year. Where risk appetite and risk tolerance limits are exceeded by the Company, action plans are prepared in order to meet the mentioned thresholds. The effectiveness of the management plans is assessed by the Company's Board, the Company's Supervisory Board and the Lietuvos Energija group's Risk Management and Business Ethics Supervision Committee under the Supervisory Board.



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

Risk factor	Description	Main risk management policies	Risk level
<b>Health and safety of employees, residents and contractors</b>	<p>With regard to the principal business activity companies due to a specific character of the activity and nature of works the Group bears an inherent risk of health and safety of employees and residents. This risk remains a priority area for many years and the main causes of this risk, in addition to high-risk working environment, include the lack of awareness or experience/knowledge and rushing when carrying out works.</p> <p>There were no fatal internal accidents or during the performance of works by contractors in 2019.</p>	<ul style="list-style-type: none"> <li>• Motivational and disciplinary system for employees and contractors.</li> <li>• External and internal educational activity.</li> <li>• Modern training bases.</li> <li>• Regular control and monitoring of (employees'/contractors') occupational safety.</li> </ul>	Medium
<b>Disruptions in electricity distribution and generation activities (risk of a cyber attack)</b>	<p>By observing external factors, geopolitical situation the Group understands its strategic importance for the country's security and by cooperating with external establishments and by introducing internal measures it aims to ensure that both the Company's strategic information and the main management systems are protected from the impact of any external/internal crime.</p> <p>In 2019, the relevance of information security increased as a result of the planned tests of energy system working in island mode in Kaliningrad and Baltic states and some external factors.</p>	<ul style="list-style-type: none"> <li>• Improvement of resistance through scanning and isolation of technological networks, tests/trainings.</li> <li>• Enhancement of detection/suspension.</li> <li>• Cooperation with external institutions.</li> </ul>	High
<b>Risk of rise in borrowing costs</b>	<p>Considering the fact that the Group finances its operations by obtaining loans discipline in planning long-term investments and controlling costs becomes particularly important. Therefore the Group pays additional attention both to the control of costs and investment plans and aims to retain the existing credit rating that would allow maintaining borrowing costs at the same level. The overall deterioration of the country's economy or failure to properly manage investments could worsen the situation.</p>	<ul style="list-style-type: none"> <li>• Internal measures for the control of finances.</li> <li>• Monitoring of the situation in the market.</li> </ul>	High
<b>Lack of financing for the strategy implementation</b>	<p>A possible delay of strategic programmes that are expected to generate income would suspend a further implementation of the strategy.</p>	<ul style="list-style-type: none"> <li>• Monitoring of the projects portfolio at the level of the Board of Lietuvos Energija.</li> </ul>	High
<b>Regulation</b>	<p>Regulatory risk manifests through a complicated planning of cash flows and risk of damage to reputation. The National Commission for Energy Control and Prices remains the main regulatory authority making the largest impact on the prices of services provided by the companies and their revenue by establishing ceilings for them.</p> <p>The most relevant regulation issue for Lietuvos Energijos Gamyba in 2019 – opened procedure to assess whether the application of the strategic reserve measure and, consequently, the allocation of funds of the public service obligations to the company, complied with EU State aid rules.</p>	<ul style="list-style-type: none"> <li>• Efforts are made to fulfil the requirements of the regulatory authority in as specific manner as possible and to unify the principles of cooperation with the regulatory authority at the Group level.</li> <li>• For the purpose of ensuring compliance with new requirements, the Group-level projects engaging the best specialists of the Group with regard to the issue concerned are organised.</li> <li>• The compliance function is strengthened and formed at the Group.</li> </ul>	Very high

## Main information about the Company and the controlled companies

The interim report of Lietuvos Energija and its subsidiaries is prepared in compliance with Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 On the Approval of the Guidelines for Ensuring the Transparency of Activities of the State-owned Enterprises and Appointment of the Coordinating Authority (27 March 2019 version, No 284) version and published on the Company's website at [www.le.lt](http://www.le.lt).

<b>Company name</b>	Lietuvos Energija, UAB
<b>Company code</b>	301844044
<b>Authorised share capital</b>	EUR 1,212,156 thousand
<b>Paid-up share capital</b>	EUR 1,212,156 thousand
<b>Address</b>	Žvejų g. 14, LT-09310, Vilnius, Lithuania
<b>Telephone</b>	(+370 5) 278 2998
<b>Fax</b>	(+370 5) 278 2115
<b>Email</b>	biuras@le.lt
<b>Website</b>	<a href="http://www.le.lt">www.le.lt</a>
<b>Legal form</b>	Private limited liability company
<b>Date and place of registration</b>	28 August 2008, Register of Legal Entities
<b>Register accumulating and storing data about the Company</b>	Register of Legal Entities, State Enterprise the Centre of Registers

<b>The Company's shareholders</b>	<b>Share capital (EUR '000)</b>	<b>%</b>
The Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212,156	100

On 13 February 2013, the Company's shares were transferred to the Ministry of Finance by the right of trust. With effect from 30 August 2013, the Company's name Visagino Atominė Elektrinė UAB was changed to Lietuvos Energija UAB.

As of 30 June 2019, the authorised share capital was divided into ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

The control of the implementation of the budgets of the Group companies and the consolidated budget of the entire Group is performed on a monthly basis. If needed the actual results of the components of the budget are presented to responsible persons each day. Each month employees responsible for the budgetary implementation prepare explanations and submit substantiations and reasons for deviations of actual results under the separate line items of the budget to the Finance and Treasury Management Service. Every month the Finance and Treasury Service prepares the presentation on the companies' performance which includes the analysis of the budgetary implementation by the companies and the Group, and presents it at regularly held meetings of the companies' management. The Finance and Treasury Service is also responsible for drawing up consolidated annual and interim financial statements. The assessment of the performance report includes the assessment of occurred deviations from the budgets and their causes. Employees responsible for the budgetary implementation can make proposals on budgetary changes in case of significant deviations from income/expenses plans and (or) the components of the budget.

### Information on the opinion of the auditor that carried out an independent audit:

<b>Year</b>	<b>Auditor</b>	<b>Opinion</b>
2018	PricewaterhouseCoopers UAB	Unqualified
2017	PricewaterhouseCoopers UAB	Unqualified
2016	PricewaterhouseCoopers UAB	Unqualified



## Information on controlled companies

Companies directly or indirectly controlled by Lietuvos Energija UAB are as follows (at the day of reporting):

Company	Registered office address	Effective ownership interest (%)	Share capital (EUR'000)	The main activities
„Lietuvos energijos gamyba“, AB	Elektrinės g. 21, Elektrėnai, Lithuania	96.82	187,921	Production and supply of electricity and trading
„Energijos skirstymo operatorius“ NT Valdosa, UAB	Aguonų g. 24, Vilnius, Lithuania	94.98	259,443	Supply and distribution of electricity to the consumers; distribution of natural gas
UAB Duomenų logistikos centras	Geologų g. 16, Vilnius, Lithuania	100	37,295	Disposal of real estate, other related activities and provision of services
UAB Energetikos paslaugų ir rangos organizacija	A. Juozapavičiaus g. 13, Vilnius, Lithuania	79.64	4,033	Information technology and telecommunication services
UAB Elektroninių mokėjimų agentūra	Motorų g. 2, Vilnius, Lithuania	100	1,100	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures
Geton Energy OÜ	Žvejų g. 14, Vilnius, Lithuania	100	1,370	Provision of collection services
Geton Energy SIA	Narva mnt 5, 10117 Talin, Estonia	100	35	Supply of electricity
Geton Energy sp. Z.o.o.	Darziema g. 60, LV-1048, Ryga, Latvia	100	500	Supply of electricity
UAB Technologijų ir inovacijų centras	Puławska 2-B, PL-02-566, Warsaw, Poland	100	10 mln. zloty	Supply of electricity
UAB Verslo aptarnavimo centras	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100	6,440	Provision of information technology and telecommunications and other services
UAB „Lietuvos energijos tiekimas“ Lietuvos energijos paramos fondas	P. Lukšio g. 5 b, Vilnius, Lithuania	100	580	Public procurement organization and execution, accounting and personnel administration services
UAB Vilniaus kogeneracinė jėgainė	Žvejų g. 14, Vilnius, Lithuania	100	28,862	Supply of electricity and gas and trade
UAB Kauno kogeneracinė jėgainė	Žvejų g. 14, Vilnius, Lithuania	100	3	Provision of support to projects, initiatives and activities, relevant to the society
Tuuleenergia OU	Žvejų g. 14, Vilnius, Lithuania	100	21,003	Modernization of the provision of centralized supply of heat
UAB „EURAKRAS“	Žvejų g. 14, Vilnius, Lithuania	51	24,000	Modernization of the provision of centralized supply in Kaunas city
UAB „VĖJO GŪSIS“	Keskus, Parnu, Estonia	100	499	Production of renewable electricity
UAB „VĖJO VATAS“	Žvejų g. 14, Vilnius, Lithuania	100	4,621	Production of renewable electricity
UAB „VVP Investment“	Žvejų g. 14, Vilnius, Lithuania	100	7,443	Production of renewable electricity
UAB Lietuvos energija renewables	Žvejų g. 14, Vilnius, Lithuania	100	2,896	Production of renewable electricity
Pomerania Wind Farm sp. z o. o.	Žvejų g. 14, Vilnius, Lithuania	100	250	Development of a renewable energy (wind) power plant project
UAB „Transporto valdymas“	P. Lukšio g. 5B, Vilnius, Lithuania	100	3	Analysis and coordination of the activities of legal entities belonging to the Company
UAB „Gamybos optimizavimas“	Al. Grunwaldzka 82/368, 80-244 Gdańsk	100	5 mln. zloty	Development of a renewable energy (wind) power plant project
	Smolensko g. 5, Vilnius, Lithuania	100	2,359	Vehicle rental, leasing, repair, maintenance, renewal and service
	Žvejų g. 14, Vilnius, Lithuania	100	350	Planning, optimization, forecasting, trading, brokering of electricity and other energy production regimes



## Information on securities of the Group companies

The shares of Energijos Skirstymo Operatorius AB and Lietuvos Energijos Gamyba have been listed on the Official Listing of NASDAQ Vilnius Stock Exchange. The trading in shares of the companies was started on 11 January 2016 and 1 September 2011, respectively. The shares of the companies are traded only at NASDAQ Vilnius Stock Exchange.

**Lietuvos Energijos Gamyba AB** as at 30 June 2019, had issued 648,002,629 ordinary registered shares with the nominal value of EUR 0.29. Shares of Lietuvos Energijos Gamyba have been listed on the main list of NASDAQ OMX Vilnius stock exchange. ISIN code of the issue is LT0000128571.

Lietuvos Energijos Gamyba has concluded the securities accounting agreement on the accounting of securities issued and management of personal securities accounts with SEB Bankas AB..

**Energijos Skirstymo Operatorius AB** as at 30 June 2019, had issued 894,630,333 ordinary registered shares with the nominal value of EUR 0.29. Shares of Energijos Skirstymo Operatorius AB have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange. ISIN code of the issue is LT0000130023.

AB Energijos Skirstymo Operatorius has concluded the agreement on the accounting of securities issued by the company and management of personal securities accounts with SEB Bankas AB.

### Structure of the authorised share capital and shareholders owning more than 5 per cent of the issuer's authorised share capital as at 30 June 2019:

Company	Total nominal value of shares (in EUR)	ISIN code	Securities' abbreviation	Trading list	Full name of the shareholder (name of the company)	Percentage of voting rights conferred by shares owned
<b>Lietuvos Energijos Gamyba AB</b>	187,920,762.41	LT0000128571	LNR1L	BALTIC MAIN LIST	Lietuvos Energija UAB	96.82%
<b>Energijos Skirstymo Operatorius AB</b>	259,442,796.57	LT0000130023	ESO1L	BALTIC MAIN LIST	Lietuvos Energija UAB	94.98%

**Lietuvos Energija UAB** has issued two issues of green bonds with the total nominal value of EUR 600 million listed in the Stock Exchanges of Luxemburg and NASDAQ Vilnius. The amount of Bond Programme is EUR 1.5 billion.

Company	Total nominal values of the issue, EUR	ISIN code	Buy-out date
<b>Lietuvos Energija UAB</b>	300,000,000.00	XS1646530565	14/7/2027
<b>Lietuvos Energija UAB</b>	300,000,000.00	XS1853999313	10/7/2028



## Material events of the Company during I half of 2019

<b>18.01.2019</b>	Lietuvos Energija plans to reorganise UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB
<b>31.01.2019</b>	Preliminary financial data of Lietuvos Energija for 12 months of 2018
<b>01.02.2019</b>	Regarding a New Member of Supervisory Board of Lietuvos Energija
<b>28.02.2019</b>	Interim information of Lietuvos Energija UAB for the twelve-month period of 2018:
<b>28.02.2019</b>	Preliminary financial data of Lietuvos Energija for 1 month of 2019
<b>12.03.2019</b>	Regarding the Loan Agreement with UAB Lietuvos Energijos Tiekimas
<b>25.03.2019</b>	Regarding the sale of 100 percent shares of UAB VĖJO VATAS, UAB VĖJO GŪSIS, UAB EURAKRAS, UAB VVP Investment
<b>29.03.2019</b>	Preliminary financial data of Lietuvos Energija for 2 months of 2019
<b>02.04.2019</b>	Regarding the decision of AB Energijos Skirstymo Operatorius to refuse the appeal in court
<b>08.04.2019</b>	Correction: Reporting dates of Lietuvos Energija in 2019
<b>12.04.2019</b>	Lietuvos Energija Group will hold an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019
<b>17.04.2019</b>	Regarding Lietuvos Energija Board decisions
<b>17.04.2019</b>	Lietuvos Energija Group holds an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019
<b>24.04.2019</b>	Regarding the new trademark applications
<b>02.05.2019</b>	Regarding the resolutions of the Ordinary General Meeting of the Shareholders of Lietuvos Energija, UAB
<b>02.05.2019</b>	Lietuvos Energija UAB annual information for the year 2018
<b>06.05.2019</b>	Correction: Reporting dates of Lietuvos Energija in 2019
<b>17.05.2019</b>	Results of Lietuvos Energija Group in Q1 2019: adjusted EBITDA increased of due to the consequent investments in to the network and green generation
<b>21.05.2019</b>	Regarding the approval of the terms and conditions for the reorganisation of UAB Lietuvos energijos tiekimas and Energijos tiekimas UAB
<b>28.05.2019</b>	Regarding the Acquisition of 100% of Pomerania Inwall Sp. z o. o. Shares and Shareholder Claim Rights
<b>31.05.2019</b>	Preliminary financial data of Lietuvos Energija for 4 months of 2019
<b>31.05.2019</b>	Lietuvos Energija retained BBB+ credit rating
<b>31.05.2019</b>	Correction: Lietuvos Energija UAB annual information for the year 2018

## Material events after the reporting period

<b>28.06.2019</b>	Preliminary financial data of Lietuvos Energija for 5 months of 2019
<b>01.07.2019</b>	Regarding the Investor's Letter of Lietuvos Energija
<b>31.07.2019</b>	Preliminary financial data of Lietuvos Energija for 6 months of 2019
<b>05.08.2019</b>	Regarding change of the name of Lietuvos Energija, UAB
<b>29.08.2019</b>	CORRECTION: Reporting dates of Lietuvos Energija in 2019



No agreements between the Issuer and the members of the bodies or employees that provide for compensation in case of their resignation or dismissal without a sound reason or in case of termination of their employment as a result of the change in control of the Issuer have been concluded.

No significant agreements were concluded between the Issuer and which would enter into force, change or break as a result of the changed control of the Issuer, as well as their effect, except where the nature of the agreements would have caused significant disclosure to the Issuer.

During the reporting period, the Issuer did not conclude any harmful transactions (which do not correspond to the Company's objectives, current market conditions that violate the interests of shareholders or other groups of persons, etc.) and transactions concluded in the event of a conflict of interests between the issuer's managers, the controlling obligations of shareholders or other related parties to the issuer and their private interests and / or other duties.

Lietuvos Energija, UAB  
Chairman of the Board,  
CEO



**Darius Maikštėnas**