



# INTERIM REPORT I QUARTER 2019

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

1 January 2019 - 31 March 2019

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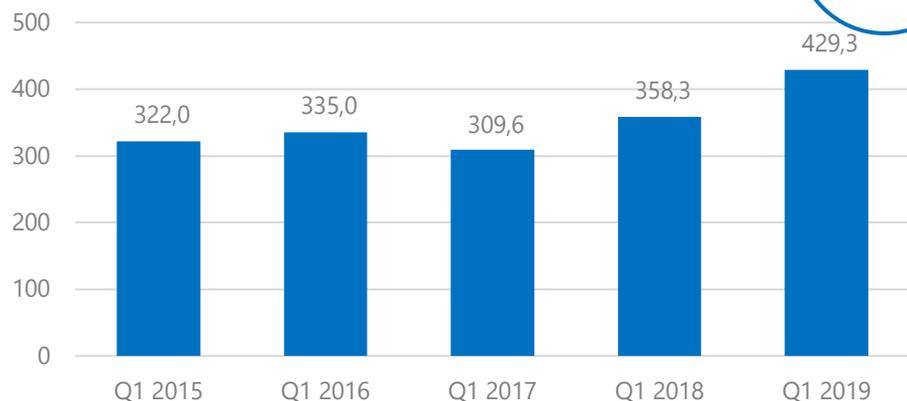
## Key Financial Indicators of the Lietuvos Energija Group

		Q1 2019	Q2 2018	Δ, million	Δ, %
Revenue	EUR million	429.3	358.3	71.0	19.8%
Cost of goods sold	EUR million	336.9	270.4	66.5	24.6%
Operating expenses	EUR million	36.3	32.1	4.2	13.2%
EBITDA	EUR million	55.7	55.4	0.4	0.7%
EBITDA margin	%	13.0%	15.4%		
Adjusted EBITDA	EUR million	79.9	72.8	7.1	9.8%
Adjusted EBITDA margin	%	18.6%	20.3%		
EBIT	EUR million	28.1	39.2	-11.1	-28.3%
FFO	EUR million	44.0	34.6	-90.3	-39.9%
Net profit	EUR million	18.8	32.1	-13.3	-41.5%
Net profit margin	%	4.4%	9.0%		
Adjusted net profit	EUR million	24.7	50.7	-26.0	-51.2%
Adjusted net profit margin	%	5.8%	14.2%		
Investments	EUR million	89.3	57.9	31.4	54.2%
		At 31 Mar 2019	At 31 Dec 2018	Δ, million	Δ, %
Total assets	EUR million	2,965.2	2,854.1	111.1	3.9%
Equity	EUR million	1,330.0	1,316.6	13.5	1.0%
Borrowings	EUR million	962.3	864.5	97.7	11.3%
Net debt	EUR million	761.2	736.0	25.1	3.4%
Return on equity (ROE)	%	-1.6%	-0.6%		
Adjusted return on equity (ROE)	%	6.8%	8.8%		
Return on assets (ROA)	%	-0.8%	-0.3%		
Equity ratio	%	44.9%	46.1%		
Net debt / EBITDA	times	5.47	4.91		
Net debt / Adjusted EBITDA	times	3.31	3.27		
Net debt / Equity	%	57.2%	55.9%		
FFO / Adjusted net debt	%	16.4%	18.6%		
Assets turnover ratio	times	0.447	0.439		
Current liquidity	times	1.072	1.156		
Working capital	EUR million	-36.9	-19.0	-17.9	-93.9%
Working capital / Revenue	%	-2.8%	-1.5%		



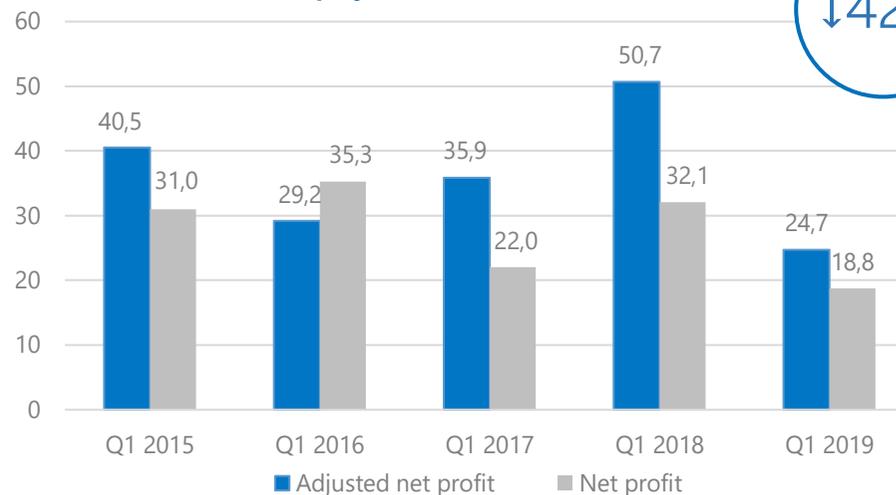
Revenue growth was mainly driven by increased volumes of electricity trading and supply services

↑120%



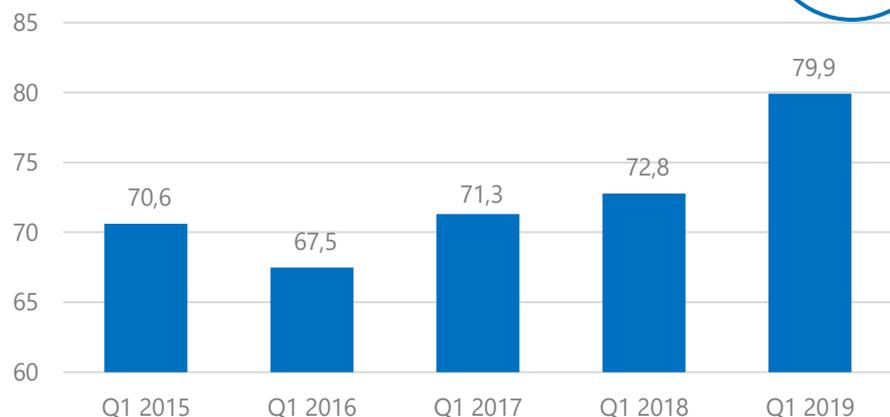
Net profit decreased by 42%. Adjusted return on equity (LTM) amounted to 6.8%

↓42%



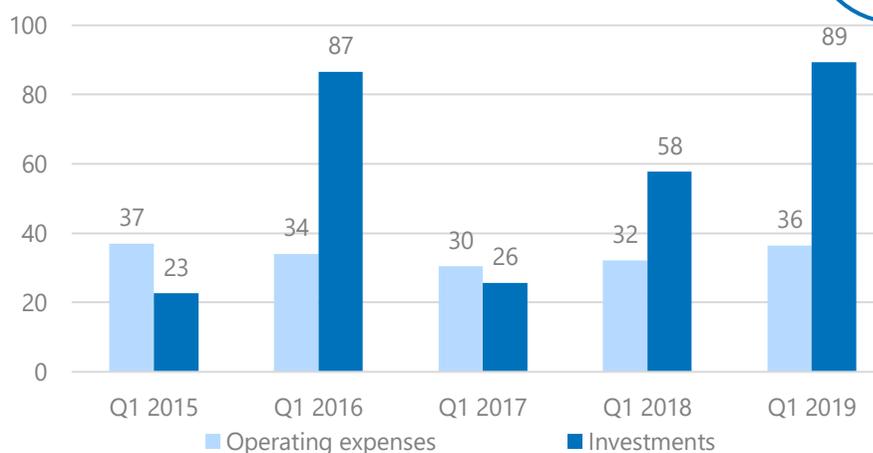
Adjusted EBITDA increased by 10%. The growth was determined by the result of growing investments in electricity and gas network development and increased portfolio of wind power plants

↑110%



Operating costs increased by 13%. As construction of co-generation power plants gained momentum as well as increased investment in electricity and gas network development - total investment grew by 54%

↑54%



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 you with the results of Lietuvos Energija Group for the first quarter of 2019.

In this report, you will find the key points that show how the Group succeeds in implementing the LE 2030 strategy, which was announced a year ago. We are becoming increasingly green company, we introduce more and more smart solutions, and the international activities are no longer just a dream – we have taken decisive steps to establish ourselves in the markets of the surrounding countries.

In order to simplify the management of green companies of the group, we have merged them by forming Lietuvos Energija Renewables, which now owns companies that manage wind farms in Lithuania that are already operating or are under the development. Through this company, we will also develop further Group investments in production from renewable energy sources. In February, we initiated the search for a strategic partner for the development of offshore wind farms, and I am pleased that we soon received a lot of interest - more than ten companies were interested in the partnership call, seven of them applied officially. I hope that soon we will be able to share other interesting news on green energy development.

There will also undoubtedly be lots of news and challenges in the field of strategic generation. Lietuvos Energijos Gamyba, which operates the largest power plants in the country, is preparing carefully for the tests of the electricity system which will be carried out in the background of the project for synchronization with Western European networks that is increasingly gaining pace. At the same time, the company develops innovative solutions: it is preparing to install a storage device at Kaunas A. Brazauskas HPP, it received partial financing for an experimental solar power plant in the water storage of Kruonis PSHP.

Innovations also accompany daily activities in the field of distribution. After having introduced its new strategy at the beginning of the year, Energijos Skirstymo Operatorius began to actively implement it: the company takes care of the reliability of the network and is among the companies that are the pioneers in using drones in their activities, specifically for the inspection of the network; it seeks to ensure that the customer could faster install electricity and gas systems at their property; the company goes forward with the smart metering infrastructure project. The electricity and gas supply companies of the Group are also constantly striving to improve customer experience and ensure the best price.

A big change is awaiting - at the beginning of June, Lietuvos Energijos Tiekimas and Energijos Tiekimas will merge to form one integrated commercial organization. I have no doubt that the consolidation of competences of the professional staff members of these companies will create the possibilities to offer even more convenient services to the customers and to further develop the electricity and natural gas markets.

And above all these things are daily efforts to do all the work as efficiently and transparently as possible to ensure that all the country's energy consumers are fully satisfied with this service. So we continue to refine activities in all our companies, refuse from works and property that are not typical for the energy sector, and strive to develop our competences and innovate so that all Lithuanians could be proud of the modern and contemporary energy company of their country that makes firm steps towards the future.



**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 quarter 2019, 0.25 TWh of electricity was generated and 2.54 TWh distributed to consumers and 2.76 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.



0.25 TWh of electricity generated



2.54 TWh of electricity distributed



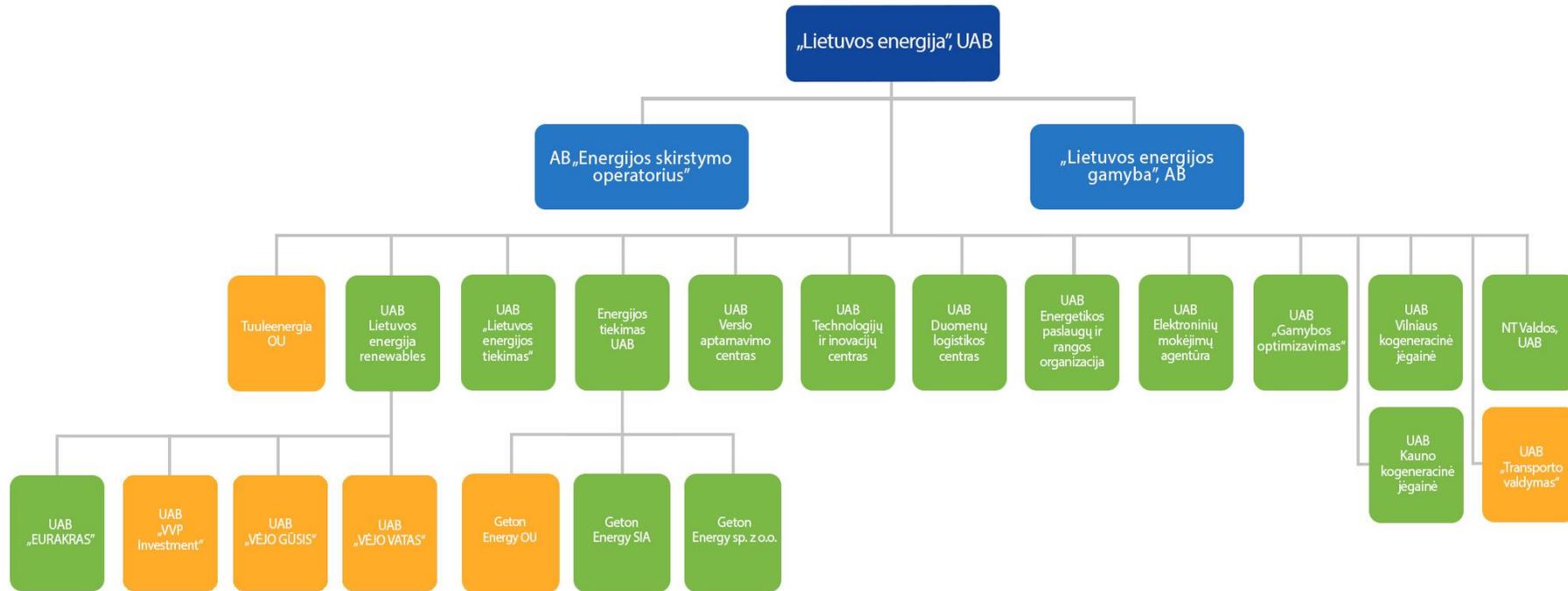
2.76 TWh of natural gas distributed



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



<p><b>The Supervisory Board</b> is formed of 5 members (3 of them are independent)  <b>The Board</b> is formed of 5 members (working at the Company)  <b>CEO</b> – Chairman of the Board</p>	<p><b>The Supervisory Board</b> is formed of 3 members (1 of them is independent)  <b>The Board</b> is formed of 5 or 3 members (working at the Company)  <b>CEO</b> – Chairman of the Board</p>	<p><b>The Board</b> is formed of 3 members (2 shareholder representatives and 1 independent)*  <b>CEO</b> is not chairman of the Board</p>	<p><b>CEO</b>  The Board is not formed</p>
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\* 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](#).



## Most significant events during I quarter 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-practices 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

(after the reporting  
period)

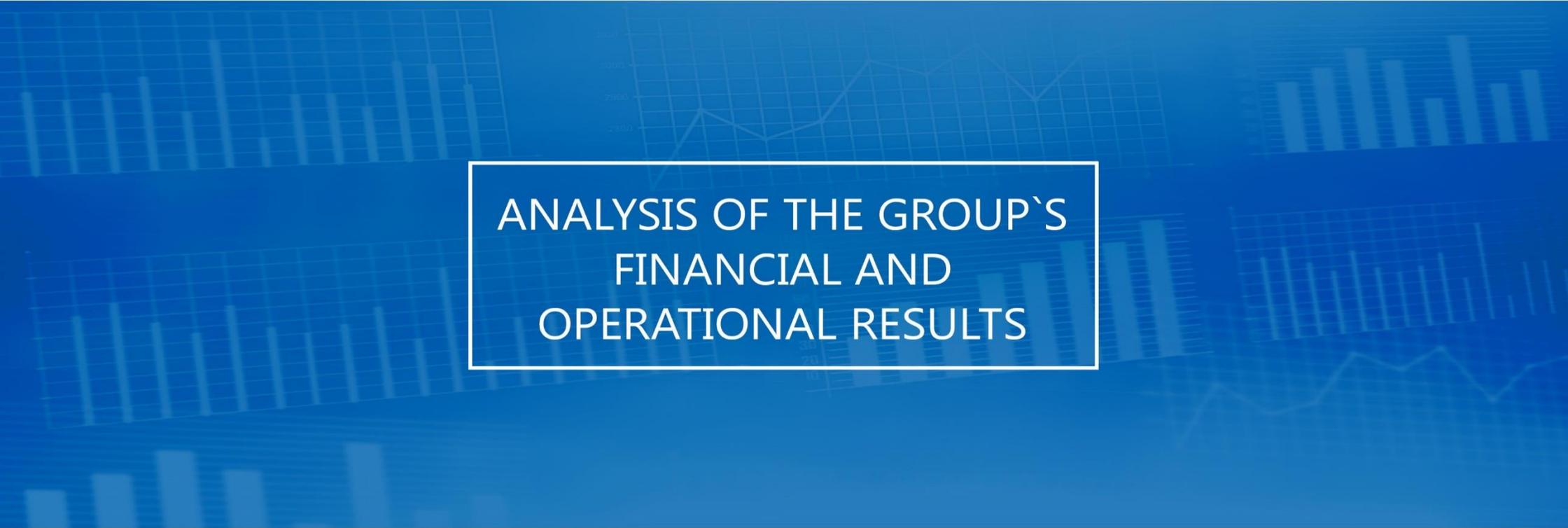
- **9 April.** Taking into account the opinion of the Supervisory Board, the Board of Lietuvos Energija elected the board of the commercial organization, which will start its activities after the merge of UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB. Member of the board Tadas Adomaitis will be responsible for the wholesale activities, Haroldas Nausėda will be responsible for business clients and development, Andrius Kavaliauskas will be responsible for private customers and development of services.
- **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.
- **15 April.** It was announced that Lietuvos Energija will seek to include a trade union representative in to the ESO Supervisory Board in 2019..
- **17 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.

## MAY 2019

(after the reporting  
period)

- **2 May.** It was announced that the process of selection of the board of the commercial organization, was finished. Taking into account the opinion of the Supervisory Board, the Board of Lietuvos Energija elected Artūras Bortkevičius, who is experienced finance expert, to the position of member of the board. He will be responsible for the finances and operations of the commercial organization.
- **3 May.** Lietuvos Energija signed a cooperation agreement with the Academy of Programming CodeAcademy. The Company continues to seek to attract competencies of Big Data and Artificial Intelligence, which are increasingly important in the energy sector.
- **9 May.** LEG has publicly disclosed the environmental impact assessment report on the modernization of the Vilnius third thermal power plant. The paper analyzes seven possible alternatives to the modernization of the plant, including a combined cycle unit, a storage unit (battery), gas turbines and other technologies. LEG aims to assess their potential impact on nature and public health.
- **10 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 representatives of more than 30 companies and institutions participated in the discussion organised by the group about the Law on Protection of Rapporteurs.
- **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





# ANALYSIS OF THE GROUP'S FINANCIAL AND OPERATIONAL RESULTS



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

Key operating indicators		IQ 2019	IQ 2018	Δ, +/-	Δ, %
<b>Electricity</b>					
Volume of electricity distributed:	TWh	2.54	2.53	0.01	0.4%
Distributed to customers of independent suppliers	TWh	1.62	1.66	-0.03	-2.1%
Public and guaranteed supply	TWh	0.92	0.87	0.05	5.2%
Volume of electricity generated (incl. Kruonis PSHP)	TWh	0.25	0.28	-0.03	-11.5%
Generated electricity using renewable energy sources (excl. Kruonis PSHP)	TWh	0.18	0.16	0.02	10.0%
Generated electricity using renewable energy sources (excl. Kruonis PSHP)	%	95.9%	95.5%		0.5%
Volume of electricity sold:	TWh	1.60	1.58	0.02	1.6%
Public and guaranteed supply	TWh	0.92	0.87	0.05	5.2%
Sales in retail market	TWh	0.68	0.70	-0.02	-3.0%
Number of newly connected customers	units	8 160	7 717	443	5.7%
Duration of connection of new customers (average)	calendar	36.6	46.8	-10.2	-21.8%
<b>Quality indicators of electricity supply</b>					
SAIDI (with <i>force majeure</i> )	min	26.20	10.10	16.10	159.4%
SAIFI (with <i>force majeure</i> )	units	0.35	0.16	0.19	118.8%
Technological costs in the distribution network	%	7.18%	8.58%		-16.4%
<b>Gas</b>					
Volume of gas distributed	TWh	2.76	3.22	-0.46	-14.2%
Volume of gas sold in retail market	TWh	3.64	4.50	-0.86	-19.1%
Volume of gas purchased:	TWh	3.48	3.25	0.23	7.1%
Volume of LNG purchased	TWh	0.29	0.69	-0.41	-58.6%
Volume of natural gas purchased	TWh	3.20	2.56	0.64	24.9%
Number of newly connected customers	units	2 543	1 922	621	32.3%
Duration of connection of new customers (average)	calendar	68.6	86.5	-17.9	-20.7%
<b>Quality indicators of gas supply</b>					
SAIDI (with <i>force majeure</i> )	min.	0.208	0.095	0.113	118.1%
SAIFI (with <i>force majeure</i> )	units	0.002	0.001	0.001	18.0%
Technological costs in the distribution network	%	1.33%	1.38%		-3.6%



## Key operating indicators

In the first quarter of 2019, the distributed amount of electricity compared to the first quarter of 2018 increased slightly and amounted to 2.54 TWh (+0.01 TWh). Electricity distribution to the customers of independent suppliers decreased and amounted to 1.62 TWh (-0.03 TWh), while public and guarantee supply volumes grew by + 5.2% and amounted to 0.92 TWh (0.87 TWh in the first quarter of 2018).

Compared to the first quarter of 2018, electricity production in Kaunas A. Brazauskas Hydroelectric Power Plant in the first quarter of 2019 decreased due to the lower amount of water in the river Nemunas (-21%) and reached 0.11 TWh. The production volumes of Kruonis PSHP also decreased (-45%) due to the decreasing daily and night-time electricity price difference and reached 0.06 TWh.

In January-March 2019, Elektrėnai complex produced 0.008 TWh of electricity - only 1% less than in January-March 2018 - 0.008 TWh.

As new wind farms were acquired and meteorological conditions that favoured operation of the wind power plants occurred, the wind farms operating in Estonia and Lithuania produced 0.07 TWh of electricity - this is 0.04 TWh (+150%) more than in the same period last year. The share of electricity production from renewable energy sources (excl. Kruonis PSHP) in the first quarter of 2019 accounted for 96% of the Group's total electricity production (96% in the first quarter of 2018).

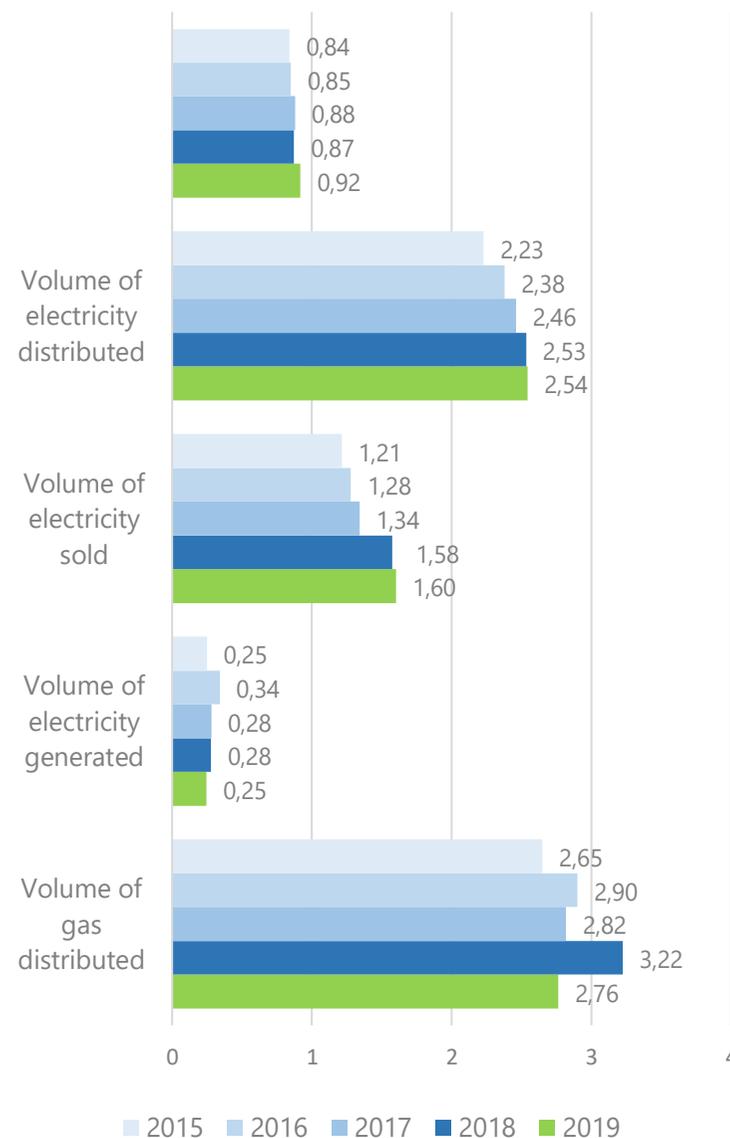
During the first quarter of 2019, technological costs in the electricity distribution network decreased to 7.18% (8.58% in the first quarter of 2018). The SAIDI indicator, with the effect of force majeure, increased to 26.20 minutes during the comparative period (to 10.10 minutes in the first quarter of 2018). In the first quarter of 2019, the SAIFI indicator stood at 0.35 times (in the first quarter of 2018 – 0.16 times). The unfavourable weather conditions in the first months of 2019 had a material impact on such a significant deterioration of the indicators.

Due to the higher average air temperature compared to the same period last year, during the first quarter of 2019, 14.3% less natural gas was transported through distribution pipelines than in the first quarter of 2018. The amount of gas sold in the retail market in the first quarter of 2019 decreased by -19.1% or -0.86 TWh. This was mainly due to a decrease in gas sales to non-household consumers due to lower consumption.

During the first quarter of 2019, technological costs in the gas distribution network decreased from 1.38% to 1.33%. In the first quarter of 2019, the SAIDI indicator for gas distribution, with the influence of force majeure, increased to 0.21 minutes (to 0.09 minutes in the first quarter of 2018). Such deterioration of the indicator was due to a network breach-termination by third parties - termination, which led to a long restoration duration. The SAIFI indicator was ~0,002 units (in the first quarter of 2018 it was ~0,001 units).

During the first quarter of 2019, 8,160 new customers were connected to the electricity distribution network. Compared to the same period last year, the number of newly connected customers increased by +5.7%. During the first quarter of 2019, 2,543 new customers, or +23.3% 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.

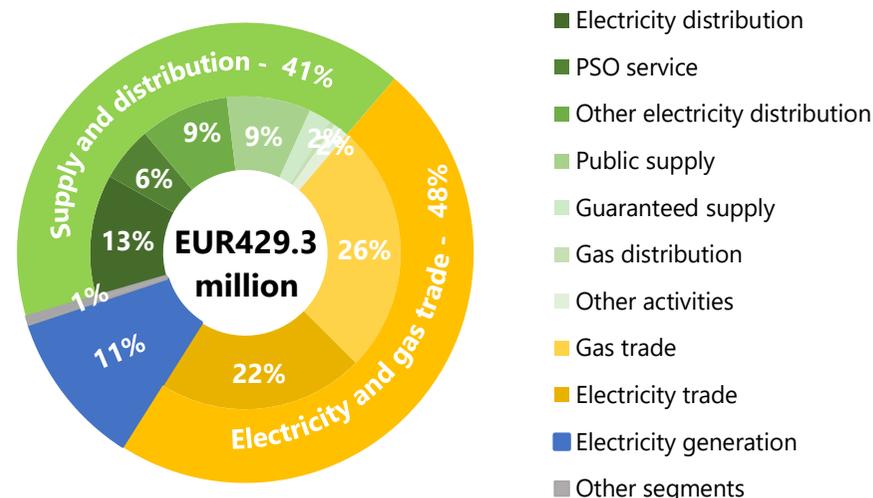
### Revenue

The revenue of Lietuvos Energija Group in the first quarter of 2019 increased by 19.8% (+ EUR 71.0 million) compared to the first quarter of 2018, and amounted to EUR 429.3 million. The main reasons for change in revenue:

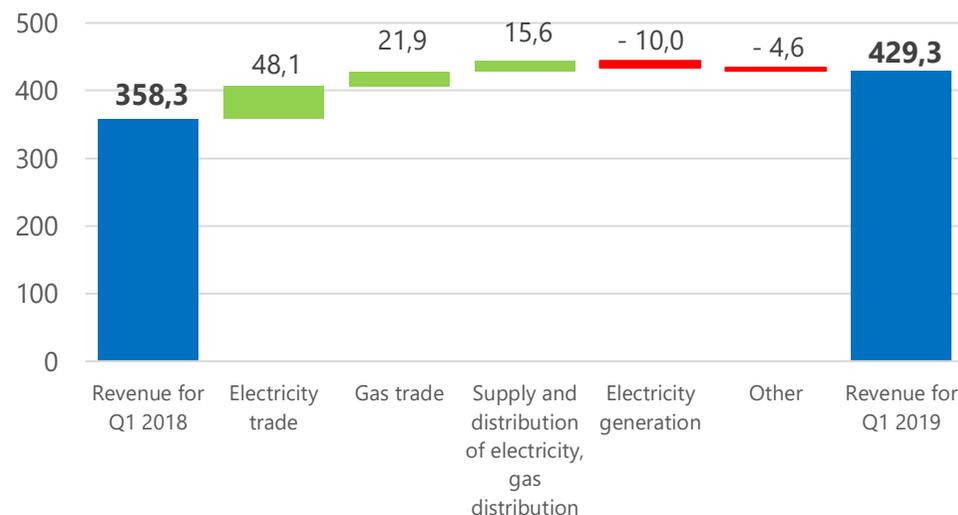
- Increased revenue from segment of trade in electricity.** The Group's consolidated revenue from electricity trades increased by EUR 48.1 million. The growth was mainly driven by increased trading turnover in the exchange of "Geton Energy", the subsidiary of "Energijos tiekimas" in Poland.
- Increased revenue from electricity supply and distribution, and gas distribution segment.** The Group's consolidated revenue from these activities increased by EUR 21.0 million. The higher price of electricity distribution service and the bigger amount of guarantee electricity supply represent the main reason for the rising revenue.
- Higher revenue from electricity generation segment.** The Group's consolidated revenue from the electricity generation segment increased by EUR 15.6 million. In February 2019, "Lietuvos Energijos Gamyba" received a compensation of EUR 9.28 million for the damage possibly caused by Alstom Power Ltd when during the period from 2005 to 2009 the company carried out the project of Public Liability Company Lithuania Power Plant. In addition, electricity generation revenue also increased due to the acquisition of new wind farms and meteorological conditions that favoured operation of the wind power plants.
- Lower revenue from gas trading segment.** The Group's consolidated revenue from gas sales decreased by EUR 10.0 million. The main reasons for this were the lower sales of natural gas to the residents (-11.0%) and the significantly lower gas market price which has had a negative impact.

The Group's main sources of revenue: revenue from sales of electricity and gas (EUR 204.7 million in the first quarter of 2019) accounts for 48% of the Group's total revenue (46% in the first quarter of 2018). The revenue of electricity supply and distribution, and gas distribution segment (EUR 175.1 million in the first quarter of 2019) accounts for 41% (43% in the first quarter of 2018). The share of revenue from electricity generation in the total revenue structure amounts to 11% (9% in the first quarter of 2018).

### The Group's revenue structure in Q1 2019



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

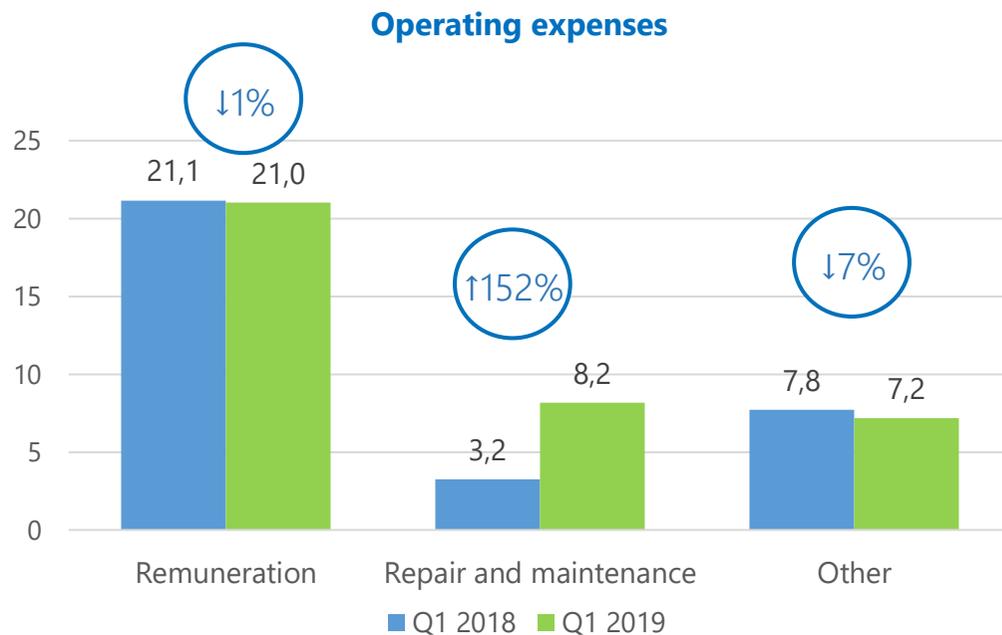
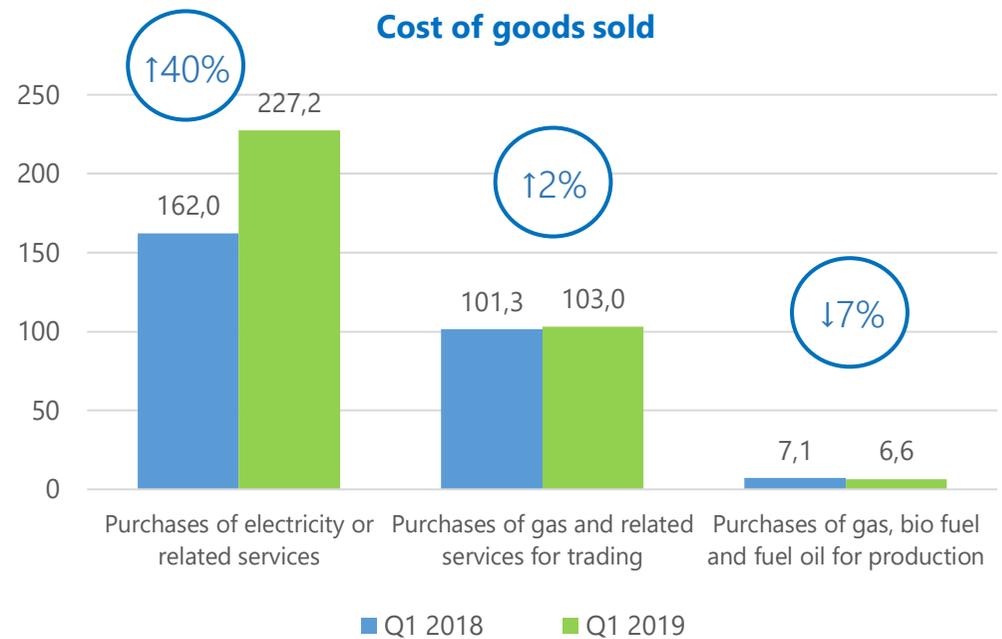


## Purchase Expenses

In the first three months of 2019, the Group's purchase expenses (cost of sales) of electricity, gas, fuel and related services amounted to EUR 336.9 million (EUR 270.4 million in the first quarter of 2018). Compared to the first quarter of 2018, these costs increased by +24.6%. The growth was mainly driven by the costs of purchasing electricity or related services due to significantly increased trading turnover in the exchange of "Geton Energy", the subsidiary of "Energijos tiekimas" in Poland. Other purchase expenses remained at a similar level as in the same period in 2018.

## Operating Expenses

In the first quarter of 2019, the Group's operating expenses amounted to EUR 36.3 million. Compared to the first quarter of 2018, the operating expenses increased by +13.2% (EUR 4.2 million). The main factors that influenced the increase in operating costs were an increased need of Electricity Distribution Operator to carry out works of repair and maintenance of the electricity grid and transformer stations (EUR+3,5 million) and the provision for the costs of dismantling projects in the Elektrėnai Complex (EUR 1.1 million). Wages costs and other operating expenses remained at a similar level as in the first three months of 2018.

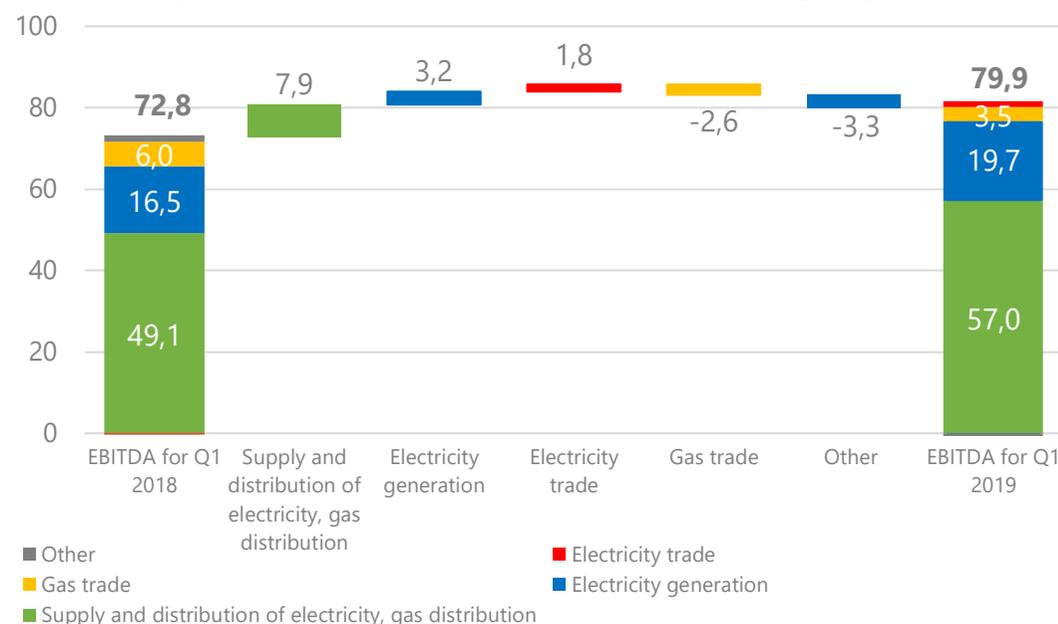


## EBITDA

The Group's adjusted EBITDA of the first quarter of 2019 amounted to EUR 79.9 million. This is +9.8% or EUR +7.1 million more than in the first quarter of 2018 when the adjusted EBITDA was equal to EUR 72.8 million. The adjusted EBITDA margin in the first quarter of 2019 reached 18.6% (in the first quarter of 2018 – 20.3%). The main reasons for the change of the Group's adjusted EBITDA:

1. **The greater result of electricity and gas distribution EBITDA.** The growth of the Group's adjusted EBITDA was due to a positive (EUR +7,9 million) change in the result of electricity and gas distribution activities. The difference is due to increased investment in network modernization and development.
2. **The greater EBITDA of the power generation segment.** In the first quarter of 2019, the result of EBITDA of electricity production was EUR +3.2 million higher than in the first quarter of 2018. This was influenced by the Group's wind turbine portfolio, which grew at the end of 2018, and meteorological conditions that were more favourable than in the same period last year.
3. **The greater EBITDA result of electricity trading segment.** In the first quarter of 2019, the electricity sales were EUR +1.8 million higher than in the same period last year. Fixed electricity sales prices had a positive impact on adjusted EBITDA due to fall in electricity market prices as a result of much warmer weather conditions than in the same period a year ago.
4. **Lower EBITDA of the gas trading segment.** In the first quarter of 2019, the EBITDA result of gas trading was EUR -2.6 million lower than in the first quarter of 2018. This was due to lower market demand for gas due to warmer weather conditions and declining market price for natural gas.

## Dynamics of adjusted EBITDA by operating segment



	Q1 2019	Q1 2018	Δ, +/-
<b>Operating profit</b>	<b>28.1</b>	<b>39.2</b>	<b>-11.1</b>
Depreciation and amortisation expenses	26.4	21.2	5.2
Impairment expenses and write-offs of PPE	1.3	1.1	0.2
Expenses of the revaluation of emission allowances	-0.1	-6.2	6.1
<b>EBITDA</b>	<b>55.7</b>	<b>55.4</b>	<b>0.4</b>
<b>Management's adjustments* and write-offs of inventories and receivables</b>			
Change in market value of open financial derivative instruments	15.9	-5.1	21.0
Recalculation of regulated revenue of ESO (1)	15.1	21.2	-6.1
Recalculation of regulated revenue of LET (2)	1.1	0.7	0.4
Write-offs of inventories and receivables	1.3	0.6	0.7
Received compensation of LEG (3)	-9.3	-	-9.3
<b>Total adjustments</b>	<b>24.2</b>	<b>17.4</b>	<b>6.8</b>
<b>Adjusted EBITDA</b>	<b>79.9</b>	<b>72.8</b>	<b>7.1</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 Commission for Energy Control and Prices.  
(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) On 11 February, 2019 LEG received a remittance of EUR 9,28 million 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.

\* The indicator of the adjusted EBITDA has been calculated based on the management's adjustments that are not presented in the financial statements. A more detailed description of the management's adjustments is presented in Note 17 "Operating Segments" of the Consolidated and the Company's Financial Statements.



## Net profit

In the first quarter of 2019, the Group earned EUR 18.8 million of reporting net profit. This is EUR -13.3 million less than in the first quarter of 2018 (EUR 32.1 million). The following effects had the greatest impact on net profit results in the first quarter of 2019 compared to the first quarter of 2018:

1. **Change in the market value of open financial derivative instruments.** The result of the Group's net profit was significantly influenced by the negative change in the market value of derivative financial instruments of "Energijos Tiekimas" and "Lietuvos Energija" companies (EUR -21.0 million) compared to the first quarter of 2018.
2. **Increased depreciation expenses.** Group's depreciation and amortization expenses grew by EUR 5.2 million as a result of strong growth in investments.
3. **Compensation received by "Lietuvos energijos gamyba".** Positive impact on the Group's net profit result (EUR +7.9 million) had received a remittance of EUR 9.8 million 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.
4. **Change in the value of emission allowances** EUR 6,1 million has positive impact on the Group's net profit result.

After evaluating (eliminating) the positive / negative impact of the recalculation of regulated revenue and one-off factors, the Group's adjusted net profit decreased by EUR -26.0 million, or -51.3%, and amounted to EUR 24.7 million.

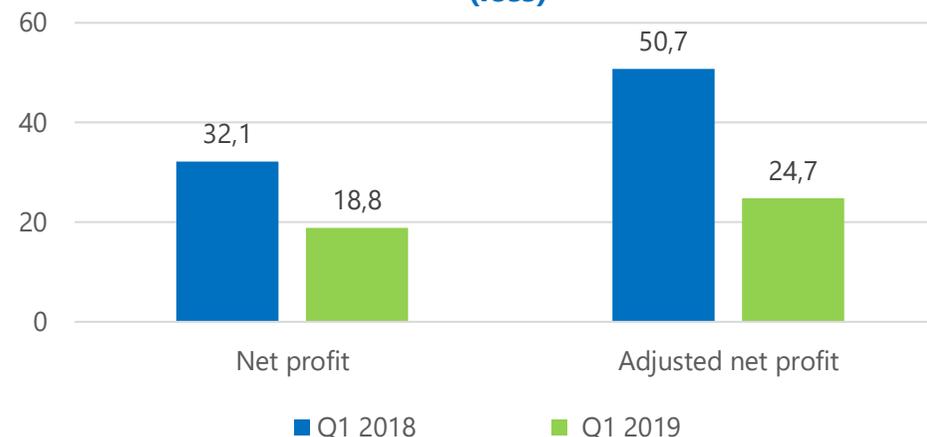
## Equity

In the first quarter of 2019, the Group's equity increased by +1.0% or EUR +13.5, and on 31 March 2019 was equal to EUR 1,330.0 million. Changes in equity were due to the following factors:

1. In the first quarter of 2019, net profit of the Group reached EUR 18.8 million.
2. The positive impact of the net profit was partly offset by the negative effect from the revaluation reserve (EUR -5.3 million) due to the change in the value of emission allowances.

The Group's equity ratio declined during the reporting period, and on 31 March 2019 it reached 44.9% (46.1% on 31 December 2018). The ratio declined due to an increase in the Group's assets.

**The Group's net profit and adjusted net profit (loss)**



Net profit adjustments	Q1 2019	Q1 2018	Δ, +/-
<b>Net profit for the reporting period</b>	<b>18,8</b>	<b>32,1</b>	<b>-13,3</b>
Recalculation of regulated revenue of ESO	12,9	18,0	-5,1
Recalculation of regulated revenue of LET	0,9	0,7	0,2
Received compensation of LEG	-7,9	-	-7,9
<b>Adjusted net profit</b>	<b>24,7</b>	<b>50,7</b>	<b>-26,0</b>



## Investments

The Group's investments in the first quarter of 2019 amounted to EUR 89.3 million, or +54.2% more than in the same period last year. Most of the investments went to the development of the projects of Vilnius and Kaunas CHP plants (47%), development (25%) and renewal (11%) of the electricity distribution network, and to the development of the gas distribution network (15%).

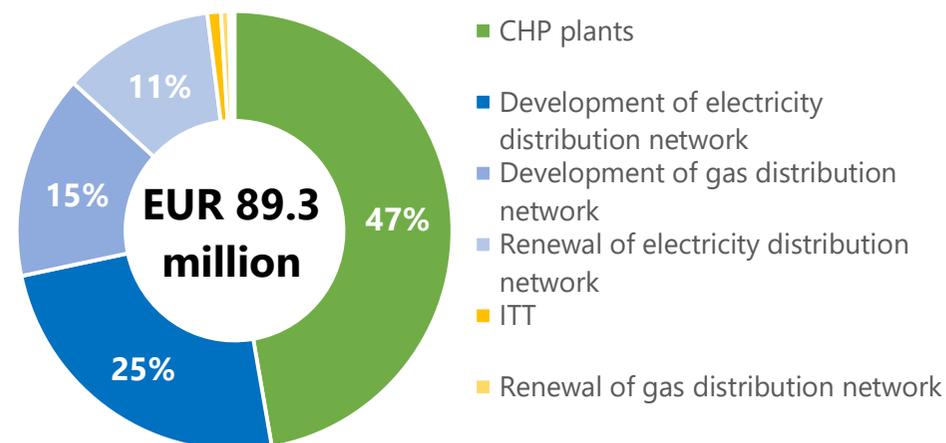
Compared to the same period last year, the construction works of the projects of Vilnius and Kaunas CHP plants gathered a more significant pace in the first quarter of 2019. Investments in these projects during the three months of 2019 amounted to EUR 42.2 million.

In the first quarter of 2019, investments in the development of the electricity distribution network increased by EUR +8.1 million. In the first quarter of 2019, investments of Electricity Distribution Operator (ESO) in the development of the electricity distribution network amounted to EUR 21.8 million. In the first quarter 2019, ESO invested EUR 10.1 million to the renewal of the electricity distribution network. During the first three months of 2019, ESO connected 8.2 thousand new consumers to the electricity distribution network - 5.7% more than during the first quarter of 2018 when 7.7 thousand consumers were connected. In the first quarter 2019, the permitted power for use of the connected objects of the new consumers accounted for 99.8 thousand kW, and was 0.2% lower than in the first quarter of 2018 when it reached 100.0 thousand kW.

In the first quarter of 2019, the investments of ESO in the development of the gas distribution network reached EUR 13.4 million, and were 116% bigger than in the first quarter 2018 (EUR 6.2 million). In the first quarter of 2019, ESO has constructed 94.2 kilometres of distribution gas pipelines to connect new customers to the gas network, while at the appropriate time in 2018 117.0 kilometers of gas pipelines were constructed.

On 31 December 2018, the Group's assets amounted to EUR 2,854.1 million. In the first quarter of 2019, the Group's assets increased by +3.9% (or EUR +111.1 million), and on 31 March 2019 amounted to EUR 2,965.2 million. Changes in the Group's assets were mainly influenced by the increase in the non-current tangible assets due to investments made by the Group's companies.

Group's investment structure in Q1 2019, %



Dynamics of the Group's investments by sector	Q1 2019	Q1 2018	Δ, +/-	Δ, %
Co-generation power plants	42.2	11.9	30.3	255%
Development of electricity distribution network	21.8	13.7	8.1	59%
Development of gas distribution network	13.4	6.2	7.2	116%
Renewal of electricity distribution network	10.1	18.2	-8.1	-45%
ITT	0.9	2.5	-1.6	-64%
Renewal of gas distribution network	0.5	1.2	-0.7	-58%
Electricity generation capacities	0.1	2.4	-2.3	-96%
Other investments	0.2	1.8	-1.6	-89%
<b>Total</b>	<b>89.3</b>	<b>57.9</b>	<b>31.4</b>	<b>54%</b>



## Financing

On 31 March 2019, the Group's net debt amounted to EUR 761.2 million. Compared to the net debt at the end of 2018, the indicator increased by +3.4% or EUR +25.1 million. The increase in the net debt was due to investments made by the Group's companies.

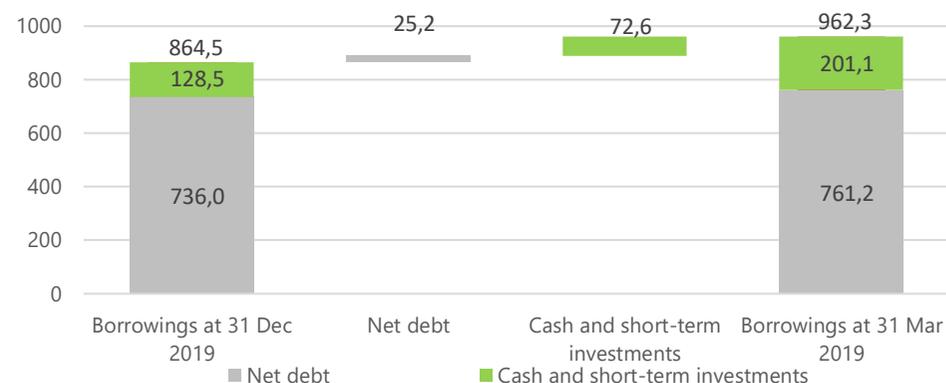
In the first quarter of 2019, the Group's financial debt level increased by 11.3% (or EUR 97.7 million), and on 31 March 2019 amounted to EUR 962.3 million (at the end of 2018 – EUR 864.5 million). On 31 March 2019, an amount of financial debts of EUR 600.0 million was with a fixed interest rate (62.4% of the total financial debt), the rest of the financial debts is with a floating interest rate.

On 31 March 2019, the average term of financial debt repayment was 7.0 years (on 31 December 2018 - 7.6 years).

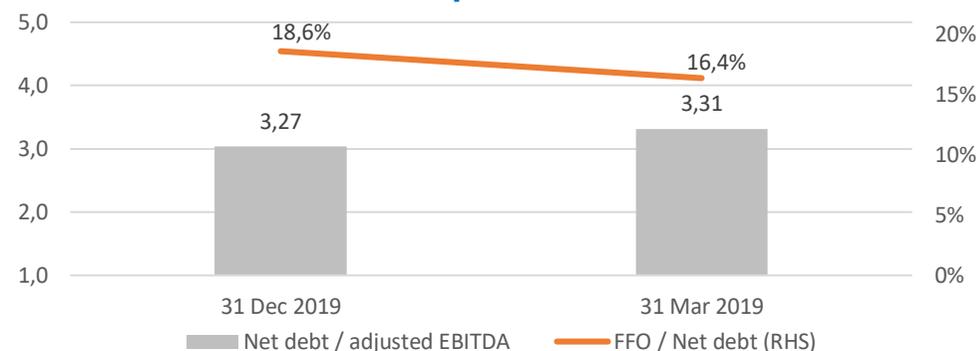
The Group's net debt-to-equity ratio increased from 55.9% at the end of 2018 to 57.2% on 31 March 2019. On 31 March 2019, the overall liquidity ratio of the Group was 1.07 (on 31 December 2018 it was 1.16). To manage liquidity, the Group has concluded credit line agreements with banks. On 31 March 2019, the Group's unwithdrawn credit line facilities amounted of EUR 173.0 million. All the credit lines are committed, i.e. funds are paid by the bank upon demand.

In May 2018, the international credit rating agency Standard & Poor's extended the assignment of a BBB+ credit rating with a stable perspective to Lietuvos Energija.

### 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>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 income - interest expenses - current year income tax expenses
<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>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) / 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) / 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>Assets turnover ratio</b>	Revenue / total assets at the end of the period
<b>Return on assets (ROA)</b>	Net profit (loss) for the period / 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.

#### **Preparations for testing the operation of the Baltic States's electrical systems in the "island" mode are under way**

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 was established

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.

### 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..

### Number of the cases of electricity and gas plundering is decreasing

In analysing the data of several years that were obtained through the trust line, ESO calculates that not only did the number of reports of possible thefts decrease by half, but also the amounts of malicious damage. In 2016, the residents reported about 467 cases of possible electricity and gas plundering, in 2017 – about 398 cases, and in 2018 – about 172 cases. The vast majority of the reports is about the losses resulting from malicious acts in the electricity network. According to the statistics, there were also a number of accidents during which people were killed. But no such accidents were recorded last year. Despite decreasing numbers, the residents are called by ESO for not being indifferent and for reporting illegal thefts



or the cases of connecting to the electricity or gas networks. The residents can report on suspicious cases anonymously by completing the online form, by sending an e-mail to [pasitikejimolinija@eso.lt](mailto:pasitikejimolinija@eso.lt) or by calling the number 1802.

### **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 learns everything on his computer screen and can immediately pay.

### **ESO launched a 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 1.6 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. In line with good foreign practice and in accordance with the principles of transparency, six market consultations were held with the active participation of local and foreign suppliers and producers, useful insights into the technical specifications being prepared were received. The procurement will be conducted through a competitive dialogue, i.e. each supplier will be able to submit an application for the participation in the procurement and ESO will dialogue with the selected candidates. Qualification selection will be carried out to select 6 suppliers that are the strongest in terms of their experience. Only the selected candidates will be made familiar with the detailed technical specifications and will be able to submit their tenders. The most economically advantageous tender will be the winning tender.

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.

### **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 expands its customer base

The gas and electricity supplier expands its customer base. The company started the year by selling a liquefied natural gas (LNG) cargo to Trafigura, the international commodity trading and logistics company, it sold two small-volume liquefied natural gas (LNG) cargo to the Finnish gas company Gasum, and has signed a gas purchase agreement with the international group company Total Gas & Power Limited. This LNG cargo will diversify the LET gas portfolio and will allow ensuring attractive prices and reliable delivery to customers. Later, the company signed three new natural gas supply agreements with Latvian suppliers. Under these agreements, the company will supply them with gas throughout May.

### 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. Lietuvos Energija Group companies are present on Nasdaq Commodities OMX exchange since 2016 when Energijos Tiekimas joined it and became the only Lithuanian supplier of electricity active on this market.

## 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 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, will offer real estate objects to the market in June at already seventeenth 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 94 million, including VAT, in public auctions and tenders.

**Changes in the operating environment of the Company and the Group, social responsibility activities, risk management and other issues are detailed in semi-annual and annual reports.**



## 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)

Education	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
Place of employment, position	SAUDI ARAMCO Finance and Development Project Division, Senior Adviser; Member of the Supervisory Board of "Smart Energy Fund powered by Lietuvos Energija" (since 27/7/2018)	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	Assets Management Department of the Ministry of Finance, Director Turto bankas, VĮ, Board Member (till 29/01/2018) 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 its 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
<b>Darius Daubaras</b> Independent member	-	„Saudi Aramco“, Finance and Project Development Department, 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. Nordnet, UAB, Head of Commerce, Chairman of the Board. Mercado prekyba, UAB, CEO. Litcargo, UAB, Chairman of the Board Lietuvos paštas AB, Member of the Board
<b>Aušra Vičkačkienė</b> Member	-	Lithuanian Ministry of Finance, Asset Management Department, Director

<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
<b>Lėda Turai-Petrauskienė</b> Independent member	-	L-CON Global UAB, leadership training partner, shareholder, ISM University of Management and Economics, Head of Leadership Module of „Executive MBA“ programme
<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 akcininkas, valdybos narys;  
„WIDER COMMUNICATIONS LIMITED“, PRIVATE LIMITED COMPANY, UK vienasmenis valdybos narys.

Geton Energy SIA, Chairman of the Board; Geton Energy OÜ, Chairman of the Board; Energijos tiekimas UAB, Member of the Board (since 23/4/2018); Lietuvos Energijos Tiekimas UAB (prev. Lietuvos Dujų Tiekimas UAB), Member of the Board (till 28/8/2018, chairman of the board since 28/8/2018); Elektroninių mokymų agentūra UAB, member of the Board (since 10/12/2018); NT Valdos, UAB member of the Board (since 29/10/2018), chairman of the board (since 30/10/2018); „Gamybos optimizavimas“ UAB, member of the Board (since 7/12/2018).

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 (Member since 19/3/2018, Chairman since 22/3/2018); AB Energijos skirstymo operatorius, Member of the Supervisory Board.

Lietuvos Energijos Gamyba AB, Chairman of the Supervisory Board.  
Lietuvos Energijos Tiekimas UAB, Chairman of the Board (until 28/8/2018), Member of the Board (from 28/8/2018).  
Energijos Tiekimas UAB, Chairman of the Board (until 14/6/2018), Member of the Board (from 14/6/2018).  
Eurakras UAB, Chairman of the Board  
Tuulueenergia OU, Chairman of the Board (till 28/1/2019)  
Vilnius Cogeneration Power Plant, UAB, Member of the Board (from 19/3/2018).  
Lietuvos Energija Renewables UAB, member of the Board (since 3/1/2019).  
KÜB Smart Energy Fund powered by Lietuvos Energija, Member of the Advisory Committee.

Lietuvos Energijos Gamyba AB, Member of the Supervisory Board,  
Verslo Aptarnavimo Centras, UAB, Member of the Board (since 4/4/2018, Chairwoman since 26/9/2018).  
Elektroninių Mokymų Agentūra UAB, Member of the Board (from 10/12/2018).

**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)	Monthly remuneration for the activities of the member of the Supervisory Board* (before taxes, EUR)	Monthly 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)			1,067		-
<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)			750		-
<b>Danielius Merkinas</b> , member of the Audit committee (independent member)			805		-
<b>Šarūnas Radavičius</b> , member of the Audit committee (independent member)			328		-
<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	7 266	-			
<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

The people working at Lietuvos Energija Group form the basis for the implementation of its strategy. The aim is to build and maintain the organisational culture based on values that motivate employees to assume responsibility, cooperate, and joint efforts to achieve the best result.

While implementing the objectives raised by the shareholder, and carrying out socially responsible business, we seek to attract and maintain skilled employees and create long-term partnership that would ensure mutually successful future.

On 31 March 2019, the Group had employees 3,774 employees. The biggest part of Group's employees consisted of men – 70 %, women comprised 30 %. Among the executives, the gender breakdown was very similar: 70 % of the executives were men, and 30 % – women.

63 % of employees working in the Group hold a higher education degree, of whom 18 have doctoral degrees, 26% acquired an advanced vocational education, 7% have a secondary education.

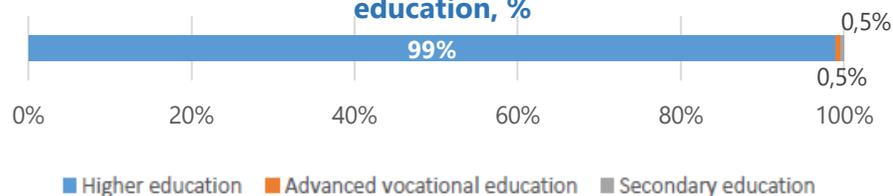
On 31 March 2019, the Company had 105 employees. The total of 99% of the Company's employees have higher university education.

Detailed data on the composition of the Group and the Company's employees, positions held, education, work experience, etc. will be provided in semi-annual and annual reports.

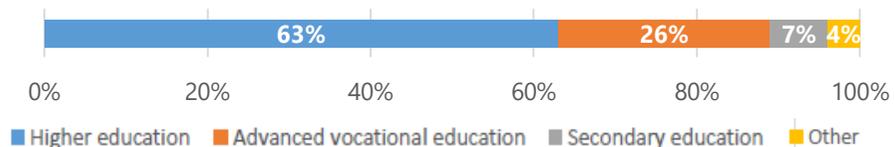
Company	Total number of employees
AB „Energijos skirstymo operatorius“	2,413
UAB Verslo aptarnavimo centras	449
„Lietuvos energijos gamyba“, AB	358
UAB Technologijų ir inovacijų centras	167
„Lietuvos energija“, UAB	105
Transporto valdymas, UAB	57
UAB „Lietuvos energijos tiekimas“	47
Energijos tiekimas UAB	45
UAB Vilniaus kogeneracinė jėgainė	30
UAB Kauno kogeneracinė jėgainė	27
NT Valdos, UAB	25
UAB Energetikos paslaugų ir rangos organizacija	22
UAB Duomenų logistikos centras	13
UAB „Elektroninių mokėjimų agentūra“	6
UAB „Gamybos optimizavimas“	6
UAB Eurakras	2
UAB „VĖJO GŪSIS“	1
UAB „VĖJO VATAS“	1
<b>Iš viso</b>	<b>3,774</b>



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



### Structure of Group's employees' by education, %



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

Category	Average salary, EUR
Head of the company	7,226
Top level executives	6,795
Middle level managers	4,954
Experts, specialists	3,332

The Company's total wage fund for IQ 2019 was EUR 5.3 million.

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

Category	Average salary, EUR
Head of the company	6,504
Top level executives	6,052
Middle level managers	3,187
Experts, specialists, workers	1,855

The Group's total wage fund for IQ 2019 was EUR 86.5 million.

## Development of the organization and its culture

To achieve the goals set out in strategy LE 2030, the Group invests in its people and in strengthening their competencies, as well as in attracting talents not only from Lithuania, but also from the neighboring countries.

A systematic approach to reorienting existing competences to new areas of activity, acquisition of new competences, flexible teamwork, employee experience and operational efficiency is the strategic direction of the Group's organizational development.

Employees of Lietuvos Energija initiate and develop this transformation, instead of just monitoring it. They are competent, fast learning, empowered and technologically advanced, they think and act globally. The development into foreign markets and creation of an international organization while working in Lithuania will give meaning to existing and future employees.

More about organizational culture and its development, employee competence, practice and career opportunities will be available in the semi-annual and annual reports.



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

As at 31 March 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 .

As at 31 March 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 31 March 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.



**As at 31 March 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.



## Main information about the Company and the controlled companies

The annual 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 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 31 December 2018, 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“	Aguonų g. 24, Vilnius, Lithuania	94.98	259,443	Supply and distribution of electricity to the consumers; distribution of natural gas
NT Valdosa, UAB	Geologų g. 16, Vilnius, Lithuania	100	37,295	Disposal of real estate, other related activities and provision of services
UAB Duomenų logistikos centras	A. Juozapavičiaus g. 13, Vilnius, Lithuania	79.64	4,033	Information technology and telecommunication services
UAB Energetikos paslaugų ir rangos organizacija	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
UAB Elektroninių mokėjimų agentūra	Žvejų g. 14, Vilnius, Lithuania	100	1,370	Provision of collection services
Energijos tiekimas UAB	Žvejų g. 14 Vilnius, Lithuania	100	18,720	Supply of electricity, export / import of electricity and balancing services
Geton Energy OÜ	Narva mnt 5, 10117 Talin, Estonia	100	35	Supply of electricity
Geton Energy SIA	Darziema g. 60, LV-1048, Ryga, Latvia	100	500	Supply of electricity
Geton Energy, sp. Z.o.o.	Puławska 2-B, PL-02-566, Warsaw, Poland	100	10 mln. zloty	Supply of electricity
UAB Technologijų ir inovacijų centras	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100	6,440	Provision of information technology and telecommunications and other services
UAB Verslo aptarnavimo centras	P. Lukšio g. 5 b, Vilnius, Lithuania	100	580	Public procurement organization and execution, accounting and personnel administration services
UAB „Lietuvos energijos tiekimas“	Žvejų g. 14, Vilnius, Lithuania	100	28,862	Supply of electricity and gas and trade
Lietuvos energijos paramos fondas	Žvejų g. 14, Vilnius, Lithuania	100	3	Provision of support to projects, initiatives and activities, relevant to the society
UAB Vilniaus kogeneracinė jėgainė	Žvejų g. 14, Vilnius, Lithuania	100	21,003	Modernization of the provision of centralized supply of heat
UAB Kauno kogeneracinė jėgainė	Žvejų g. 14, Vilnius, Lithuania	51	24,000	Modernization of the provision of centralized supply in Kaunas city
Tuuleenergia OU	Keskus, Parnu, Estonia	100	499	Production of renewable electricity
UAB „EURAKRAS“	Žvejų g. 14, Vilnius, Lithuania	100	4,621	Production of renewable electricity
UAB „VĖJO GŪSIS“	Žvejų g. 14, Vilnius, Lithuania	100	7,443	Production of renewable electricity
UAB „VĖJO VATAS“	Žvejų g. 14, Vilnius, Lithuania	100	2,896	Production of renewable electricity
UAB „VVP Investment“	Žvejų g. 14, Vilnius, Lithuania	100	250	Development of a renewable energy (wind) power plant project
UAB Lietuvos energija renewables	P. Lukšio g. 5B, Vilnius, Lithuania	100	3	Analysis and coordination of the activities of legal entities belonging to the Company
UAB „Transporto valdymas“	Smolensko g. 5, Vilnius, Lithuania	100	2,359	Vehicle rental, leasing, repair, maintenance, renewal and service
UAB „Gamybos optimizavimas“	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 31 March 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 31 March 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 31 March 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 IQ 2019

18.01.2019	Lietuvos Energija plans to reorganise UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB
31.01.2019	Preliminary financial data of Lietuvos Energija for 12 months of 2018
01.02.2019	Regarding a New Member of Supervisory Board of Lietuvos Energija
28.02.2019	Interim information of Lietuvos Energija UAB for the twelve-month period of 2018:
28.02.2019	Preliminary financial data of Lietuvos Energija for 1 month of 2019
12.03.2019	Regarding the Loan Agreement with UAB Lietuvos Energijos Tiekimas
25.03.2019	Regarding the sale of 100 percent shares of UAB VĖJO VATAS, UAB VĖJO GŪSIS, UAB EURAKRAS, UAB VVP Investment
29.03.2019	Preliminary financial data of Lietuvos Energija for 2 months of 2019

## Material events after the reporting period

02.04.2019	Regarding the decision of AB Energijos Skirstymo Operatorius to refuse the appeal in court
08.04.2019	Correction: Reporting dates of Lietuvos Energija in 2019
12.04.2019	Lietuvos Energija Group will hold an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019
17.04.2019	Regarding Lietuvos Energija Board decisions
17.04.2019	Lietuvos Energija Group holds an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019
24.04.2019	Regarding the new trademark applications
02.05.2019	Regarding the resolutions of the Ordinary General Meeting of the Shareholders of Lietuvos Energija, UAB
02.05.2019	Lietuvos Energija UAB annual information for the year 2018
06.05.2019	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**

