



# INTERIM REPORT I-IV QUARTER 2018

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

1 January 2018 – 31 December 2018

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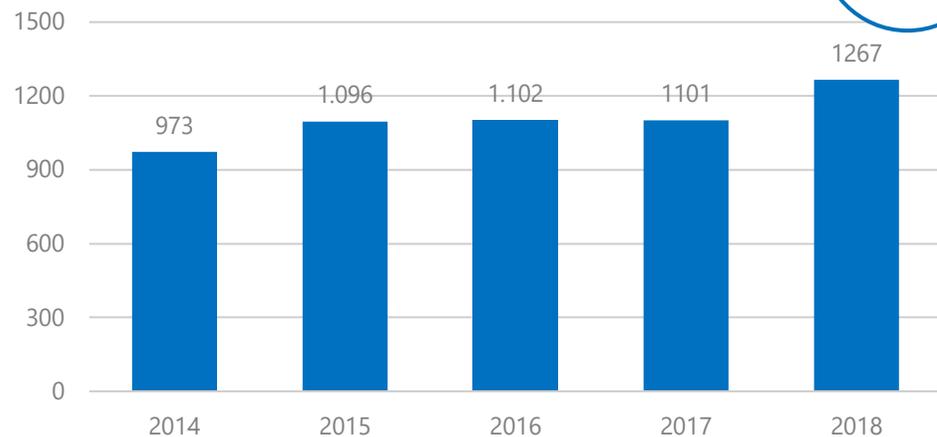
## Key Financial Indicators of the Lietuvos Energija Group

		2018	2017	Δ, EUR million	Δ, %
Revenue	EUR million	1,266.9	1,100.8	166.0	15.1%
Purchase of electricity, gas, fuel and related services	EUR million	986.6	740.5	245.9	33.2%
Operating expenses	EUR million	127.6	132.0	-4.4	-3.3%
EBITDA	EUR million	151.2	227.2	-76.0	-33.5%
EBITDA margin	%	11.9%	20.6%		
Adjusted EBITDA	EUR million	229.7	238.7	-9.0	-3.8%
Adjusted EBITDA margin	%	18.1%	21.7%		
Net profit	EUR million	6.5	93.5	-87.0	-93.1%
Net profit margin	%	0.5%	8.5%		
Adjusted net profit	EUR million	125.8	130.1	-4.3	-3.3%
Adjusted net profit margin	%	9.9%	11.8%		
Investments	EUR million	409.2	253.4	155.8	61.5%
		At 31 Dec 2018	At 31 Dec 2017	Δ. EUR million	Δ. %
Total assets	EUR million	2,865.9	2,505.1	360.9	14.4%
Equity	EUR million	1,336.6	1,343.6	-7.0	-0.5%
Borrowings	EUR million	864.5	614.1	250.4	40.8%
Net debt	EUR million	732.2	442.3	289.9	65.5%
Return on equity (ROE)	%	0.5%	7.0%		
Adjusted return on equity (ROE)	%	9.4%	9.8%		
Return on assets (ROA)	%	0.2%	3.8%		
Equity ratio	%	46.6%	53.6%		
Net debt / 12-month EBITDA	times	4.84	1.95		
Net debt / 12-month adjusted EBITDA	times	3.19	1.85		
Net debt / Equity	%	54.8%	32.9%		
12-month FFO / Adjusted net debt	%	17.7%	47.8%		
Assets turnover ratio	times	0.442	0.439		
Current liquidity	times	1.180	1.285		
Working capital	EUR million	-13.4	-8.8	-4.7	-230.2%
Working capital / Revenue	%	-1.1%	-0.8%		



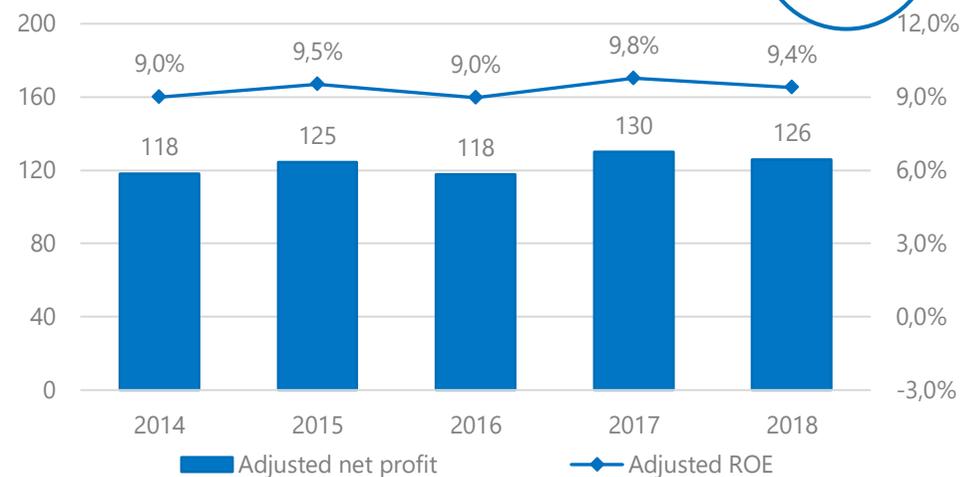
The growth in **revenues** of Lietuvos Energija was determined by price changes in the electricity and gas markets as well as growing demand for electricity

↑115%



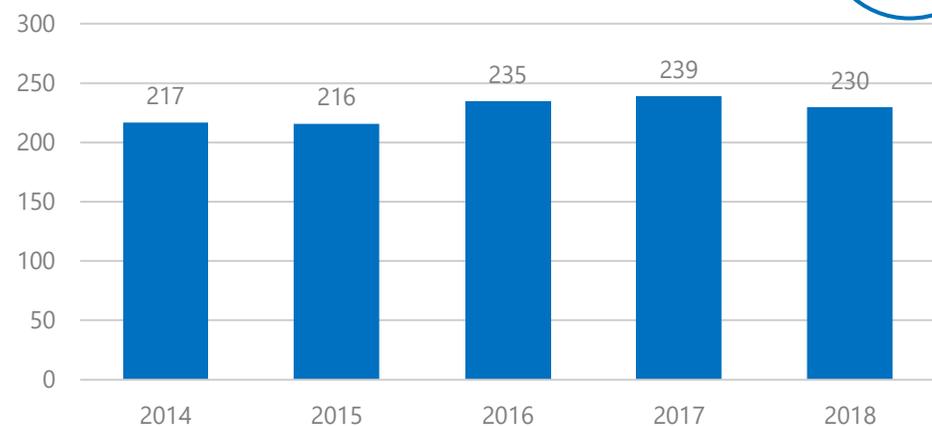
Adjusted **net profit** of Lietuvos Energija Group decreased by 3% to 125.8 million EUR. Adjusted **return on equity** reached 9.4%

↓3%



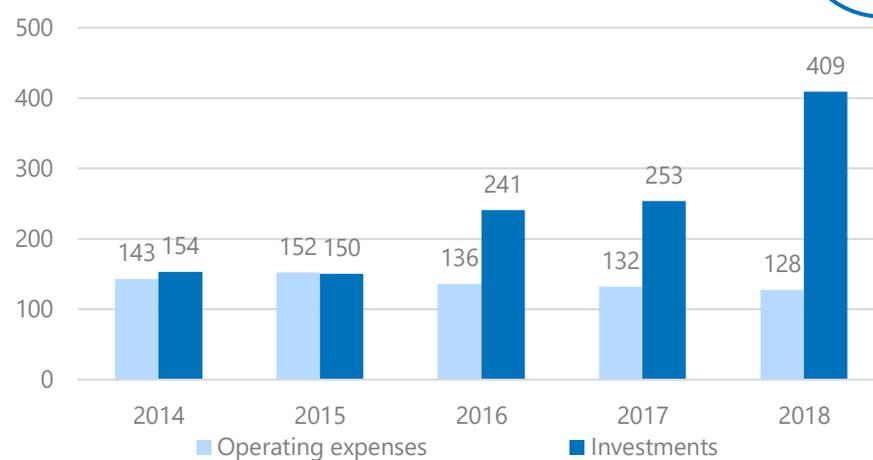
Adjusted **EBITDA** of the Lietuvos Energija Group decreased by 4%. The decline was determined by lower result of electricity trading activity due to high electricity prices in the market.

↓4%



**Operating expenses** of Lietuvos Energija decreased by 3%. Upon gaining the momentum of the construction of CHPs, the investments increased by 62%

↑162%



Adjusted EBITDA and adjusted net profit for 2014–2015 are presented before the elimination of the effect of recalculation of regulated revenue of ESO and LDT 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,

After announcing the strategy LE 2030 of Lietuvos Energija in May 2018, we have set ambitious targets for our entire group of companies. As we understand clearly that renewable and smart energy as well as the international cooperation are the future, we are bravely on this path. Lietuvos Energija will not only pay out EUR 1.6 billion of dividends to the state, which means to all of us, in 12 years, but will also innovate to improve the lives of all of us, and will also accelerate the development in foreign markets. These commitments of our business have been confirmed by the largest companies of the group Lietuvos Energijos Gamyba and Energijos Skirstymo Operatorius (ESO), that have launched their strategies recently.

International investors have also expressed their confidence in the future trend of Lietuvos Energija. In 2018, we have distributed the second 10-year green bond issue with the value of EUR 300 million. Its demand has even four times outstripped the supply. Despite the fact that the financial markets are in a worse situation than last year, we borrowed money cheaper than in 2017 when the first 10-year bond issue, that was also with a size of EUR 300 million, was distributed. This suggests that the international partners value our determination to become a modern and green energy-oriented group. And the award received in January of 2019 from the Nasdaq Baltic exchange for maintaining relations with investors only encourages further progress in this direction.

We have not only announced the strategy in this year, but have also taken clear steps to implement it. To promote innovations, the Smart Energy Oriented Venture Capital Fund, that was established by Lietuvos Energija, invests in start-ups that will, without doubt, develop amazing solutions and show great results. In the pursuit of the set targets we are also expanding the green generation. In 2018, we have acquired three operating wind farms and the project that is being developed. Lietuvos Energija already operates 32 wind turbines that already generate the total power of 76.1 MW. We are the second largest wind power producers in the Baltic States! Lietuvos Energija Renewables, the company that was established in mid-January of 2019, is preparing to unite these capabilities and strengthen the group's green generation.

In 2018, the companies of Lietuvos Energija group have moved into a new qualitative operational phase during which they have even further improved the services they provide. ESO now is focused on its main activities - electricity and gas distribution and network maintenance, and Lietuvos Energijos Tiekimas that started operating in October, after it took over the activities of electricity supply from ESO, operates under one-stop-shop principle thus enabling the customers to buy gas and electricity more easily.

The market situation also brings challenges. In 2018, the electricity price that was decreasing in the preceding five years has changed its direction and started to grow. This was due to the rising oil and gas prices, increasing electricity demand, low precipitation in Scandinavia and increasing costs for allowances. This will have an increasing impact on Lithuanian business and household customers. However, Lietuvos Energija Group will continue to work towards ensuring as better price as possible for its consumers.

Lietuvos Energija is undergoing massive changes. We will become a green and innovative international company that will bring tangible benefits to every resident of Lithuania.



**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 2018, 1.01 TWh of electricity was generated and 9.6 TWh distributed to consumers and 7.6 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) 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.



1.01 TWh of electricity generated



7.0 TWh of electricity distributed



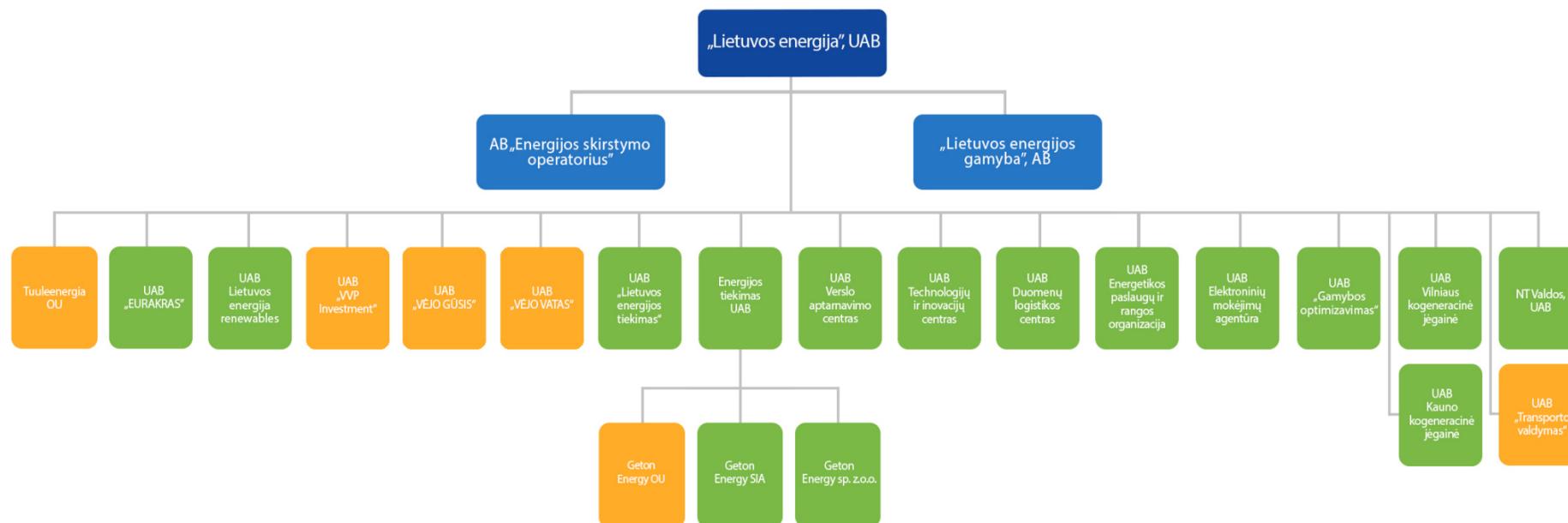
5.1 TWh of natural gas distributed



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 and construction of energy facilities, professional development of employees, public procurement, accounting, administration of employment relationships, and other services



**The Supervisory Board** is formed of 5 members (3 of them are independent)  
**The Board** is formed of 5 members (working at the Company)  
**CEO** – Chairman of the Board

**The Supervisory Board** is formed of 3 members (1 of them is independent)  
**The Board** is formed of 5 or 3 members (working at the Company)  
**CEO** – Chairman of the Board

**The Board** is formed of 3 members (2 shareholder representatives and 1 independent)\*  
**CEO** is not chairman of the Board

**CEO**  
 The Board is not formed

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



## Most significant events during 2018 and after the reporting period

### JANUARY

- For the fourth year in a row Lietuvos Energija was recognised the most progressive state-owned company. In the good governance index of state-owned enterprises (SOE) published by the Governance Coordination Centre, Lietuvos Energija the only one of SOE received the highest A+ rating.
- The European Commission approved support to Vilnius CHP plant.
- The European Commission approved the financing of infrastructure research of Kruonis PSHP in preparing for the development of the plant.

### FEBRUARY

- **1 February.** A new board of Lietuvos Energija Group and CEO Darius Maikštėnas were elected.
- **2 February.** Gilė simplified cash payment of fees for services provided at the places of payment acceptance.
- **12 February.** Construction of Vilnius cogeneration plant was commenced.
- **20 February.** Due to poor condition, a decision was taken to destroy no longer used chimneys in Elektrėnai Complex.

### MARCH

- **3 March.** The Board of Lietuvos Energija adopted a decision to transfer Vilnius Third CHP (TE-3) as a non-monetary contribution to the authorised capital of daughter company Lietuvos Energijos Gamyba.
- **7 March.** LITGAS plans to reduce maintenance costs of LNG terminal by approximately EUR 0.5 million in 2018.
- **14 March.** Ovidijus Martinonis became a Board member supervising the field of grids development of ESO.
- **21 March.** Lietuvos Energija announced planning to separate the of public electricity supply from ESO and to transfer it to another Group's company– Lietuvos Dujų Tiekimas (LDT) that supplies natural gas to residents and business.
- **23 March.** Lietuvos Energija received a prestigious award of financial markets for the issue of green bonds.

### APRIL

- 4 April. LDT, by strengthening relationships with the USA signed an arrangement with yet another supplier of American LNG.
- 13 April. Lietuvos Energija announced abandoning the contractor activity pursued by the Group's company EnePRO.
- 18 April. Lietuvos Energija adopted a decision to wind up VAE SPB company belonging to the Group and no longer engaged in commercial activity.
- 23 April. Energijos Tiekimas in Latvia will offer both, electricity and natural gas.
- 24 April. CEO of the Group's company LITGAS became Tadas Adomaitis, whereas NT Valdosa are under the management of Martynas Nenėnas.
- 27 April. ESO started to provide the majority of its services by instalment. Not only the persons who install electricity or gas up to the boundary of their land plot will be able to use leasing, but also those who install an electricity or gas internal grid, solar power plant or have ordered an increase of power.

### MAY

- 02 May. At the General Meeting of Shareholders of Lietuvos Energija the amount of dividends 78.3 mln. EUR earmarked for the state budget.
- May 23. A general meeting of Lietuvos Energija shareholders approved the Group's strategy until 2030. It provides for paying EUR 1.6 billion in dividends during 12 years.
- 24 May. Lietuvos Energija Group won in the European Business Awards the award Company of the Year within the category of achieving a turnover of EUR 150 million or higher.
- 30 May. S&P Global Ratings approved the valid BBB+ credit rating with a stable perspective for Lietuvos Energija Group. This is the highest rating among analogous energy countries in the Baltic States and the second best among Eastern European analogous energy enterprises.

### JUNE

- 7 June. The Smart Energy Fund powered by Lietuvos Energija and the business accelerator allocated the first investments - invested EUR 350 thousand into two start-ups.
- 21 June. The Board of Lietuvos Energija approved the second issue of the green bonds and increasing the medium-length non-property securities programme up to EUR 1.5 billion.

### JULY

- 3 July. Lietuvos Energija placed a EUR 300 million issue of green bonds with a 10-year term to maturity. An annual interest of 1.875 percent is paid for the bonds.
- 10 July. The Smart Energy Fund powered by Lietuvos Energija, managed by Contrarian Ventures invested EUR 250 thousand pounds into the energy technology start-up Voltaware operating in the United Kingdom.
- 17 July. ESO announced an investment plan that foresees to make investments of EUR 2.1 billion during 2018-2027.
- 31 July. Lietuvos Dujų Tiekimas was granted a public supply licence. From 1 October, the company, under the name Lietuvos Energijos Tiekimas (LET) started providing not only gas but also electricity.



## AUGUST

- 10 August. Dalia Andriulionienė withdrew from the position of the Chairperson of the Board and CEO of Energijos Skirstymo Operatorius upon mutual agreement of the parties.
- 10 August. Lietuvos Energija signed a share purchase- sale agreement for the acquisition of three wind power plants with a capacity of 34 MW run by Vėjo Vatas and Vėjo Gūsis.
- 27 August. The Smart Energy Fund powered by Lietuvos Energija, invested into the energy technology start-up Fusebox operating in Estonia.

## SEPTEMBER

- 20 September. During the #SWITCH event, the first open hackathon of Lietuvos Energija took place involving the participation of over 35 energy, IT specialists, marketing professionals, company managers.
- 27 September. LEG reported on its plans to install an experimental solar power plant floating on the water in Kruonis Pumped Storage Power Plant. The company intends to implement this exclusive project together with scientists of Kaunas University of Technology, whereas support in turning the innovative idea into reality is requested from the European Union foundations.

## OCTOBER

- 1 October. The supply of electricity and gas to residents was commenced by one company – Lietuvos Energijos Tiekimas (former Lietuvos Dujų Tekimas).
- 2 October. The Board of Energijos Skirstymo Operatorius elected Midaugas Keizeris as the new Chairman of the Board and CEO.
- 3 October. The Smart Energy Fund powered by Lietuvos Energija invests EUR 250 thousand into the PVCASE tool automating the designing of solar power plants.
- 9 October. Lietuvos Energija Group, by implementing its strategic goals to become established in Poland, appointed Diana Kazakevič as a regional manager of Poland.
- 18 October. Lietuvos Energija established a unique Innovation Hub. The cooperation platform developed by it seeks to attract 500 innovation ideas from abroad and Lithuania.
- Gerindama elektros įvedimo greitį ir sąlygas, elektros ir dujų skirstymo bendrovė ESO prisidėjo prie visos Lietuvos konkurencingumo reitingo augimo. Spalio 31 d. Pasaulio banko paskelbtame „Doing Business 2018“ reitinge Lietuva pagal prisijungimo prie elektros tinklų rodiklį pakilo į 26 vietą – tai 7 pozicijomis geriau lyginant su 2017 m. rodikliu.

## NOVEMBER

- **1 November.** Ignas Pranskevičius resigned from the position of Board member and Director of the Service Department of ESO.
- **7 November.** The Ministry of Finance of the Republic of Lithuania has submitted to the Company a shareholder's decision to revoke Ramūnas Dilba from the Supervisory Board of the Company in accordance with his resignation from the Supervisory Board of the Company.
- 1 November. Energijos sprendimų centras has been merged with Energijos tiekimas.
- **November 17.** In Kruonis PSHP, a part of Lietuvos Energijos gamyba, a test aimed at Lithuanian energy system recovery after the total black-out was successfully completed. The situation has been simulated in a way that after the black-out, the energy supply has been recovered with the help of Kruonis PSHP. LNG has been supplied to Polish and Estonian companies overland.

## DECEMBER

- **December 10.** Lietuvos Energija confirmed the terms and conditions for the reorganisation of UAB Lietuvos Energijos Tiekimas and UAB LITGAS. UAB LITGAS, which ceased to exist without the liquidation procedure, was connected to UAB Lietuvos Energijos Tiekimas (that continues to operate) on the 1<sup>st</sup> of January, 2019.
- **December 10.** Lietuvos Energija confirmed the terms and conditions for the disentanglement of UAB Energijos Tiekimas and establishment of a new company to which the activities of optimization of the works of power plants had to be transferred. The new company, UAB Gamybos Optimizavimas, started its activity on the 1<sup>st</sup> of January, 2019.
- **December 11.** The management Board of Lietuvos Energijos Gamyba decided to terminate the exploitation of Unit 8 of Lithuanian Power Plant from January 1, 2019 and to put it into preservation mode. The Unit 7 of the Lithuanian Power Plant has been in the preservation mode from January 1, 2018. Both units will be kept in the preservation mode until their necessary function during the anticipated test of the Baltic States energy systems isolated work.
- **December 20.** Lietuvos Energijos Gamyba (LEG) revised its strategy. The main focus in the Strategy is on the principal activity of LEG – strategic power generation, as a basis for achieving the growth objectives of the entire Group.
- **December 27.** Lietuvos Energija has acquired 100% percent of shares of VVP Investment JSC from the group of natural persons and legal entities. VVP Investment JSC currently develops a wind farm of 20 turbines with capacities of 60 MW in the north-western part of Lithuania.
- **December 27.** Supervisory board of the ESO recalled the management Board of the ESO and elected a new management Board for the next four-year period.
- **December 31.** Seeking to develop its renewable generation portfolio further and optimize the activities of its wind energy generation companies, Lietuvos Energija has approved the establishment of a new company. UAB Lietuvos Energija Renewables will control the shares of its existing subsidiaries, engaged in wind power generation and renewable power generation development.



## 2019 JANUARY

(after the reporting period)

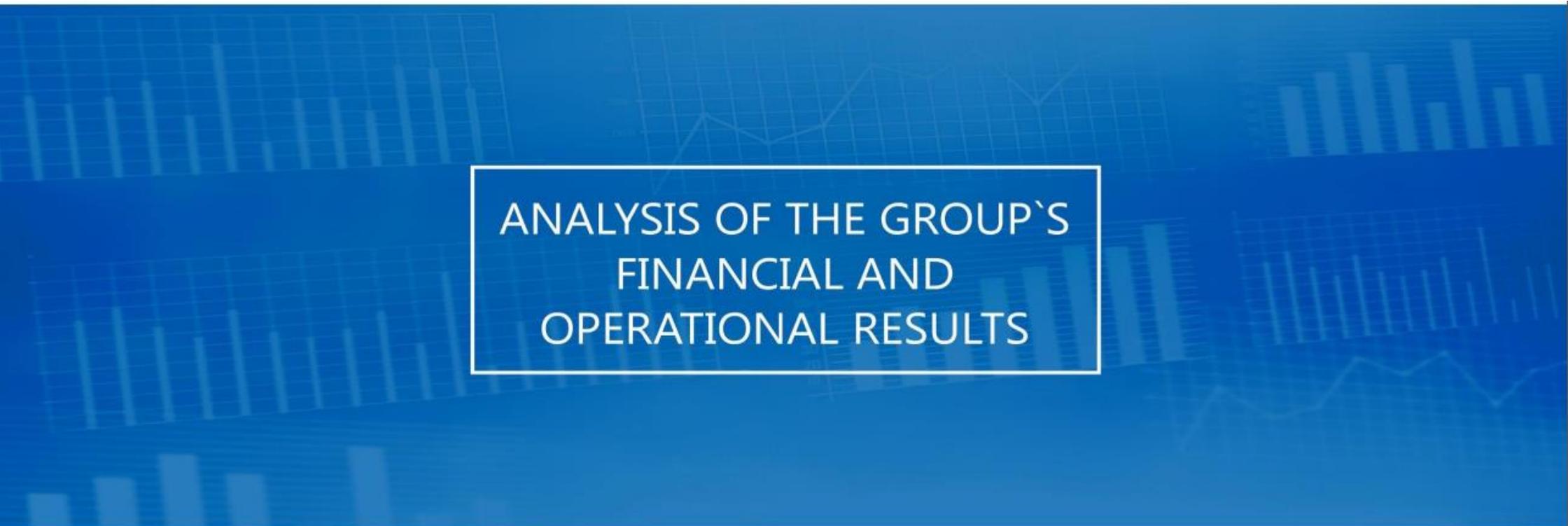
- **January 7.** Taking into account a notification received from Ms. Eglė Čiužaitė (dated on the 7th of January, 2019) on her resignation from the position of the Chief Executive Officer of the Company, the Board and the Supervisory Board of the Company adopted a decision to recall Ms. Eglė Čiužaitė from the position of Chief Executive Officer of the Company from the 21<sup>st</sup> of January, 2019.
- **January 8.** Lietuvos Energijos Gamyba 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.
- **January 18.** 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.
- **January 18.** 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.
- **January 31.** 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.

## 2019 FEBRUARY

(after the reporting period)

- **February 1.** 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.
- **February 13.** Lietuvos Energija announced international search for a strategic partner to develop offshore wind energy projects. Lithuanian company has initiated an Expression of Interest (EOI) process to select an experienced partner for the development of projects in the European Economic Area. The company expects to find an experienced partner with a proven track record who would bring best-practises and expertise in building offshore wind projects and, later on, could develop joint offshore wind energy projects in Lithuania.
- **February 25.** 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.
- In the combined cycle unit, owned by Lietuvos Energijos Gamyba, trials 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.





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



## Analysis of the Group's Financial and Operating Results

Key operating indicators		2018	2017	Δ, +/-	Δ, %
<b>Electricity</b>					
Distributed electricity:	TWh	9.59	9.22	0.37	4.0%
Distributed to customers of independent suppliers	TWh	6.17	6.00	0.17	2.9%
Public and guaranteed supply	TWh	3.42	3.22	0.19	6.0%
Generated electricity	TWh	1.01	1.28	-0.27	-20.9%
Generated electricity using renewable energy sources	TWh	0.46	0.59	-0.13	-21.4%
Volume of electricity sold:	TWh	5.82	5.43	0.38	7.1%
Public and guaranteed supply	TWh	3.42	3.22	0.19	6.0%
Sales in retail market	TWh	2.40	2.21	0.19	8.6%
Number of newly connected customers	units	30,976	29,640	1,336	4.5%
Duration of connection of new customers (average)	calendar days	47.58	48.72	-1.14	-2.3%
<b>Quality indicators of electricity supply</b>					
SAIDI, min. (with force majeure)	min.	81.37	137.83	-56.46	-41.0%
SAIFI, units (with force majeure)	units	1.14	1.32	-0.18	-13.6%
Technological costs in the distribution network	%	6.03%	6.14%		-1.8%
<b>Gas</b>					
Volume of gas distributed	TWh	7.60	7.37	0.23	3.2%
Volume of gas sold in retail market	TWh	10.77	11.47	-0.70	-6.1%
Volume of gas purchased:	TWh	10.30	11.88	-1.58	-13.3%
Volume of LNG purchased	TWh	5.25	6.35	-1.10	-17.3%
Volume of natural gas purchased	TWh	5.05	5.53	-0.48	-8.7%
Number of newly connected customers	units	14,741	12,531	2,210	17.6%
Duration of connection of new customers (average)	calendar days	89.17	165.60	-76.43	-46.2%
<b>Quality indicators of gas supply</b>					
SAIDI, min. (with force majeure)	min.	0.606	1.161	-0.556	-47.8%
SAIFI, units (with force majeure)	units	0.006	0.007	0.001	-15.2%
Technological costs in the distribution network	%	2.06%	2.13%		-3.1%



Compared to 2017, distributed amount of electricity in 2018 has slightly increased and was 9.59 TWh (+0.37 TWh). The distribution of electricity to independent consumers increased and amounted to 6.17 TWh (+0.17 TWh), the volumes of public and guarantee supply increased by +6.0% and amounted to 3.42 TWh (in 2017 – 3.22 TWh).

Compared to 2017, electricity generation in Kaunas A. Brazauskas Hydroelectric Power Plant in 2018 decreased -24.5% due to the lower level of water in the Nemunas river and amounted to 0.35 TWh. Electricity generation volumes at Kruonis Pumped Storage Hydroelectric Plant has also decreased (-14.4%) due to repair works and amounted to 0.47 TWh.

Favourable conditions for production by the combined cycle unit at Elektrėnai complex have formed in March, when the whole Scandinavia and Baltic countries were encased by cold weather as a result whereof electricity consumption increased; besides, production volumes at wind power plants have considerably declined. During July-October due to repair works of Nordbalt connection CCU was switched on 8 times for commercial production. In Elektrėnai complex 0.06 TWh electricity was generated during 2018 (in 2017 – 0.13 TWh).

During 2018, the volume of electricity generated in wind power plants operating in Estonia and Lithuania amounted to 0.13 TWh, i.e., -0.002 TWh or -2.2 percent less than last year. Due to low weather temperature, unfavourable weather conditions for operation of wind power plants prevailed in February. During 2018, electricity generation part from renewable energy resources accounted for 47% of the Group's total electricity generation volume (during 2017 – 46%).

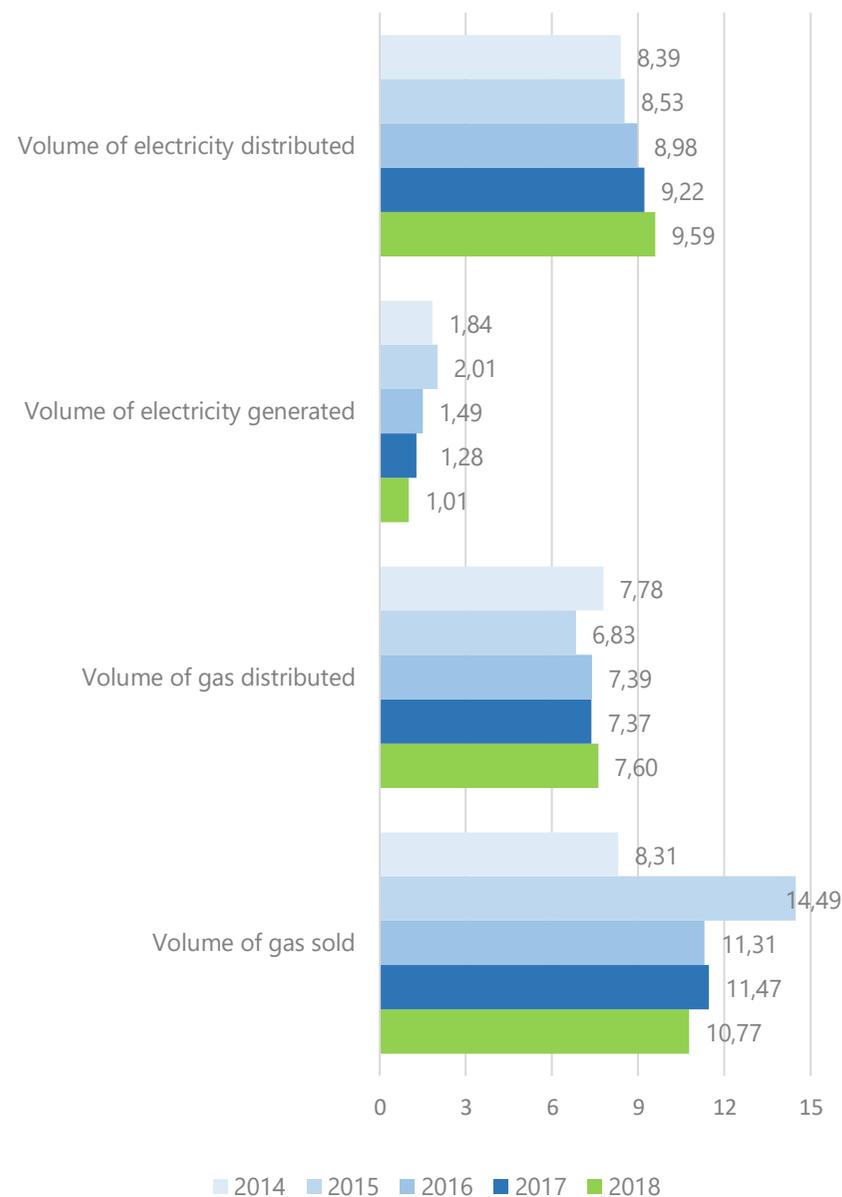
During 2018, technological costs in the electricity distribution network decreased down to 6.03% (during 2017 – 6.14%). SAIDI ratio with the impact of natural disasters (force majeure) reduced during the comparative period down to 81.37 minutes (in 2017 – 137.83 minutes). The main reason of positive change is significantly reduced duration of fault resolution. During 2018 ESO has eliminated the power failure by 1.3 hours on average from registration of failure. Last year, on average, it took 3.5 hours. Collaboration with meteorologists, digitalisation of dispatcher management and more efficient organization of the work of the fault management have helped to shorten the failure time. SAIFI ratio during 2018 amounted to 1.14 times (during 2017 – 1.32 times). Positive change in ratio was influenced by higher investments to the underground grid more resistant to natural disasters.

The volume of gas distributed by the Group companies increased by +3.2% or +0.23 TWh during 2018. The volume of gas sold in retail market during 2018 has decreased by -6.1% or -0.70 TWh. This was mostly affected by lower volume of gas sold to non-domestic consumers due to smaller consumption.

During 2018, technological costs in the gas distribution network decreased from 2.13% to 2.06%. SAIDI ratio for gas distribution, including the impact of natural disasters (force majeure) during 2018 plummeted markedly and equalled to 0.61 minutes (during 2017 – 1.16 minutes), whereas SAIFI ratio amounted to ~0.006 units (during 2017 ~0.007 units).

During 2018, 30,976 new electricity consumers were connected, +4.5% more as compared to previous year. 14,741 new customers were connected to the natural gas distribution grid – more by 17.6% as compared to previous year.

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



# Key financial indicators

The financial data all presented in million EUR, unless indicated otherwise..

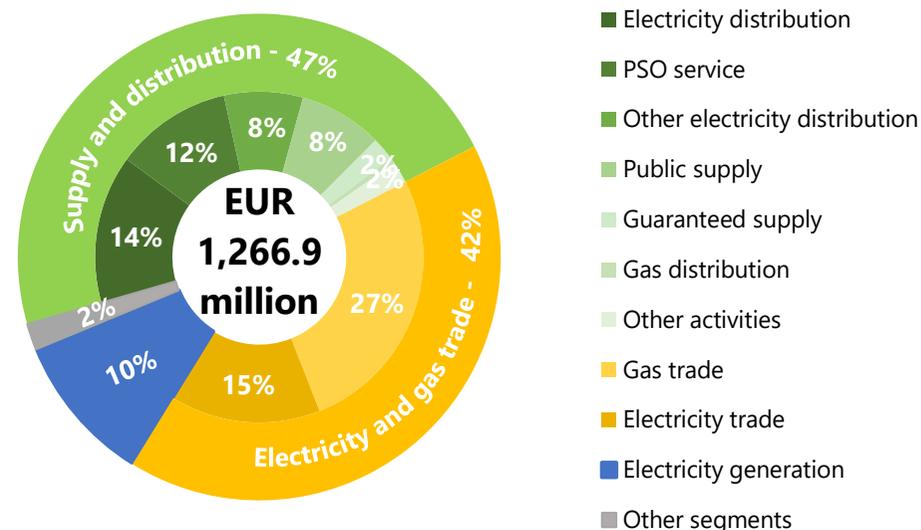
## Revenue

Revenue of the Lietuvos Energija Group during 2018, as compared with the same period last year, grew by +15.1% (EUR +166 million) and totalled EUR 1,266.9 million. The main reasons for the change in revenues were:

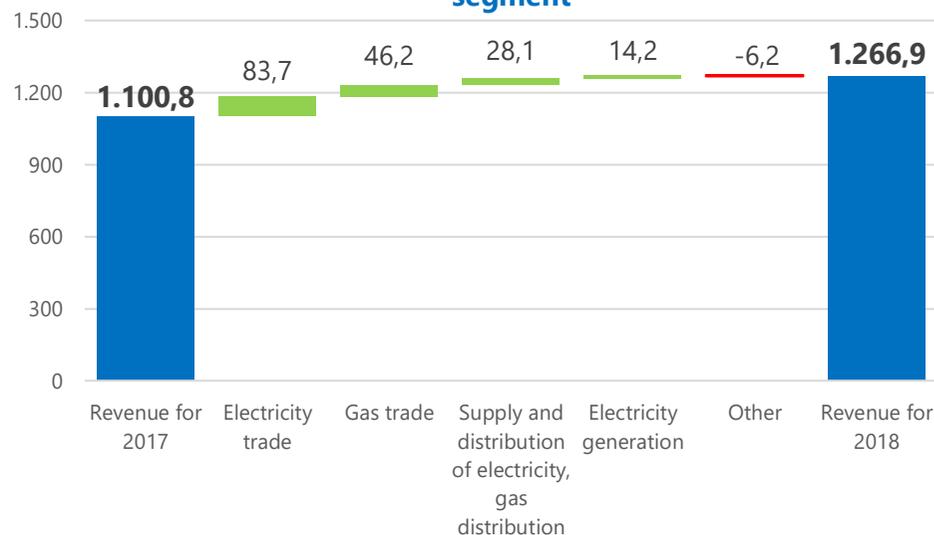
1. **Higher revenues from trading in electricity.** The Group's consolidated revenue from trade of electricity increased by EUR +83.7 million. The increased price in the electricity market had the effect on growth in revenue in this segment. An average electricity price in the Nord Pool exchange during 2018 amounted to 49.96 EUR/MWh. Price increase was influenced by repairs of the NordBalt electricity link with Sweden, unfavourable weather conditions for electricity generation, repairs of nuclear power plants in Scandinavia, and higher energy consumption. Revenue in this operating segment also grew due to greater electricity sale volumes in the retail market +8.6% that rose due to a greater number of customers in Lithuania and untypically hot weather. Besides, in 2018 the Group has been receiving income (EUR 36.5 million) from the subsidiary of Energijos Tiekimas in Poland that has been operational since the end of 2017.
2. **Higher revenues from trading in gas.** The Group's consolidated revenue from sale of gas has increased by EUR +46.1 million; the main reason of this is increased sale price of gas for non-domestic users. The price grew due to changes in the gas market and full return of Gazprom discount for the gas price in the middle of 2017. Revenue from sale of gas to non-domestic users grew by EUR +36 million. Revenue from sale of gas to domestic users grew by EUR +7.1 million. due to an increased number of consumers.

The main sources of the Group's revenues: revenue from the segment of electricity supply and distribution and gas distribution (EUR 594.5 million during 2018) constitutes 47% of the Group's total revenue (2017 – 51%). Revenue from the operating segments of trade of electricity and gas (EUR 524.2 million during 2018) represents 42% (during 2017 – 36%). The share of revenue from electricity generation in the total revenue structure accounts for 10% (during 2017 – 10%).

The Group's revenue structure in 2018



Dynamics of the Group's revenue by operating segment



## Cost of goods sold

During the reporting period the Group's purchase costs of electricity, gas, fuel and associated services amounted to EUR 986.6 million (during 2017 – EUR 740.7 million). As compared to 2017, these costs have increased by +33.2%.

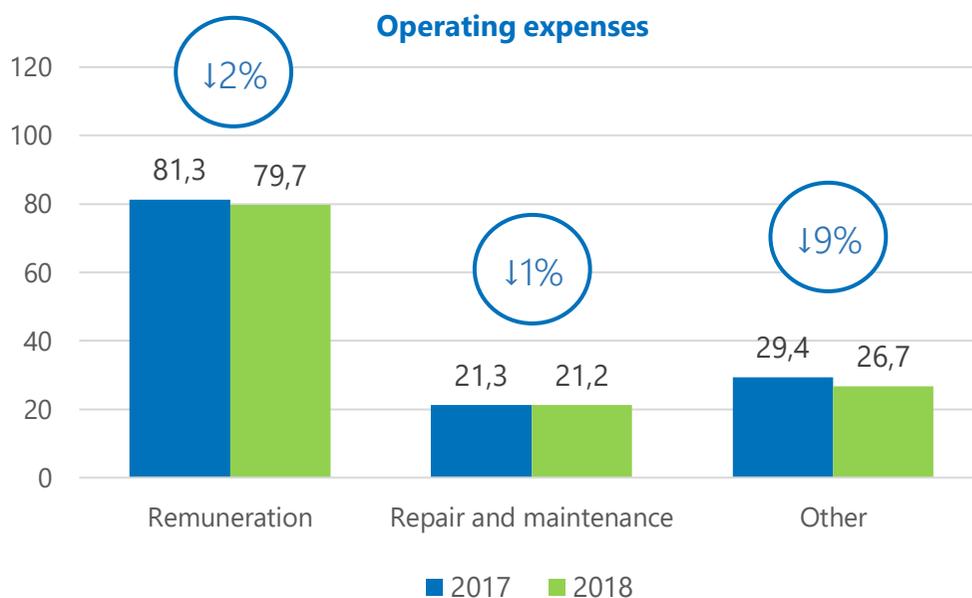
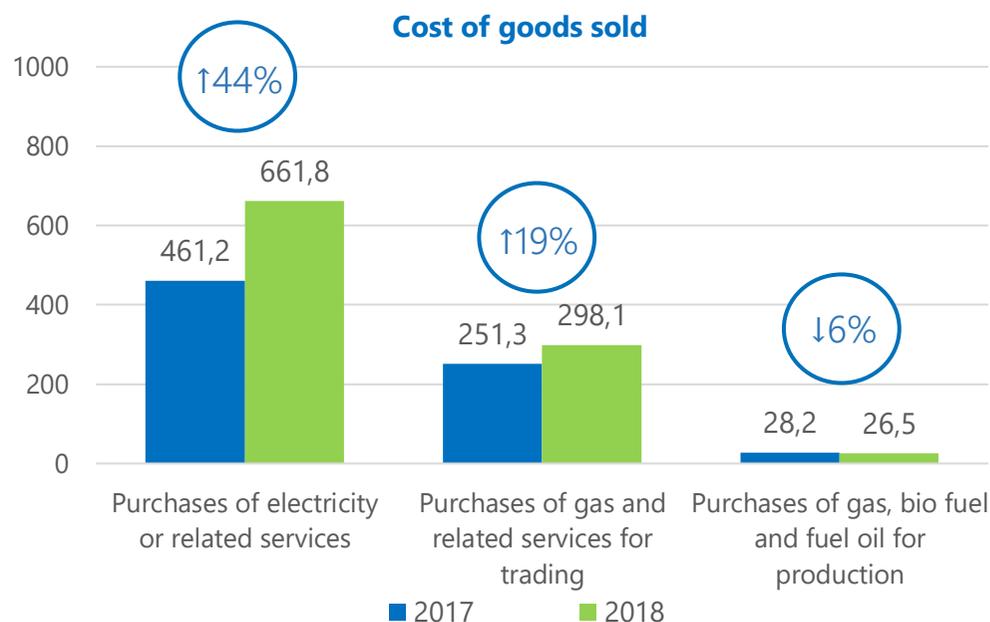
As compared with 2017, purchase costs of electricity or associated services significantly increased by EUR +200.6 million (+43.5%) and amounted to EUR 661.8 million. The growth was influenced by increased electricity acquisition prices and higher sale volumes. Also, similarly to the growth in revenue, the growth in costs was affected by the subsidiary of Energijos Tiekimas in Poland which started its operations at the end of 2017.

Purchases of gas for trading and associated services increased by EUR +46.8 million or +18.6% as compared with 2017. This was determined by an increased price for the acquisition of gas.

## Operating expenses

The Group's operating expenses decreased by 3.3% (EUR -4.4 million) compared to 2017 and amounted to EUR 127.6 million in 2018. The main reasons causing decline in operating expenses were as follows:

1. **Lower remuneration expenses.** Remuneration expenses declined by EUR -1.6 million or 2% as a result of a 15% decrease in the number of employees. As at 31 December 2018, the Group had 3,826 (31 December 2017: 4,513) employees (the number of employment contracts is presented).
2. **Lower other operating expenses.** During 2018 as a result of efficiency improvement various other operating expenses have decreased. Most significant decrease in other operating expenses was due to lower support expenses (EUR -0.8 million) after the closure of the Lietuvos Energija support fund.



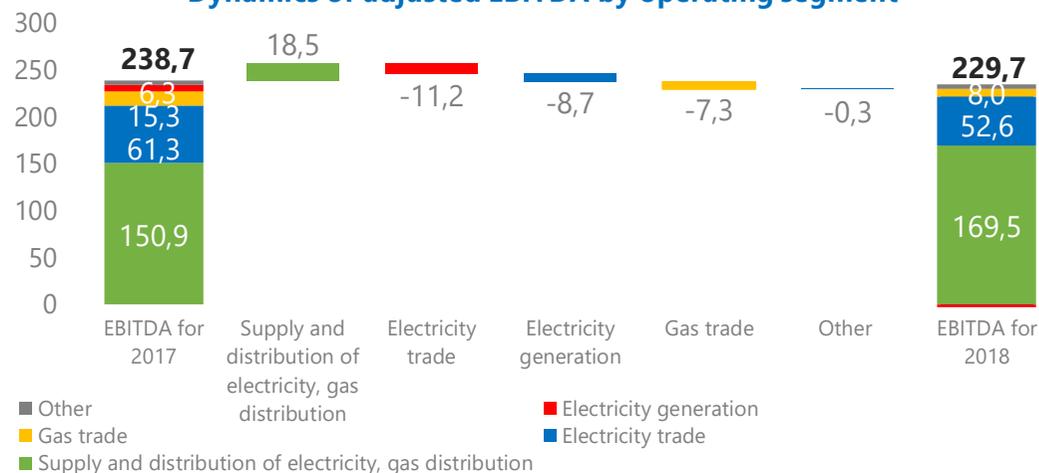
## EBITDA

The Group's adjusted EBITDA for the year 2018 amounted to EUR 229,7 million. This is -3,8% or -9 million EUR less compared to adjusted EBITDA for 2017 when it was equal to EUR 238,7 million. The adjusted EBITDA margin during the reporting period was 18.1% (in 2017 – 21.7%). The main reasons that have led to the change in the Group's adjusted EBITDA:

- Higher electricity and gas distribution EBITDA result.** Adjusted EBITDA of electricity and gas distribution segment has grown by EUR +18.5 million. The increase resulted from improved operational efficiency and higher investments into modernisation and development of the networks. In accordance with the new regulation of the electricity sector that became effective from 2016, Energijos Skirstymo Operatorius is encouraged to save costs and a part of such savings remains with the company.
- Lower EBITDA of electricity trading segment.** During 2018 adjusted EBITDA result of electricity trading activity was EUR -11,2 million lower compared to 2017. This was affected by unusually high prices of electricity at the Nord Pool exchange. Increased demand of electricity in the presence of high electricity acquisition prices, but with fixed sale prices have had a negative effect on the EBITDA result in this segment.
- Lower EBITDA of electricity generation segment.** The adjusted EBITDA of the generation activity decreased by EUR -8.7 million compared to 2017 due to the lower EBITDA of the Elektrėnai Complex, which was determined by the decreased scope of the provided regulated services as well as lower income received from these activities. It was partly compensated by higher sales revenue of Kaunas A. Brazauskas' HPP, better commercial results of Kruonis PSHP, and lower costs of the dismantling projects at Elektrėnai Complex.
- Lower EBITDA of gas trading segment.** In 2018, the adjusted EBITDA result of gas trading activity was EUR -7.3 million lower than in 2017. This was due to the increased price for the purchase of gas in the market and decreasing sales margins.

\*Adjusted EBITDA indicator is based on management adjustments that are not presented in the financial statements. A more detailed description of the management adjustments is presented in Consolidated and Company Financial statements, Note 16 "Operating segments".

## Dynamics of adjusted EBITDA by operating segment



	2018	2017	Δ, +/-
<b>Operating profit</b>	<b>17.4</b>	<b>97.1</b>	<b>-79.7</b>
Depreciation and amortization expenses	87.4	87.4	0.0
Impairment expenses and write-offs of PPE	57.2	45.0	12.2
Revaluation of emission allowances	-10.8	-2.3	-8.5
<b>EBITDA</b>	<b>151.2</b>	<b>227.2</b>	<b>-76.0</b>
<b>Management's adjustments*</b>			
Recalculation of regulated revenue of ESO (1)	64.0	10.9	53.1
Recalculation of regulated revenue of LET (2)	23.7	1.0	22.7
Recalculation of regulated revenue of LITGAS (3)	4.5	7.8	-3.3
Write-offs of inventories and receivables	1.4	0.9	0.5
Gas price discount provided by Gazprom (4)	-	8.7	-8.7
Recalculation of regulated revenue of LEG (5)	-	-11.4	11.4
Regularisation of commercial activities of LEG (6)	-	-5.4	5.4
Change in market value of open financial derivative instruments	-15.1	-1.1	-14.0
<b>Total of management's adjustments</b>	<b>78.5</b>	<b>11.5</b>	<b>67.0</b>
<b>Adjusted EBITDA</b>	<b>229.7</b>	<b>235.8</b>	<b>-9.0</b>

(1) elimination of the effect of the recalculation of the return on investment of the reporting period made by the National Commission for Energy Control and Prices, related to the profit earned in preceding periods and exceeding the return on investment permitted by the Commission, and of the profit earned in the reporting period exceeding the return permitted by the Commission

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

(3) elimination of deviation between the designated supplier's actual and regulated revenue, by which the company's future financial results will be adjusted

(4) expenses, which, in management's view, are related to the prior periods, are eliminated

(5) elimination of result of audits of regulated activities for prior periods, recalculation of expenses and income

(6) elimination of the effect of the commercial activity regularisation, which was annulled by the court's decision.



## Net profit

In 2017, the Group earned net profit of EUR 6.5 million, which is EUR -87 million less than net profit of EUR 93.5 million earned in 2017. The major impact on the net profit results for 2018, as compared with 2017, was due to the following effects:

1. The major impact on the reduced net profit was made by the increased acquisition costs of electricity and gas that have increased faster than revenues from sale of electricity and gas and increased acquisition prices of electricity and gas, the total effect – EUR 84.9 million.
2. As a result of the valuation of fixed assets ESO accounted impairment expenses which had an impact to Group's net profit result of EUR -41 million.
3. Net profit result for 2017 was significantly affected by the fixed assets revaluation and impairment expenses (EUR -34.4 million). Most significant was recognised impairment of LEG's assets (units 7 and 8 of the Elektrėnai Complex), the effect of which on net profit was equal to EUR 26.7 million.

Upon assessing (eliminating) a positive/negative effect of the recalculation of regulated income and impairment of assets, the Group's adjusted net profit decreased by EUR -4.3 million or -3.3% and amounted to EUR 125.8 million. This was mainly affected by lower result of financial activity by EUR 6.9 million. as compared with previous year. This was influenced by increased interest expenses due to the growing financial debt of the Group.

## Equity

The equity of Lietuvos Energija Group during 2018 reduced by -0.5% or EUR -7 million and on 31 December 2018 it was equal to EUR 1,336.6 million. During the reporting period, the Group allocated and paid to the shareholder EUR 78.3 million in dividends for 2017. The Group's equity also decreased by EUR 62.7 million due to change in the ESO accounting policy upon adopting the new IFRS's. As a result of the revaluation of ESO assets, the impact on the revaluation reserve due to the increase in value was EUR +134 million. The Group's equity ratio reduced during the reporting period and on 31 December 2018 amounted to 46.6% (on 31 December 2017, it amounted to 53.6%).

The Group's net profit and adjusted net profit



Net profit adjustments	2018	2017	Δ, +/-
<b>Net profit for the reporting period</b>	<b>6.5</b>	<b>93.5</b>	<b>-87.0</b>
Recalculation of regulated revenue of ESO	54.4	9.3	45.1
Impairment of assets of ESO	41.0	-	41.0
Recalculation of regulated revenue of LET	20.2	0.9	19.3
Recalculation of regulated revenue of LITGAS	3.8	6.6	-2.8
Gas price discount provided by Gazprom	-	7.4	-7.4
Recalculation of regulated revenue of LEG	-	-9.7	9.7
Regularisation of commercial activities of LEG	-	-4.6	4.6
Impairment of assets of LEG	-	26.7	-26.7
<b>Adjusted net profit</b>	<b>125.8</b>	<b>130.1</b>	<b>-4.3</b>

## Investments

The Group's investments during 2018 amounted to EUR 409.2 million or by +61.5% more compared to previous year. The major investments were allocated for the renewal (30%) and development (21%) of the electricity distribution network; also, investments into Vilnius and Kaunas CHP plants increased significantly (20%).

As compared to previous year, during 2018, investments into the renewal of the electricity distribution network have decreased by EUR -6.7 million. During 2018, Energijos Skirstymo Operatorius (ESO) investments into the development of the electricity distribution network amounted to EUR 121.5 million. During 2018, ESO invested EUR 83.7 million into the development of the electricity distribution network. During 2018, ESO connected to the electricity distribution grid 31.0 thousand new consumers – 4.5 % more compared to 2017, when 29.6 thousand consumers were connected. The allowable power of new connected consumers during 2018 amounted to 445 thousand kW and was 7.3% higher than compared to 2017, when it amounted to 414 thousand kW.

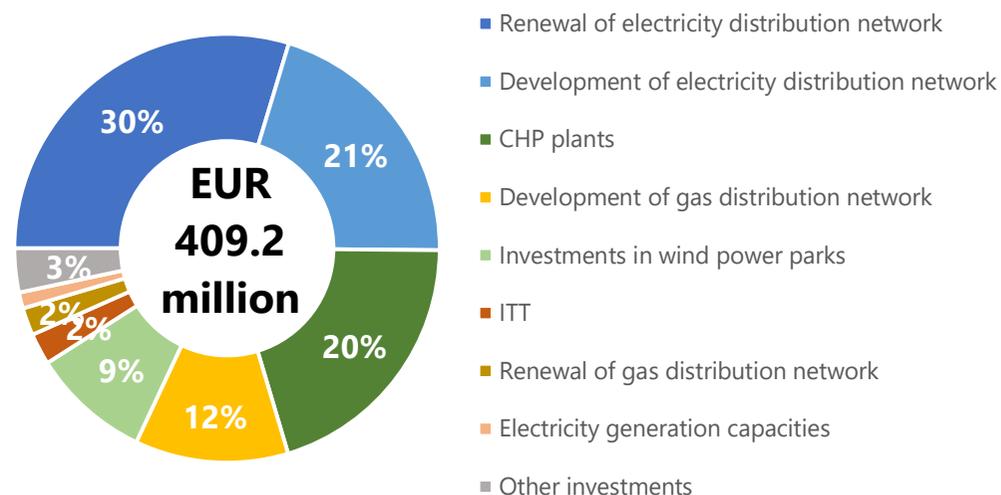
During 2018 the construction works in connection with the projects of Vilnius and Kaunas CHPs have gained momentum. Investments in these projects during a period of twelve months of 2018 amounted to EUR 82,7 million.

During 2018 ESO's investments into the development of the gas distribution network amounted to EUR 47.7 million and were 78% higher compared to 2017 (26.7 million EUR). During 2018, ESO built 614.2 kilometres of the distribution pipelines for connecting new customers to the gas network. 372.5 kilometres of the distribution pipelines for connecting new customers to the gas network were built in 2017.

On 31 December 2017, the Group's assets amounted to EUR 2,505.1 million. During 2018, the Group's assets increased by 14.4% (or +EUR 360.9 million) and on 31 December 2018 amounted to EUR 2,865.9 million. The most significant effect on the change in the Group's assets was due to increased non-current tangible assets as a result of investments made by the Group's companies.

The Group and UAB Stemma Group completed acquisition of 100 percent shares of UAB Vėjo Vatas and UAB Vėjo Gūsis and the shareholder's claim rights on 5 November 2018. UAB Vėjo Vatas operates a wind farm of 14.9 MW and UAB Vėjo Gūsis operates wind farms with the capacities of 10 MW and 9.1 MW.

Group's investment structure in 2018, %



Dynamics of the Group's investments by sector	2018	2017	Δ, +/-	Δ, %
Renewal of electricity distribution network	121.5	128.2	-6.7	-5%
Development of electricity distribution network	83.7	52.2	31.4	60%
CHP plants	82.7	10.1	72.7	721%
Development of gas distribution network	47.7	26.7	20.9	78%
Investments in wind power plants (1)	36.8	0.0	36.8	100%
ITT	9.7	15.4	-5.6	-37%
Renewal of gas distribution network	8.5	8.2	0.3	4%
Electricity generation capacities	4.9	1.9	3.0	157%
Other investments	13.6	10.7	2.9	27%
<b>Total</b>	<b>409.2</b>	<b>253.4</b>	<b>155.8</b>	<b>61%</b>

(1) Disclosed amount of investments in the wind power plants shows increase in the amount of the Group's property, plant and equipment due to the acquisition of the wind power plants.

## Financing

On 31 December 2018, the Group's net debt amounted to EUR 732.2 million. As compared to the net debt at the end of 2017, the amount increased by +65.5% or EUR +289.9 million. The increase in the net debt was mostly influenced by investments made by the Group's companies.

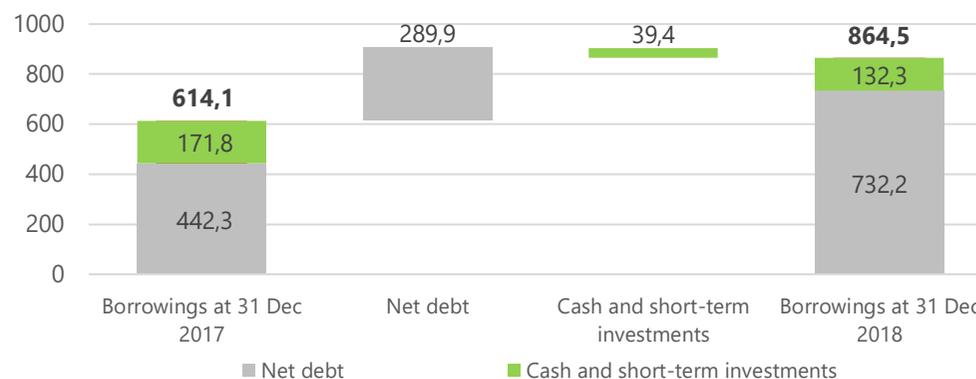
The level of the Group's borrowings increased by 40.8% (or EUR 250.4 million) and on 31 December 2018 amounted to EUR 864.5 million (at the end of 2017 – EUR 614.1 million). Borrowings amounting to EUR 600.0 million on 31 December 2018 were subject to a fixed interest rate (69.4% from total borrowings); the remaining amount of borrowings was subject to variable interest rate. The amount of the Group's cash balances and short-term investments on 31 December 2018 amounted to EUR 132.3 million, i.e., EUR 39.4 million or 22.9% less than at the end of 2017 (EUR 171.8 million). The decrease was mostly due to investments made by the Group's entities.

The ratio of the Group's net debt to the adjusted EDITDA for the last 12 months increased from 1.85 times at the end of 2017 up to 3.19 times as at 31 December 2018. The increase resulted from increased net debt of the Group. The average repayment period of the borrowings on 31 December 2018 was 7.6 years (on 31 December 2017 – 6.2 years). In July 2018, Lietuvos Energija issued the second 10-year EUR 300 million worth issue of green bonds. An annual interest of 1.875 percent shall be paid for the bonds.

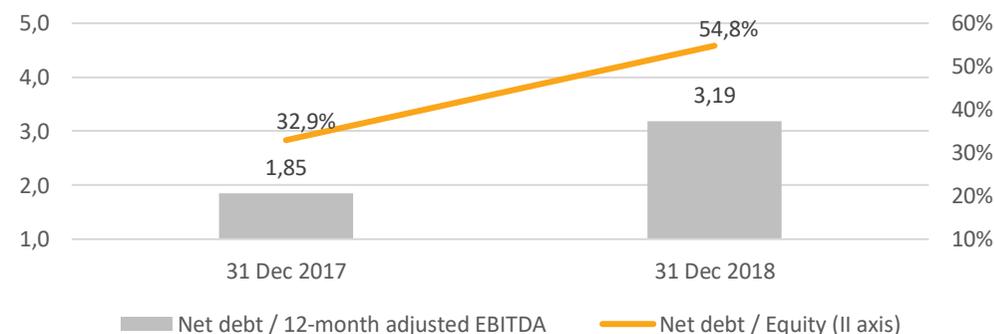
The ratio of the Group's net debt and the Group's equity increased from 32.9 percent at the end of 2017 up to 54.8% on 31 December 2018. The Group's current liquidity rate on 30 September 2018 was 1.18 (1.29 on 31 December 2017). The Group manages liquidity by entering into the credit line agreements with banks. On 31 December 2018, the Group's unwithdrawn credit line facilities amounted to EUR 157.7 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 and Poor's extended the BBB+ rating to Lietuvos Energija with a stable perspective. Such assessment among analogous energy companies in the Baltic States is the highest and one of the best in the sector of analogous energy companies in Europe.

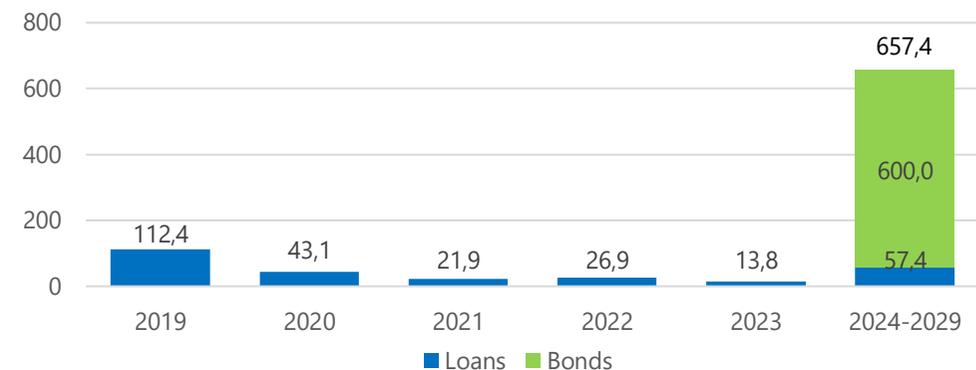
### The Group's borrowings and net debt



### The Group's net debt ratios



### Repayment schedule of the Group's borrowings



## Definitions

<b>Working capital</b>	Current assets - 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>	Electricity supply to ensure that customers who have not chosen an independent supplier or whose independent supplier fails to fulfill their obligations, discontinues operations or electricity supply contract are provided with 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>	Net profit (adjusted) / 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>Customers of independent suppliers</b>	Electricity consumers who have chosen an independent electricity supplier
<b>Return on equity (ROE)</b>	Net profit (loss) of a respective reporting period restated at annual value / average amount of equity during the reporting period
<b>Adjusted return on equity (ROE)</b>	Net adjusted profit (loss) of a respective reporting period restated at annual value / 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) of a respective reporting period restated at an annual value / average amount of total assets during the reporting period
<b>Operating expenses</b>	Operating 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 by an entity who holds a public supply license in accordance with the procedure and conditions established by law





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



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

The overview of Lietuvos Energija Group performance covers a period from 1 January 2018 until the report date.

## Creation of value for Lithuania

### Approved strategy of Lietuvos energija up to 2030

Lietuvos Energija has published an operating strategy for 12 years up to 2030 that provides for a fundamental transformation. The company will increase production capacities in the green energy and will expand to international markets where it will implement innovations in the energy sector. By implementing all that, a stable return will be ensured that will amount to EUR 1.6 billion during 2018-2030 and the best price and quality for customers will be maintained. Major attention is planned to be paid to sustainable development that consists of the assurance of strategic generation, development of green generation, creation of a commercial organization and the new energy. Since now Lietuvos Energija will go on a path of international development and will create high added value products. It is planned that half of the dividends earned by the group in 2030 will be received from activity abroad and this way the state budget will be supplemented with the profit earned from activities abroad. Lietuvos Energija will create a future energy by making it light, invisible green and global.

### Successful second issue of green bonds

Lietuvos Energija has successfully placed the second issue of green bonds for EUR 300 million. The bonds have been acquired by 115 investors from 22 states which demand exceeded the supply by even 4 times. Although the situation on the market is more complicated, this year Lietuvos Energija managed to place an emission even cheaper than last year – the profitability of bonds with a 10-year term to maturity is 2.066 per cent, less than that of 2.193 per cent in 2017 when the first issue, also of EUR 300 million and with a 10-year term was placed. The majority of bonds were acquired by investors from France, Germany, Great Britain, Italy, and Lithuania. With the attracted funds, Lietuvos Energija is planning to finance further investments into the wind energy, efficiency enhancement of the electricity distribution grid, as well as projects on energy production from waste and bio-mass. Lietuvos Energija undertakes to use funds attracted with the green bonds only for financing such investments that are intended for the green energy projects.

### Innovation Centre established by Lietuvos Energija

In October, Lietuvos Energija established a unique Innovation Centre which created the cooperation platform leinnovationhub.com will become the first step in seeking to implement available ideas in energy for Lithuanian and foreign start-ups. The Innovation Centre focuses on four key areas of cooperation: open infrastructure, open financing, open partnership and open culture. The centre expects to attract to them more than 500 innovation ideas, mostly from future foreign partners.

### Signing a cooperation agreement with Kaunas University of Technology

In the strengthening of its partnership with educational establishments, "Lietuvos energija" has signed a cooperation agreement with Kaunas University of Technology. On the basis of the agreement signed, the partners will be able to cooperate in developing and implementing research, human resources and other projects, to create together scientific production as well as to exchange scientific and technological information between each other and to systematize it, to cooperate in improving the courses of study, in organizing traineeships for the students, applicability of the knowledge acquired in practical work.

Kaunas University of Technology and Lietuvos Energija also are planning to tackle together technological issues and to collaborate in creating conditions for research..

## Improvement of the strategic infrastructure

### Preparation for the development of Kruonis Pumped Storage Plant

LEG has assessed the possibilities for the expansion of Kruonis PSHP with the installation of the fifth hydro unit. The results of the analysis show that under current market conditions the existing 900 MW capacity is sufficient for the operation of the power plant, but its expansion is important for assuring sufficient electricity capacity and competitive power system in Lithuania in future. Higher production capacity of Kruonis PSHP is expected to be achieved by building the fifth asynchronous hydro unit with the capacity of 225 MW.

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

In January 2018, the European Commission approved of a partial funding of studies on the power plant's poles site and infrastructure. The aim of these studies is to assess



whether the current condition of the poles site, on which the new pipeline would be constructed, meets the requirements established in the design. Partial funding of the feasibility study of the fifth unit of Kruonis PSHP was also approved. This study will aim to assess whether a synchronous or asynchronous unit would be more suitable in meeting today's needs and will also cover a socio-economic analysis.

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

### **ESO will ensure reliable electricity supply to residents and business in Eastern Lithuania**

By preparing for synchronising the electricity grids with the continental European network the electricity and gas distribution company Energijos Skirstymo Operatorius and the electricity transmission system operator Litgrid will implement a common project that will ensure reliable supply of electricity to residents and business in Eastern Lithuania. Lithuania has planned to synchronise electricity grids with the continental Europe until 2025. By then all high voltage transmission lines connecting Lithuanian and Byelorussian electricity grids will be disconnected. The construction of high voltage transmission lines that would ensure quality and uninterrupted electricity supply in Eastern Lithuania would cost EUR 20.36 million, however joint work of the companies' experts enabled to find a considerably cheaper solution that would cost EUR 1.2 million.

### **ESO opens electricity transmission grids to innovation developers**

Energijos Skirstymo Operatorius (ESO) opens the infrastructure of the electricity distribution grid for testing innovative solutions. Innovation developers may, under real conditions and free of charge, test technological solutions and equipment, whereas successful innovations would be considered by ESO for the application on a broader scope. All companies creating innovative solutions in the energy field, technology start-ups, universities and research centres may participate in the Sandbox project. ESO will grant access to the infrastructure free of charge. The testing of equipment will be free, whereas the project participants will have a possibility to discuss the test results with ESO specialists. This ESO initiative reflects a general approach of Lietuvos Energija Group to implement actively the development of innovations by establishing possibilities to test and to implement novelties contributing to the development of services, improvement of quality and growth in customer satisfaction. ESO will grant access to the distribution grid or data for equipment and technological solutions that would enable to systemise the grid, enhance its reliability, efficiency, to integrate renewable energy

resources and electricity producing consumers. Applications to experiment with micro-grids, regulation loan, energy storage, environmental protection technologies are welcome.

### **ESO plans investing during the decade up to 2.1 billion euros**

Energijos Skirstymo Operatorius (ESO) will invest into the enhancement of reliability, safety and smartness of the electricity and gas grid. The company described the planned investments in the investment plan for 2018-2020 published in July. In total, up to EUR 2.1 billion are planned to be invested. ESO plans to make investments in three directions. The first one is reliable and resilient to climate phenomena grid. By replacing overhead lines into underground, dismantling unreliable and frequently malfunctioning equipment, the company will seek to ensure an interrupted and quality energy distribution through the environmentally safe electricity and gas grid. Investments into the second direction – creation of remote-controlled network is aimed to improve the restoration of energy supply in case of failures, to establish conditions to make decisions on the network control based on real information, also facilitate the integration of renewable energy resources. The third direction is a smart grid. It is aimed to improve the quality of ESO services, make premises for customers to follow precisely the consumption of energy, get precise bills and save energy by rationally using it.

### **Experimental solar plant on water is planned in the basin of Kruonis Pumped Storage Power Plant**

LEG plans to install an experimental solar plant floating on the water at Kruonis Pumped Storage Power Plant (Kruonis PSPP). The company intends to implement this exceptional project together with scientists of Kaunas University of Technology) (KTU), whereas assistance in turning the innovative idea into reality is requested from European Union funds. The floating power plant would be the first such type power plant in the countries of this region and would stand out for its technical solutions. It would be possible to utilize an area of over 300 ha of the upper basin of Kruonis PSPP. The construction of the power plant would adjust to the variable water level in the basin and would be resilient to waving and ice.

### **Energy battery storage system in Kaunas A. Brazauskas' Hydroelectric Power Plant**

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



At present, the service of frequency regulation in the Baltic States is usually provided by the Russian power plants functioning in the post-Soviet ring BRELL of energy system. The battery's project is a solid step for Lithuania in guaranteeing independent service of frequency regulation inside the country – this service will become of major importance to Lithuania after 2025, and for the Baltic States it will be relevant after they get disconnected from the ring BRELL and get connected to the networks of continental Europe. The successfully implemented project of synergy of the hydroelectric power plant and the battery could serve as an excellent primary reserve source and a qualitative service could be offered to transmission system operator.

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

LEG is going to announce the competition of public procurement for equipment of the energy battery in the beginning of the year 2019.

## New services to customers

The purified activity of Lietuvos Energija Group enables to concentrate even more on the creation of new services, improvement of quality and accessibility of the services provided, improvement of customer service and development of the service channels.

### Electricity rate has reduced for the fifth year in a row

In 2018, electricity rate further reduced in Lithuania. It has been estimated that since 2013 the average electricity price for residents has reduced by as many as 23 %. The price of the most popular in the country - Standard one-time zone tariff plan - has reduced since February 2018 down to 11.3 cent per kWh. Residents who have chosen the Standard two-time zone tariff plan now pay 12.2 cent (during the day-time on working days) and 9.1 cent per kWh (during the night time and on weekends). Based on Eurostat, electricity prices for residents are among the smallest in Europe - last year cheaper electricity in the entire EU was only in Bulgaria and Hungary.

### ESO offered a possibility for customers to get all services by leasing

Nuo By consistently expanding the fields of activity, since now the electricity and gas distribution company Energijos Skirstymo Operatorius (ESO) will provide the majority of its services by instalment. Not only the persons who install electricity or gas up to the boundary of their land plot will be able to use leasing, but also those who install an electricity or gas internal grid, solar power plant or have ordered an increase of power.

It is expected that the leasing service will primarily alleviate a financial burden for settlers – will help plant expenses and will facilitate concerns of housewarming.

### Customers are offered also gas condense boilers

LET offers to customers to get from one hands condense gas boilers and water heaters, components necessary for them, also installation services, as well as order the supply of gas. The company plans to offer even more additional services in the future that would make gas heating, its installation and use even more convenient and simpler.

The new activity is focused not only on new, but also on existing customers. Upon changing the boilers acquired earlier with the news, condense-technology ones, they may cut down their consumption of gas up to 20 %.

### Residents may acquire electricity and gas more conveniently – from one supplier

By refining activities, since 1 October Lietuvos Energija separated the activity of electricity to supply to residents from Energijos Skirstymo Operatorius (ESO) under its management and transferred it to the Group's another company – Lietuvos Energijos Tiekimas (former Lietuvos Dujų Tiekimas). It is planned that the biggest benefit of change will be felt by those customers who bought electricity from ESO and gas – from LDT. Since now, they have to communicate on all issues associated with electricity or gas supply only with one company. Therefore, energy acquisition for them has become simpler and more convenient. The premises to separate activities and to concentrate the supply of electricity and gas at one company emerged after the Seimas approved an amendment to the Law on Electricity prepared by the Ministry of Energy on 30 June 2018.

## More convenient service and faster connection

### ESO agreed with road-builders to organise common works faster

Energijos Skirstymo Operatorius (ESO) and the Lithuanian Road Administration under the Ministry of Transport and Communications (LAKD) signed a cooperation agreement that will enable to enhance efficiency of grids modernisation and road reconstruction works, and to install electricity and gas for new customers faster. In the cooperation agreement signed between ESO and the Road Administration it was planned to coordinate jointly the planning and implementation of renewal, development of Lithuanian electricity grids, as well as road reconstruction works. This means that the organisations shall share annual work plans, will establish favourable conditions to carry out necessary works in the zones where energy distribution grids and roads intersect. If possible, renewal works of electricity grids and roads will be carried out simultaneously in specific locations.



### LET employed a robot for customer consulting

Digital technologies increasingly applicable in the energy field also improve the service of natural gas users. To serve corporate customers, the natural gas supply and trade company Lietuvos Dujų Tiekimas developed a robotic self-service system that expeditiously informs on the volumes of gas consumption and systemic services use. The robot named Linas took over a part of consultants' functions at the company and, by analysing nearly real time data gives advice to customers, also forecasts future trends. It is important that the robot gives messages not only after a happened fact, but forms a piece of news even before it, by advising what actions could be taken. The renewed self-service system is supplemented with the so-called "monitoring room" wherein the tools of analysis enabling to monitor conveniently and assess the usage of services, also to analyse costs and fees paid have been installed.

### Gilė simplified cash payments

Gilė belonging to Lietuvos Energija Group and taking care of the service of electricity and gas customers simplifies the services of paying fees with cash for provided services at the places of payment acceptance. Since 1 February, customers who pay fees for electricity and gas with cash at the places of payment acceptance – Lithuanian post offices, Maxima cash desks, Perlas terminals and elsewhere – will no longer have to take care of the calculation of the amount payable. A customer will only have to bring a reading showed by his electricity or gas meters, say the customer's code, and the amount payable will be calculated automatically. This sum will include the fee for electricity consumed and other amounts, if any, for example, debts, overpayment, monthly fee, or a fee for electricity for common needs of a house. If the customer does not have the necessary amount of money, it will be possible to pay only a part of the fee in a number of places of payment acceptance, and pay the remaining amount later. If not a full amount is paid, customers will be reminded thereof by a bill sent to them.

### ESO abolished a part of permanent places of work

For more than a half-year, accounting management specialists of ESO have worked remotely. Instead of travelling to the office in the morning, they go to customers directly from their homes. This solution enabled to increase the time allocated to customer service by 15 %, and to give up the space of 3 thousand square meters. Before implementing this novelty, a pilot project was carried out which showed that mobile staff members allocate to customers 7 % more time, therefore they respond to their enquiries faster and look into a problem more thoroughly. Upon abolishing a part of permanent places of work, specialists are subject to a lesser load of administrative work, therefore now 15 % more time is devoted to customer service and solution of their problems.

Besides, employees' satisfaction and motivation to improve has increased, as by planning day and week tasks they may spend more of their time to the family and leisure.

### Businesses that have used ESO advice will save more than EUR 1 million a year

Already for the second year, the electricity and gas distribution company Energijos Skirstymo Operatorius (ESO) has analysed the consumption of electricity by corporate customers and submitted individual recommendations to them in order they could save by choosing a more favourable tariff plan. 631 company, having changed its plan free of charge by taking into consideration the advice, will save up to EUR 1.03 million during 2018.

### ESO will resolve faults even faster or it will pay compensations

In 2018 resolving faults of the electricity grid twice as fast, ESO makes another step and seeks to reduce by half the maximum duration of resolving faults. If works nevertheless would still last longer than it has been promised, compensation would be paid to customers. On the suggestion of ESO, the company and the Ministry of Energy agreed that the maximum time of resolving electricity faults will reduce by half – up to 12 hours instead of the effective 24-hour period. If a fault is not eliminated during this period, ESO customers will be able to get compensations. During the first half year, ESO eliminated a failure in the electricity grid within nearly 1.4 hour from the registration of malfunction. Last year this took 3.5 hours on average

## Diversification of activities

Diversification of activities of the Group enterprises is one of the main conditions for enhancing the Group value. Until 2020, the Group plans to invest nearly EUR 1 billion into different fields: heat sector, building of new co-generation power plants, gas supply and trade using the potential of the LNG terminal, electricity trade and renewable energy resources.

### Construction of Vilnius co-generation power plant has been started

On 12 February, by commemorating the beginning of construction works of the new Vilnius co-generation power plant, a memo capsule was embedded in the land plot of the plant on Jočiočių str. It contains a letter to future generations on ambitions of the current society to create a cleaner environment in the capital and the entire Lithuania. It has been planned to launch the plant at the end of 2019. It is expected that the new Vilnius co-generation power plant, using biofuel and municipal waste, will produce nearly half of the heat centrally supplied to the capital, and such an amount of electricity that would suffice to procure approximately 80 % of Vilnius households. The plant will



cut down annual expenses for heat to Vilnius residents by EUR 13 million, and for waste management – by EUR 10 million. By following examples of the most modern power plants operating in centres of European cities, modern smoke cleaning equipment will be installed in the Vilnius co-generation power plant that will ensure a completely safe and pollution-free generation of energy. Upon completing the construction, the Vilnius co-generation power plant will be one of the most modern in the whole Europe in terms of environmental protection and energy generation technologies.

### **Expected to reduce maintenance expenses of the LNG terminal by approximately EUR 0.5 million**

The appointed supplier of liquefied natural gas, LITGAS optimised a schedule of the prescribed supply of goods and this way expects to cut down maintenance costs of the LNG terminal by approximately EUR 0.5 million in 2018.

### **LDT strengthens relationships with the USA: an arrangement was signed with one more American supplier of LNG**

The natural gas supply and sale company Lietuvos Dujų Tiekimas (Lietuvos Energijos tiekimas since October) belonging to Lietuvos Energija Group signed in the United States a memorandum of understanding with the USA company Freeport LNG that finishes the construction of a liquefied natural gas (LNG) terminal in Quintana Island, state of Texas (USA). The signed arrangement will open a way to import American gas from this terminal in the future. Last year, Lietuvos Dujų Tiekimas imported from the USA two cargoes of liquefied natural gas, and, in terms of USA LNG import volumes, occupied the third place in Europe after Spain and Portugal. The first cargo of natural gas extracted in the USA reached the shores of the Baltic Sea in August 2017 after Lietuvos Dujų Tiekimas had acquired it from Cheniere company managing the first USA LNG terminal Sabine Pass. Currently, Lietuvos Dujų Tiekimas and LITGAS belonging to Lietuvos Energija Group have signed about 15 non-binding general trade agreements with world suppliers of LNG supplying about half of the whole world with LNG.

### **Development abroad**

Lietuvos Energijos Group has increased attention to the Latvian market - secondary company in Latvia Geton Energy of Energijos Tiekimas belonging to the Group will offer to its corporate customers a general package of the supply of natural gas and electricity. Geton Energy will cooperate with another company of Lietuvos Energija Group – Lietuvos Dujų Tiekimas on this market.

In October, by implementing the goal set out in the new strategy LE 2030 to become established in Poland during the next two years, Lietuvos Energija has made one step further – appointed a regional manager for Poland in October. This office has been

assumed by Ms. Diana Kazakevič, Director of the Business Development and Support Department of one of the Group's companies.

### **Investments into start-ups**

Smart Energy Orientated Venture Capital Fund set up by Lietuvos Energija under the management of Contrarian Ventures has invested this year into five start-ups. The Lithuanian capital start-up Aerodiagnostika that creates a pilot-free aircraft platform and the start-up Switchee operating in Great Britain that has developed the first smart thermostat intended for large managers and owners of social housing received investments in the amount of EUR 350 thousand. Besides, the fund has invested more by about EUR 280 thousand to the Great Britain start-up Voltaware creating an electricity consumption and control platform. Investments into the latter start-up have been made with the British energy giant BP. It is planned that solutions of the start-ups will be applied in Lithuania and will contribute to the goal of Lietuvos Energija to become one of the most innovative companies.

The Estonian start-up Fusebox has received an investment of EUR 50 thousand. It is expected that the platform developed by it and the service will help electricity users become market participants by contributing to the grid balancing. The fund invested EUR 250 thousand into the PVcase tool being developed in Lithuania that will automate the designing of solar power plants. It is expected that the technology under development will enable to significantly shorten up some designing stages of solar power plants and this way reduce designing expenses even more.

The company also invests in French and US start-up "Sterblue" that develops software for unmanned aircrafts (drones) that allows inspecting power lines and wind power plants without human intervention.

### **Wind farms acquired and project development**

Lietuvos Energija has signed the share purchase agreement for the acquisition of two companies. The company seeks to acquire from "Stemma Group" a 100% shareholding of companies "Vėjo vatas" and "Vėjo gūsis". "Vėjo vatas" manages a 14,9 MW wind farm, while "Vėjo gūsis" manages 10 MW and 9,1 MW wind farms, and the total power of all three wind parks exceeds 34 MW. On the 27th day of December "Lietuvos energija" has acquired from a group of natural and legal persons a 100% shareholding of UAB "VVP Investment". UAB "VVP Investment" develops a 600 megawatt (MW) wind farm of 20 wind power plants in northwest Lithuania.

In developing green energy activities and seeking to optimize the activities of energy production companies managed by it, Lietuvos Energija establishes a new company.

The shares of all wind farms that are already in the possession and of those being developed are planned to be transferred to a new company called Lietuvos Energija renewables". In the future, the group's investment in energy production from renewable



energy sources will be also developed through this company. Lietuvos Energija will own 100% of the shares of the new company.

### „Energijos Tiekimas offered installing solar plants for free

The independent electricity supplier Energijos Tiekimas was the first in Lithuania that offered legal persons to install a solar plant. A source of generating the renewable energy will be installed on the roof of the company, whereas electricity produced by it will be sold to a customer at the agreed rate. Energijos Tiekimas may install a solar plant for companies that consume at least 200 thousand of kWh (kilowatt hours) energy a year. The minimum power of the offered solar plant – 50 kW, whereas for installing such power plant, a roof of at least 700 m<sup>2</sup> is necessary.

## Enhancement of operational efficiency

### Non-core activities are abandoned

The board of Lietuvos Energija Group of energy companies adopted a decision on the abandonment of yet another non-core activity. During the nearest months, consistent actions will be taken in abandoning contractor activity pursued by one of the Group's company – energy services and contraction organisation (EnePRO) - providing the services of construction, reconstruction, repair and maintenance of energy equipment. It has been planned that a project on the abandonment of contractor activity will be implemented as soon as possible. EnePRO will complete the available contracts and will not take new orders, also will settle accounts with suppliers. By reducing the volumes of operation up to the minimum, the company will implement the most important projects it has commenced.

Lietuvos Energija also adopted a decision to wind up VAE SPB company belonging to the Group no longer engaged in commercial activity. By taking the decision to terminate operation of the company, consideration has been made to the draft of the National Energy Independence Strategy (NEIS). The draft offers giving priority to the development of renewable energy resources and does not foresee provisions and objectives associated with the implementation of a project on a new nuclear power plant. The decision to liquidate VAE SPB has been approved by the shareholder of Lietuvos Energija – the Ministry of Finance. The winding up of the company has also been approved by the Ministry of Energy.

By purifying activity, NT Valdys - a company of Lietuvos Energija Group that manages real estate - realised the real estate no-longer used in the Group's activity at public

auctions organised since the beginning of 2016, in total 79 objects for EUR 50 million, excluding the VAT.

NT Valdys have also implemented a project on the separation of activities. After Lietuvos Energija approved conditions for the separation of NT Valdys, a new company of the Group - Transporto Valdymas – was set up to which was delegated transport management activity. Lietuvos Energija owns 100 % of Transporto Valdymas shares. Currently, a sale process of Transporto Valdymas takes place.

### Disposition of ineffective equipment in Elektrėnai Complex

In January 2017, the project for dismantling units 5 and 6 of the reserve power plant of the Elektrėnai Complex was initiated. Given the fact that the price of electricity produced at these units is no longer competitive in the market and that their abandonment will help reduce the final electricity tariff to consumers, these units were decommissioned at the beginning of 2016. The dismantling of these units with the capacity of 300 MW each is planned to be accomplished by the end of 2020. During the implementation of the project thermal insulation of the units has been dismantled and utilised. Dismantling works of metal structures, equipment and devices of the units, scrap metal are performed.

Considering that chimneys 1 and 2 of the Elektrėnai Complex have not been used since 2014 and their condition deteriorates every year and thus can pose an increasing threat to the safety of people, LEG initiated their dismantling project. The chimneys were constructed as early as at the beginning of the 1960s. The middle chimney with the height of 250 m will be dismantled first as its condition is the worst. This chimney was used to remove smoke emitted from units 5 and 6 that are currently being dismantled. This chimney is damaged by the occurrence of electrochemical corrosion of reinforcing bars and has signs of the emergency condition of the structure. The dismantling of this chimney is expected to be completed by the end of 2019. The dismantling of the lower chimney with the height of 150 m will follow, which was used to emit smoke from units 1 and 4 that are currently fully dismantled. The contracts on the dismantling of these chimneys are planned to be signed at the beginning of 2019.

Implementing the decision to discontinue the use of reserve heavy fuel oil in the facilities of the Elektrėnai Complex, the Company concluded the agreement on uninterrupted supply of gas. Reserve gas will be stored at the Inčukalns gas storage facility. The Company estimates that it could save around EUR 0.5 million per year.



## 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 OMX 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. For 2016, 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 Pranckevičius**  
(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	Linus 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 structure of the Company's Supervisory Board during the reporting period:** On 7th November, 2018, the Ministry of Finance of the Republic of Lithuania, the holder of a 100 per cent shareholding in Lietuvos Energija, has submitted to the Company a shareholder's decision to revoke Ramūnas Dilba from the Supervisory Board of the Company in accordance with his resignation from the Supervisory Board of the Company. Ramūnas Dilba was appointed to the Supervisory Board of the Company since 22nd November, 2017. As of 6th November, 2018, Ramūnas Dilba started working as a Chancellor of the Ministry of Energy of the Republic of Lithuania. 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 Prancėvičius</b> Chairperson Independent member	-	AB „Linas Agro Group“ Deputy General Manager and Member of the Board; PF „Kekava“ CEO and Member of the Board
<b>Darius Daubaras</b> Independent member	-	„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.

Overall 6 meetings of the Risk Management and Business Ethics Supervision Committee were held in 2018.

### 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 (since 23 March, 2018)	-	The Ministry of Finance of the Republic of Lithuania, Head of Accountability, Audit, Property Valuation and Insolvency
<b>Šarūnas Radavičius</b> Independent member (since 23	-	Rodl & Partner, UAB, CEO

The term of office of the incumbent Audit Committee will last until 12 October 2021. Overall 24 meetings of the Audit Committee were held in 2018.

#### 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>Ramūnas Dilba</b> Member (until 7 November, 2018)	-	Lithuanian Ministry of Finance, European Union Investment Department, Director
<b>Lėda Turai-Petrauskienė</b> Independent Member (since 23 March 2018)	-	L-CON Global UAB, leadership training partner, shareholder, ISM University of Management and Economics, Head of Leadership Module of „Executive MBA“ programme

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

Overall 11 meetings of the Nomination and Remuneration Committee were held in 2018.

#### 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 the process of notification of the members of management bodies and employees of Lietuvos Energija and its group entities about the professional training opportunities and monitor the progress achieved on a regular basis;
- 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.

Energijos tiekimas UAB, CEO (till 2/4/2018); 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); UAB LITGAS, Member of the Board (till 1/1/2019); 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 mokėjimų 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); AS „Nord Pool“, member of the client supervisory board.

Elektroninių mokėjimų agentūra UAB, Member of the Supervisory Board (till 23/3/2018); 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 Board.  
LITGAS UAB, Chairman of the Board (until 1/1/2019). 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). Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board.  
Eurakras UAB, Chairman of the Board Tuulueenergia OU, Chairman of the Board (till 28/1/2019)  
Vilnius Third Combined Heat and Power Plant, Member of the Board (from 19/3/2018). Lietuvos Energija Renewables UAB, member of the Board (since 3/1/2019).  
-KŪB 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).  
Technologijų Ir Inovacijų Centras, UAB, Chairwoman of the Board (until 26/9/2018). Elektroninių Mokėjimų Agentūra UAB, Member of the Board (from 10/12/2018).



**Changes in the structure of the Company's Board during the reporting period:** At the beginning of 2018, the temporary Board of the Company was formed by the decision of the Supervisory Board (from 22/11/2017 until 1/2/2018, until a permanent board was formed). Composition of the temporary Board: Mindaugas Keizeris (Chairman of the Board, Acting Director General, Director of Strategy and Development), Ilona Daugėlaitė (Member of the Board, Director of Organizational Development), Darius Kašauskas (Member of the Board, Director of Finance and Treasury), Dominykas Tučkus (Member of the Board, Production and Service Director).

## 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 December 2018, the Group had employees 3,826 employees. The biggest part of Group's employees consisted of men – 72 percent, women comprised 28 percent. Among the executives, the gender breakdown was very similar: 71 percent of the executives were men, and 29 percent % – women.

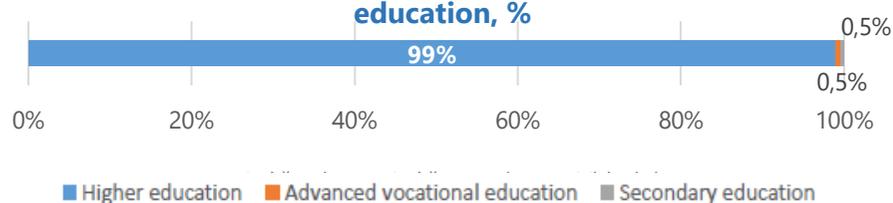
63% of employees working in the Group hold a higher education degree, of whom 18 have doctoral degrees, 26% acquired an advanced vocational education, 7% have a secondary education.

On 31 December 2018, the Company had 125 employees. The total of 99% of the Company's employees have higher university education, of whom 2 have PhD degrees. 2 employees are certified professional project managers (PRINCE2 and PMP), 1 certified financial analyst (CFA), 1 certified internal auditor (CIA), 1 certified fraud examiner (CFE), 2 certified risk management assurance experts (CRMA), 1 certified risk management expert (ISO 31000:2009), 4 employees have professional Board Member's qualification of the Baltic Institute of Corporate Governance. The Company's employees are active members of the associations, unions and academic communities (Scientific Board of the Lithuanian Energy Institute; the Supervisory Board of the Lithuanian Energy Institute; Technological Development Committee of the Agency for Science, Innovation and Technology, Risk Management Professionals Association Board).

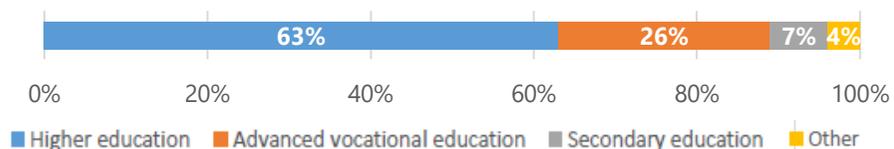
Company	Total number of employees
Lietuvos Energija UAB	125
Energijos Skirstymo Operatorius AB	2,387
Lietuvos Energijos Gamyba AB	372
Energetikos Paslaugų ir Rangos Organizacija UAB	24
Technologijų ir Inovacijų Centras UAB	166
Duomenų Logistikos Centras UAB	14
Energijos Tiekimas UAB	47
Elektroninių Mokėjimų Agentūra UAB	6
NT Valdys, UAB	64
Transporto Valdymas UAB	58
LITGAS UAB	14
Verslo Aptarnavimo Centras UAB	462
Lietuvos Energijos Tiekimas UAB	46
Vilniaus Kogeneracinė Jėgainė UAB	29
Kauno Kogeneracinė Jėgainė UAB	7
Gamybos Optimizavimas UAB	1
Eurakras UAB	2
VĖJO GŪSIS UAB	1
VĖJO VATAS UAB	1
<b>Total</b>	<b>3,826</b>



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



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



#### Average monthly salary of the Company's employees in 2018 (before taxes):

Category	Average salary, EUR
Head of the company	5,630
Top level executives	5,396
Middle level managers	4,483
Experts, specialists	2,072

The Company's total wage fund for 2018 was EUR 3.3 million.

#### Average monthly salary of the Group's employees in 2018 (before taxes):

Category	Average salary, EUR
Head of the company	5,185
Top level executives	4,758
Middle level managers	2,315
Experts, specialists, workers	1,286

The Group's total wage fund for 2018 was EUR 60,68 million.

## Development of the organization and its culture

In the 4th quarter of 2018, the strategic initiatives for the coordinated development of the organization, management of human resources, the formation of organizational culture, operational efficiency, new staff development, strengthening and sustaining competences were continued.

In the 4th quarter of 2018, a transformation of matrix management was commenced in the organisation, the functions were identified that require the solutions of matrix management to ensure their greatest effect. The matrix management will help the organisation to make decisions faster, to better manage the process, budgets, to share information more effectively. In order to implement this transformation, the operational guidelines have been prepared, the necessary internal documents have been updated, meetings with the functional and company managers have been organised.

The review process of the group's remuneration system, which has been identified as one of the strategical priorities, was started in the 4th quarter of 2018 and will be continued in 2019.

An analysis of the current situation has been carried out, the market situation has been reviewed, and improvements to the system, that will help ensure internal fairness and improve the attractiveness of the organization in the labour market, have been carried out and coordinated with the Supervisory Board.

## Development of competences

Lietuvos Energija group is consistently concerned with the improvement of the qualifications of its employees and ensures that employees have all the statutory certificates required for their work, and that they develop the competences required for their work.

Various training sessions to improve general, vocational and managerial competencies have been organized at the organizational level in individual companies, for example, Leadership, MS Excel, Change Management, Communication, Project Management, Business Process Management, etc.

Quarterly newcomer days were held in the 4th quarter of 2018. The updated strategy of the Group and other relevant information were presented to the newcomers.

## Traineeship opportunities

The companies of the group create the conditions for college, university and vocational school students to apply their theoretical knowledge and acquire practical skills. In the 4th quarter of 2018, 2 trainees have taken a traineeship in the group.



## Supervisory and Management Bodies of the Listed Companies of the Group

As at 31 December 2018, 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 the Supervisory Board of Energijos Skirstymo Operatorius AB was active with the term of office 3/12/2015-30/3/2018. Members during the reporting period: Ilona Daugėlaitė, Petras Povilas Čėsna.

As at 31 December 2018, 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

**Head of the Company:** On 1st August, 2018 it has received a notification from Mrs. Dalia Andriulionienė on her resignation from the position of the Chairwoman of the Board of the Company from 10th August, 2018. By the agreement of the parties, Mrs. Dalia Andriulionienė resigned from the position of Chief Executive Officer of ESO also on 10th August, 2018 onwards. Mr. Augustas Dragūnas, Member of the Board and Director of Finance and Administration Division of ESO, temporarily took the position of acting Chief Executive Officer of the Company from 10th August, 2018 till 27 December 2018.

As at 31 December 2018, 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
<b>Rimgaudas Kalvaitis</b> Independent member	-	2018-03-26 – 2022-03-25	Technology Competence Center UAB, CEO; Lietuvos radijo ir televizijos centras AB, independent board member; Luno, UAB, consultant

During the reporting period the Supervisory Board of Lietuvos Energijos Gamyba AB was active with the term of office 10/8/2017 – 23/3/2018. Members during the reporting period: Mindaugas Keizeris (chairman), Dominykas Tučkus.



**As at 31 December 2018, 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>Eglė Čiužaitė</b> Chairwoman	-	2018-04-03 – 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

**Head of the Company:** The Company's Board and the Supervisory Board received the notice of E. 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 from the Company from 22 January 2019. The Company initiated public election of a new Managing Director. On the day of this report, the Managing Director has not been yet elected.



## Main Information about the Company and the Group

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

The Company's shareholders	Share capital (EUR '000)	%
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 33 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:

Year	Auditor	Opinion
2017	PricewaterhouseCoopers UAB	Unqualified
2016	PricewaterhouseCoopers UAB	Unqualified
2015	PricewaterhouseCoopers UAB	Qualified*

\* Qualified opinion issued in 2015 is related to the qualified opinion issued by the same independent auditor following the audit of the financial statement for 2013.



## 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)
„Lietuvos energijos gamyba“, AB	Elektrinės g. 21, Elektrėnai, Lithuania	96.82	187,921
„Energijos skirstymo operatorius“	Aguonų g. 24, Vilnius, Lithuania	94.98	259,443
NT Valdos, UAB	Geologų g. 16, Vilnius, Lithuania	100	37,295
UAB Duomenų logistikos centras	A. Juozapavičiaus g. 13, Vilnius, Lithuania	79.64	4,033
UAB Energetikos paslaugų ir rangos organizacija	Motorų g. 2, Vilnius, Lithuania	100	1,100
UAB Elektroninių mokėjimų agentūra	Žvejų g. 14, Vilnius, Lithuania	100	1,370
Energijos tiekimas UAB	Žvejų g. 14 Vilnius, Lithuania	100	17,240
Geton Energy OÜ	Narva mnt 5, 10117 Talin, Estonia	100	35
Geton Energy SIA	Darziema g. 60, LV-1048, Ryga, Latvia	100	500
Geton Energy, sp. Z.o.o.	Puławska 2-B, PL-02-566, Warsaw, Poland	100	10 mln. zloty
UAB Technologijų ir inovacijų centras	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100	6,440
UAB Verslo aptarnavimo centras	P. Lukšio g. 5 b, Vilnius, Lithuania	100	580
UAB „Lietuvos energijos tiekimas“	Žvejų g. 14, Vilnius, Lithuania	100	21,420
Lietuvos energijos paramos fondas	Žvejų g. 14, Vilnius, Lithuania	100	3
UAB Vilniaus kogeneracinė jėgainė	Žvejų g. 14, Vilnius, Lithuania	100	21,003
UAB Kauno kogeneracinė jėgainė	Žvejų g. 14, Vilnius, Lithuania	51	24,000
Tuuleenergia OU	Keskus, Parnu, Estonia	100	499
UAB „EURAKRAS“	Žvejų g. 14, Vilnius, Lithuania	100	4,621
UAB „VĖJO GŪSIS“	Žvejų g. 14, Vilnius, Lithuania	100	7,443
UAB „VĖJO VATAS“	Žvejų g. 14, Vilnius, Lithuania	100	2,896
UAB „VVP Investment“	Žvejų g. 14, Vilnius, Lithuania	100	250
UAB Lietuvos energija renewables	P. Lukšio g. 5B, Vilnius, Lithuania	100	3
UAB „Transporto valdymas“	Smolensko g. 5, Vilnius, Lithuania	100	2,359
UAB „Gamybos optimizavimas“	Žvejų g. 14, Vilnius, Lithuania	100	350



## 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 December 2018, 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 December 2018, 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 December 2018:

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



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  
CEO



**Darius Maikštėnas**



## Material events of the Company during 2018

01.02.2018	Regarding the election of Lietuvos Energija, UAB, Board, Chairman of the Board and CEO
31.01.2018	CORRECTION: Reporting dates in 2018
02.03.2018	Preliminary financial data of Lietuvos Energija for January 2018
02.05.2018	Regarding the resolutions of the Ordinary General Meeting of the Shareholders of Lietuvos Energija, UAB
02.11.2018	Regarding relocation of the operation optimization activity of electrical plants of Energijos Tiekimas UAB to the newly established company
13.02.2018	Regarding separation of NT Valdos and UAB Transporto Valdymas establishing
21.02.2018	CORRECTION: Reporting dates in 2018
28.02.2018	Lietuvos Energija enters a new stage of operations with financial performance retained at a stable level
28.02.2018	Regarding a Proportional Transfer Agreement of the issue of Lietuvos Energija Green Bonds Transfer
03.07.2018	Lietuvos Energija Issuance of Notes
13.03.2018	CORRECTION: Reporting dates in 2018
21.03.2018	Regarding forthcoming transfer of public electricity supply activities from ESO to Lietuvos Dujų Tiekimas
22.03.2018	Lietuvos energija, UAB Annual information for the year 2017
30.03.2018	Regarding the non-monetary contribution to the authorized capital of Lietuvos Energijos Gamyba, AB
30.03.2018	Preliminary financial data of Lietuvos Energija for 2 months of 2018
17.04.2018	Regarding Lietuvos Energija Board decisions
20.04.2018	REPEATED 18.04.2018 Regarding liquidation of UAB VAE SPB, a subsidiary of Lietuvos Energija, UAB
05.09.2018	Lietuvos Energija, UAB audited interim financial statement for the period of 6 months 2018
05.11.2018	Regarding Acquisition of 100 Percent of Shares and Claim Rights of the Company, Developing the Wind Park Project
23.05.2018	Regarding the Approving of Strategy of Lietuvos Energija Group 2030
31.05.2018	Preliminary financial data of Lietuvos Energija for 4 months of 2018
06.03.2018	Regarding the non-monetary contribution to the authorized capital of "Lietuvos energijos gamyba", AB
06.08.2018	Lietuvos Energija, UAB, initiated a reorganisation of Energijos Tiekimas UAB and UAB Energijos Sprendimų Centras
14.06.2018	Regarding the transaction on sale of the shares of Duomenų logistikos centras, UAB, a subsidiary of Lietuvos Energija, UAB
21.06.2018	Lietuvos Energija, UAB has scheduled a second issue of green bonds
26.06.2018	Regarding the Investor's Letter of Lietuvos Energija
29.06.2018	Preliminary financial data of Lietuvos Energija for 5 months of 2018
07.05.2018	Lietuvos Energija Income Increased by 16 Percent due to High Gas and Electricity Demand
07.11.2018	Regarding revoke of the member of the Supervisory Board of Lietuvos Energija
07.11.2018	Growing demand for electricity and gas as well as better results of distribution activities improved Lietuvos Energija's results
07.11.2018	Regarding closing of acquisition of 100 percent of UAB Vėjo Vatas and UAB Vėjo Gūsis shares and claim rights
23.07.2018	CORRECTION: Reporting dates in 2018
31.07.2018	Preliminary financial data of Lietuvos Energija for 6 months of 2018
08.10.2018	Lietuvos Energija, UAB approved the reorganisation of Energijos Tiekimas, UAB and Energijos Sprendimų Centras, UAB
17.08.2018	Lietuvos Energija initiated a reorganisation of Lietuvos Dujų Tiekimas and LITGAS
29.08.2018	Regarding a Proportional Transfer Agreement of part of green bonds emission
30.08.2018	CORRECTION: Reporting dates in 2018



<b>31.08.2018</b>	Preliminary financial data of Lietuvos Energija for 7 months of 2018
<b>31.08.2018</b>	This year the revenues of Lietuvos Energija increased by 16 per cent and profit by 12 per cent
<b>24.09.2018</b>	Regarding the Loan Agreement with Transporto Valdymas, UAB
<b>28.09.2018</b>	Preliminary financial data of Lietuvos Energija for 8 months of 2018
<b>10.08.2018</b>	Regarding acquisition of 100 percent of UAB "Vėjo vatas" and UAB "Vėjo gūsis" shares and claim rights
<b>10.12.2018</b>	Regarding the approval of the terms and conditions for the reorganisation of UAB Lietuvos energijos tiekimas and UAB LITGAS
<b>10.12.2018</b>	Regarding separation of UAB Energijos tiekimas and establishment of UAB Gamybos optimizavimas
<b>22.10.2018</b>	Lietuvos Energija plans to outsource the activity of optimizing the operation of electrical plants by Energijos Tiekimas UAB to a newly established company
<b>19.11.2018</b>	Regarding AB Energijos Skirstymo Operatorius decision to appeal the decision of the National Commission for Energy Control and Prices
<b>30.11.2018</b>	Preliminary financial data of Lietuvos Energija for 10 months of 2018
<b>27.12.2018</b>	Regarding Acquisition of Shares of VVP Investment, JSC
<b>28.12.2018</b>	Preliminary financial data of Lietuvos Energija for 11 months of 2018
<b>31.12.2018</b>	Regarding the establishment of UAB Lietuvos Energija Renewables
<b>31.12.2018</b>	Reporting dates of Lietuvos Energija in 2019

## Material event after the reporting period

<b>01.02.2019</b>	Regarding a New Member of Supervisory Board of Lietuvos Energija
<b>18.01.2019</b>	Lietuvos Energija plans to reorganise UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB
<b>31.01.2019</b>	Preliminary financial data of Lietuvos Energija for 12 months of 2018

