



LIETUVOS ENERGIJA INVESTOR PRESENTATION 2018

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Business update

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Chairman of the Board
CEO



Financials update

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CFO



Moderator

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Head of Sustainability
Communications

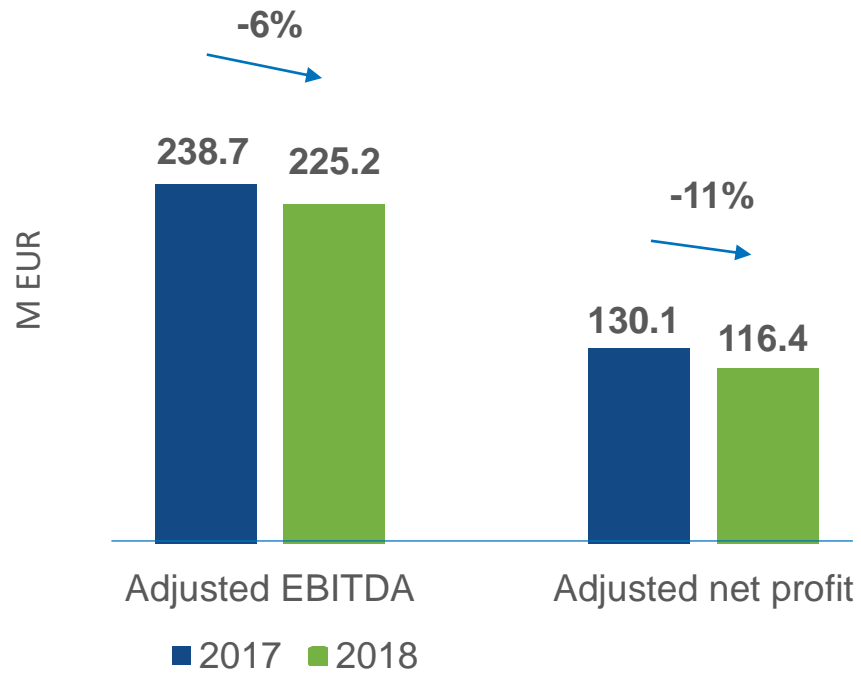
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2018 RESULTS IN LINE WITH THE PLAN



HIGHLIGHTS

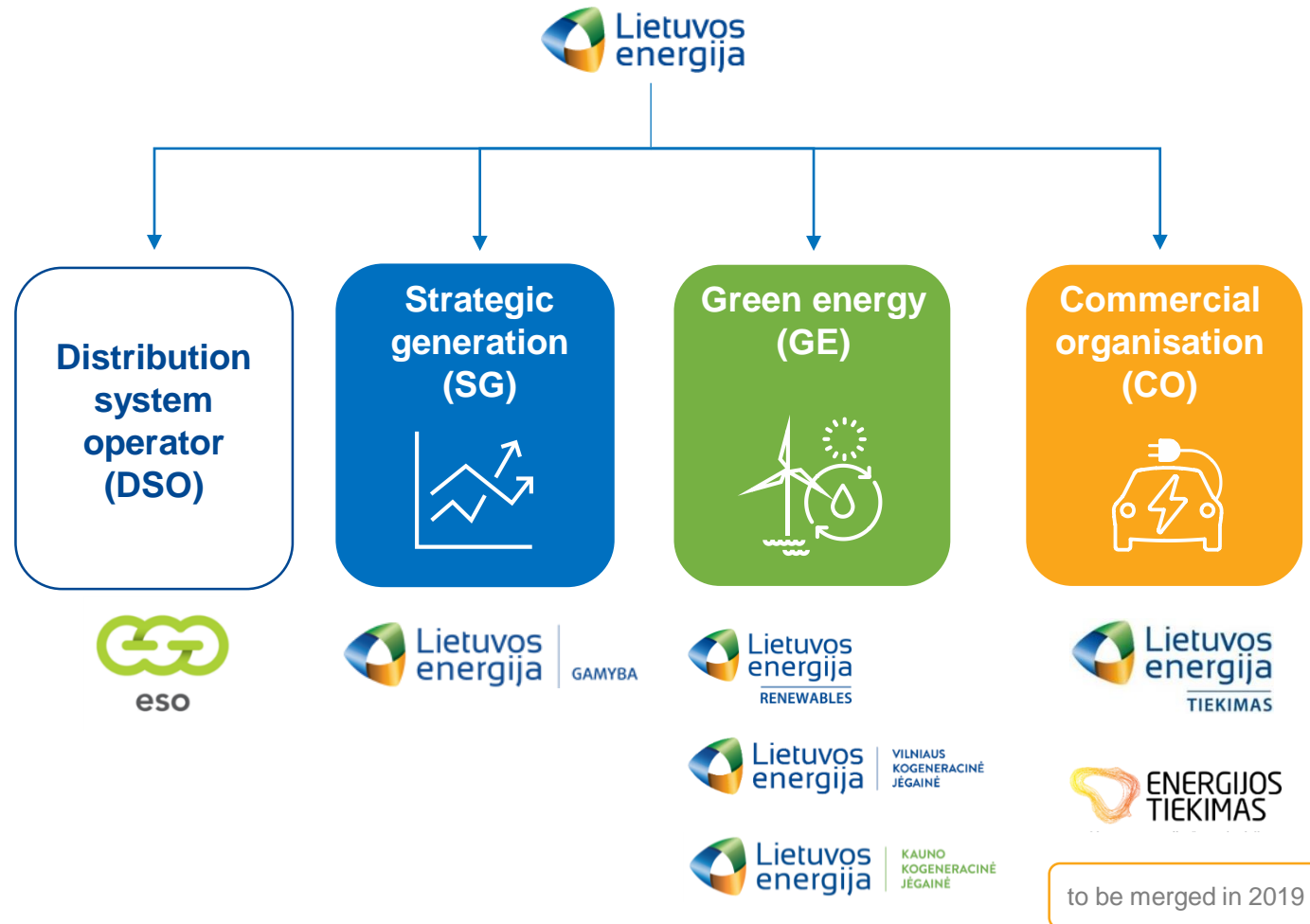
- Continued investments in DSO network resulted in growing segment EBITDA.
- Green energy development accelerated: in 2018 two operating wind farms and one development project were acquired in Lithuania and a conditional agreement was signed to acquire a wind development project in Poland.
- Vilnius and Kaunas cogeneration plants are being built on schedule.
- In terms of EBITDA, positive developments were offset by worsened results in Commercial organization and Strategic generation segments.





Business update

NEW STRATEGY: LE 2030



HIGHLIGHTS

- New LE 2030 strategy: Green, Smart, Global.
- A globally competitive energy company creating value for Lithuania.
- **DSO**: Continuous upgrade and digitalisation of the network.
- **SG**: Contribution to the successful synchronization with the continental European network.
- **GE**: Development of renewable energy: local and international.
- **CO**: Exceptional customer experience through the use of the leading digital solutions, innovation and investments in new energy businesses.



Electricity



Gas













	2018	YoY	
Maintenance CAPEX	€122m	-5%	
Expansion CAPEX	€84m	+60%	+ 1,151km + 31k new clients
Total network investments*	€205m	+14%	
Regulated asset base (RAB)	€1,038m	+17%	

	2018	YoY	
	€9m	+4%	
	€48m	+78%	+ 614km + 15k new clients
	€56m	+61%	
	€144m	+16%	

HIGHLIGHTS

- Continued investments program: EUR 261m total network investments, +45.7 thousand new connections or connection capacity uprates.
- PPE revaluation resulted in EUR 76m increase in value (P&L impact EUR -41m).
- Electricity public supply activity transferred from ESO to another group company LET.
- The differences between projected and actual electricity prices have had a significant impact for financial results in 2018. According to regulation, the price differences will be compensated during 2020.

GREEN ENERGY

Project	Vėjo gūsis	Vėjo vatas	KKJ	VKJ	VVP Investment	Not disclosed
Country						
Asset type						
Capacity	19 MW	15 MW	24 MWe 70 MWt	92 MWe 229 MWt	60 MW	n.d.
Status	Operating since 2010	Operating since 2011	Under development	Under development	Under development	Under development
Expected completion	Completed	Completed	2020	2020	2022	2021
Comments	Acquired in Nov 2018	Acquired in Nov 2018	Construction in progress	Construction in progress	Negotiation of key contracts	Negotiation of key contracts

STRATEGIC GENERATION

1

Elektrėnai complex



- In 2018 Elektrėnai complex continued to provide ancillary services to the TSO with CCGT and unit 8, while unit 7 has been conserved since January 2018.
- In 2019 CCGT will continue to provide ancillary services while units 7 and 8 will be used for synchronization testing carried out by the TSO.



2

Kruonis Pumped Storage Hydroelectric Plant

- Major repair works of the second hydro unit of Kruonis PSHP were successfully completed.
- In 2019 Kruonis PSHP will continue to provide regulated ancillary services to the TSO and operate at full capacity in the electricity market.

3

Kaunas Algirdas Brazauskas Hydroelectric Power Plant

- Higher electricity prices offset the dry weather effect in 2018, which led to better financial results.



COMMERCIAL ORGANISATION

Commercial organisation

31.05.2019

31.12.2018

31.12.2017



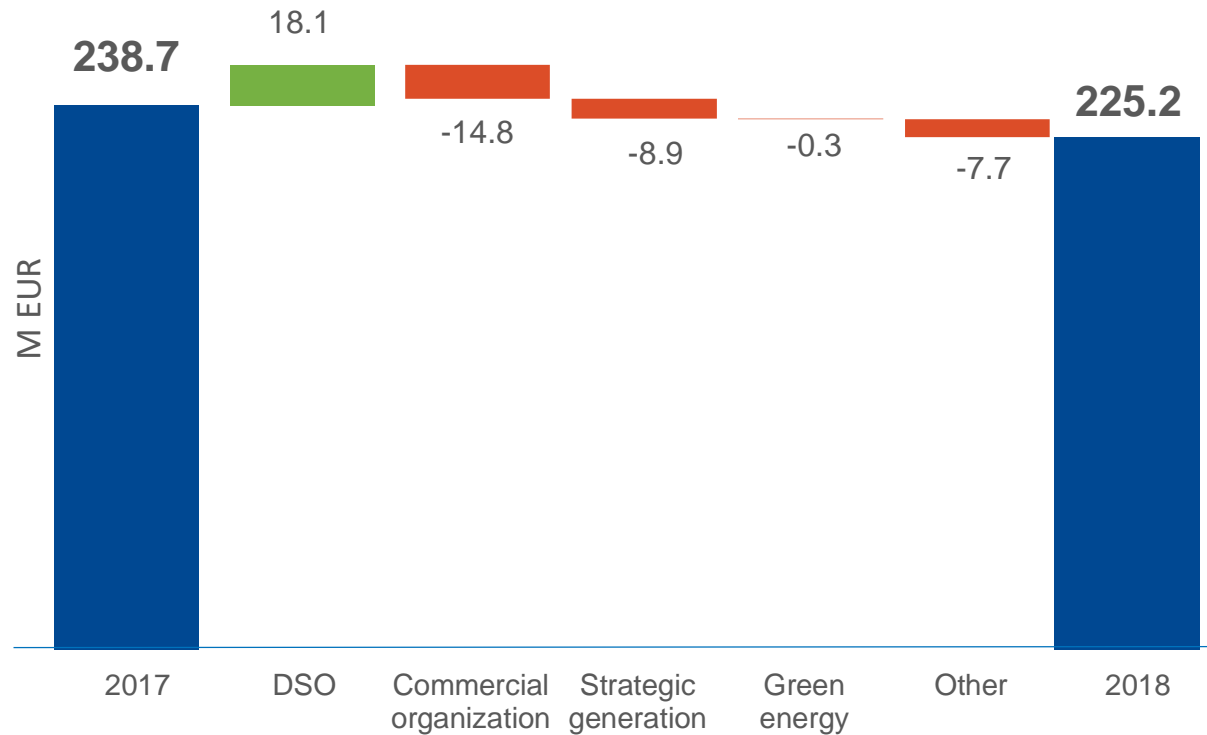
HIGHLIGHTS

- Consolidation of group companies involved in similar activities.
- Start of wholesale power trading activities in Poland.
- Vilnius City municipality tender won for the installation of 59 EV charging stations until October 2019.
- The first LNG cargo from the US was delivered to Lithuania.



Financials update

ADJUSTED EBITDA DOWN 6%



DSO +12%

- Higher investments into modernization and development of the networks led to increased RAB.

Commercial organization -70%

- High electricity and gas market prices negatively affected supply business.
- Increased competition led to decline in margins.

Strategic generation -17%

- Decreased scope of provided regulated services in Elektrėnai complex.

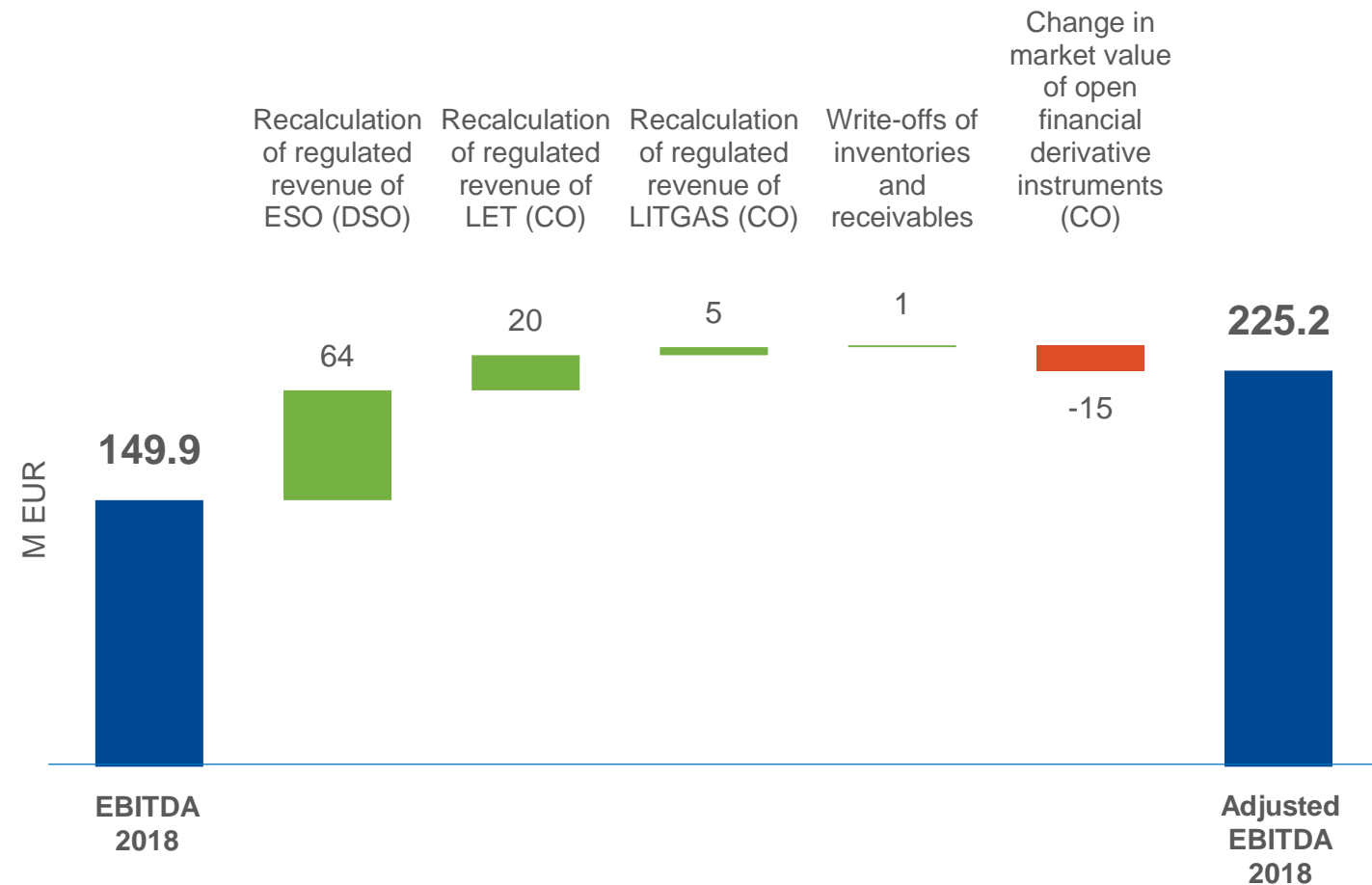
Green Energy -4%

- Increase in OPEX of cogeneration plants projects.
- Partly offset by two acquired wind farms (results included only in November-December).

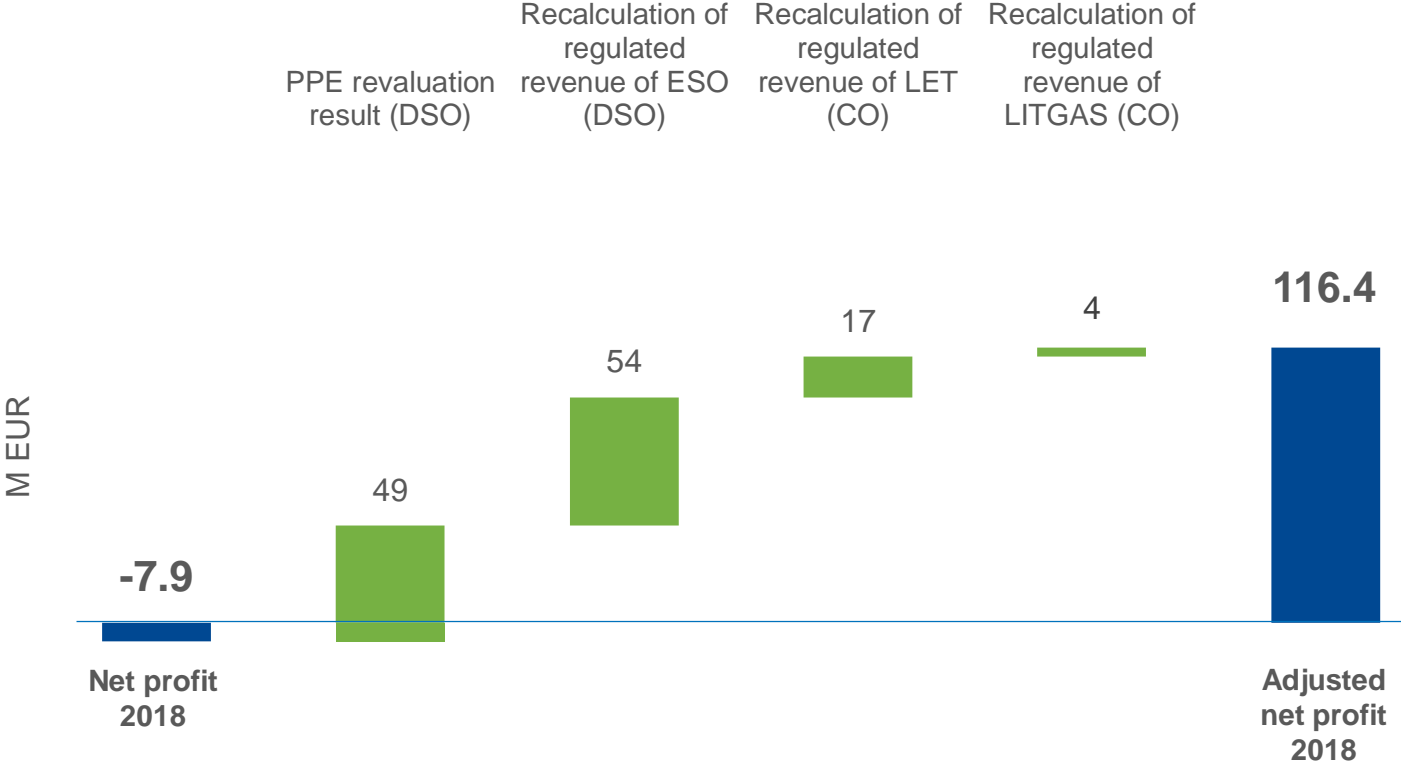
Other

- Divestments and termination of non-core activities.

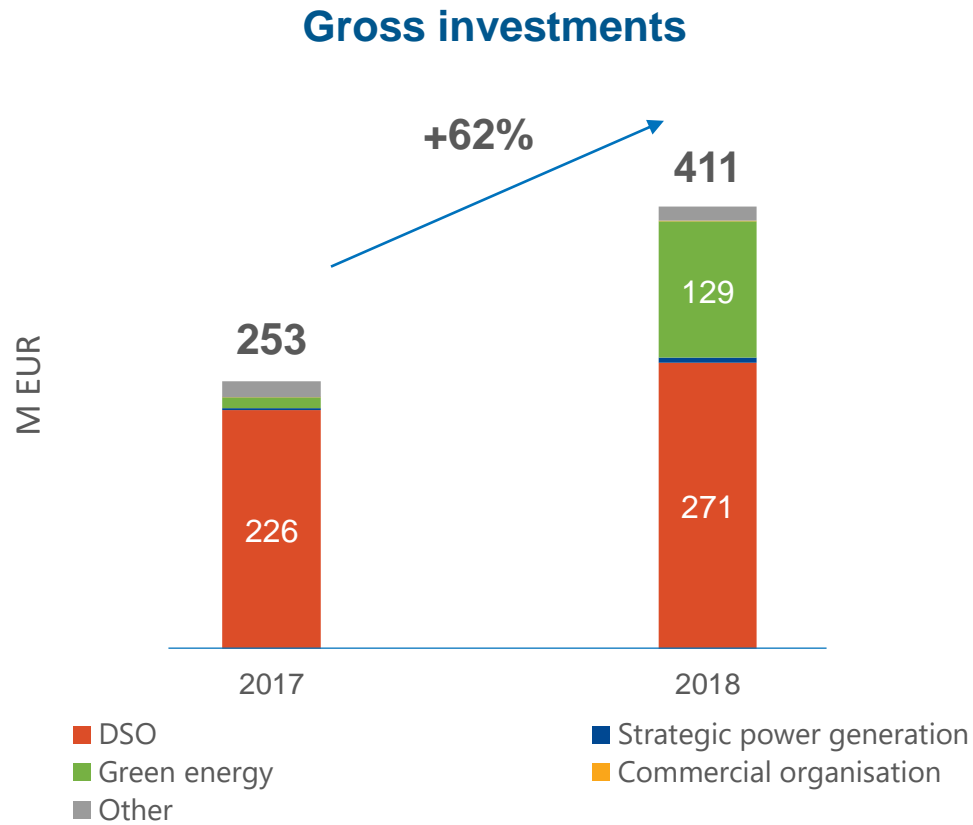
RECONCILIATION OF ADJUSTED EBITDA



RECONCILIATION OF ADJUSTED NET PROFIT



SIGNIFICANT INVESTMENTS GROWTH IN 2018



Gross investments increased by 166m

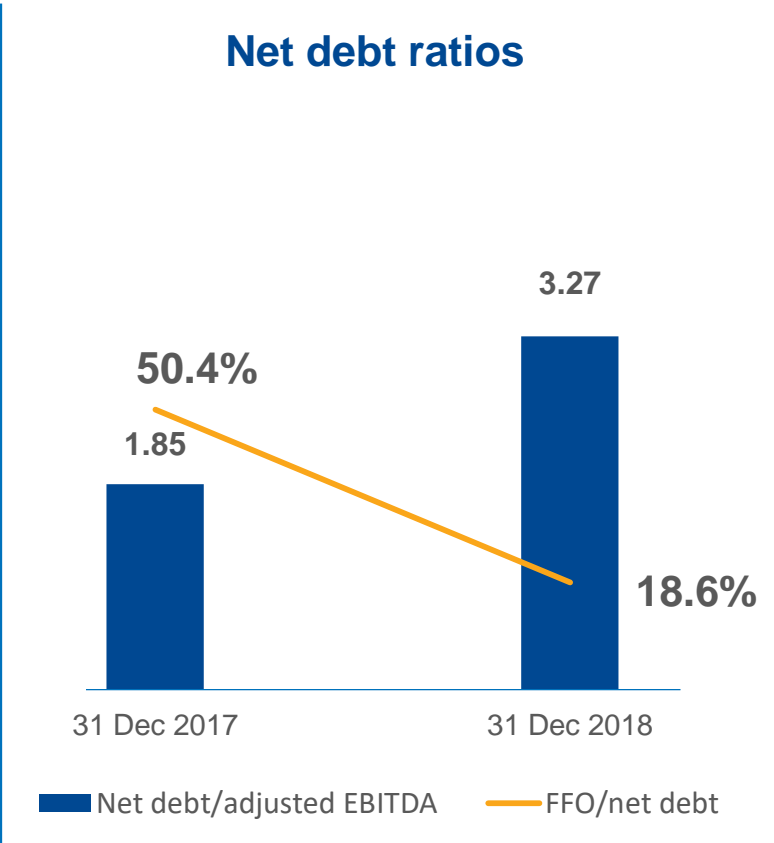
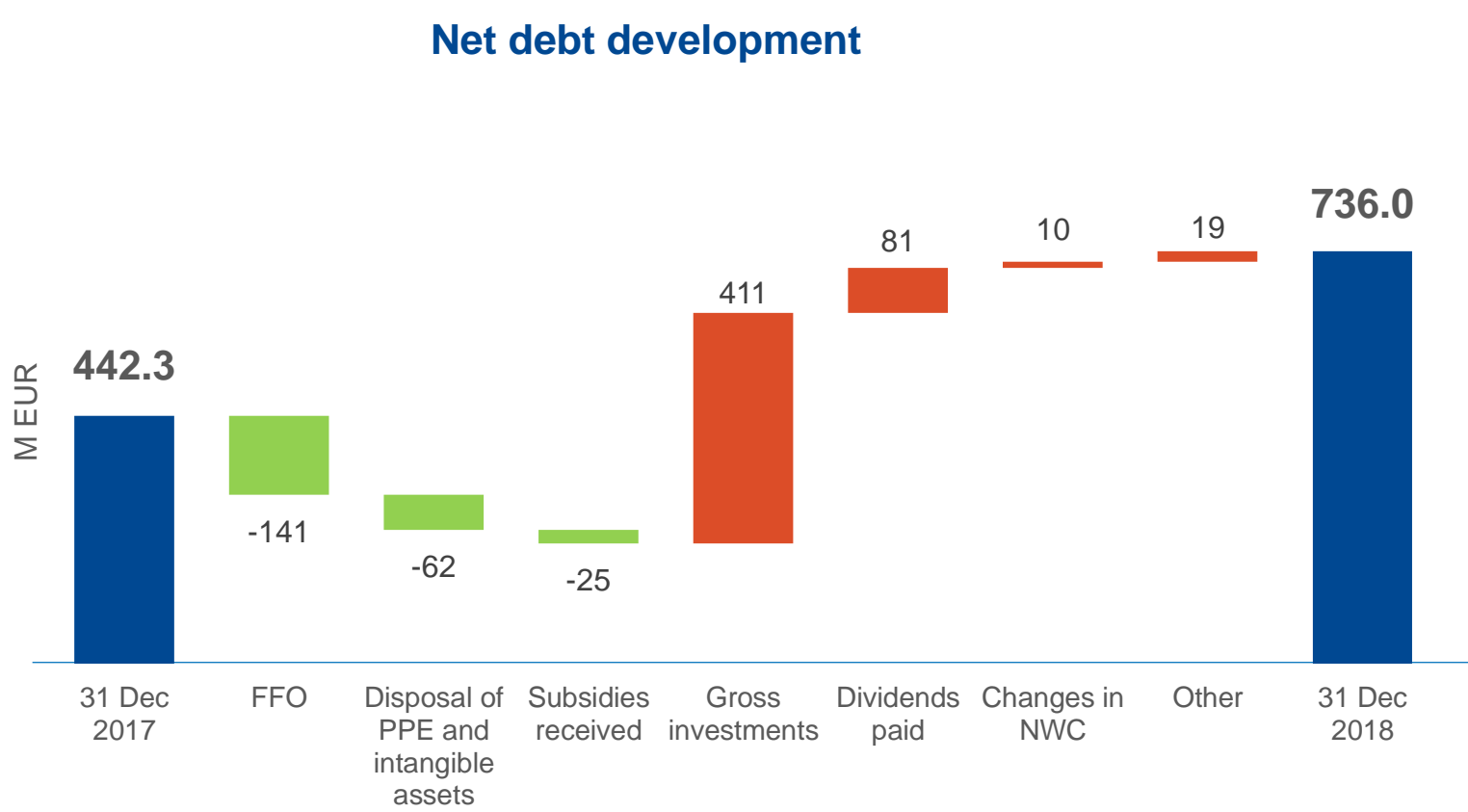
- +82m in Vilnius and Kaunas CHP plants (a total of EUR 92m in 2018).
- +45m in DSO network maintenance and expansion.
- +37m acquisitions* of two operating wind farms and one development project in Lithuania.

** increase in PPE resulting from acquisitions*



NET DEBT AND DEBT RATIOS

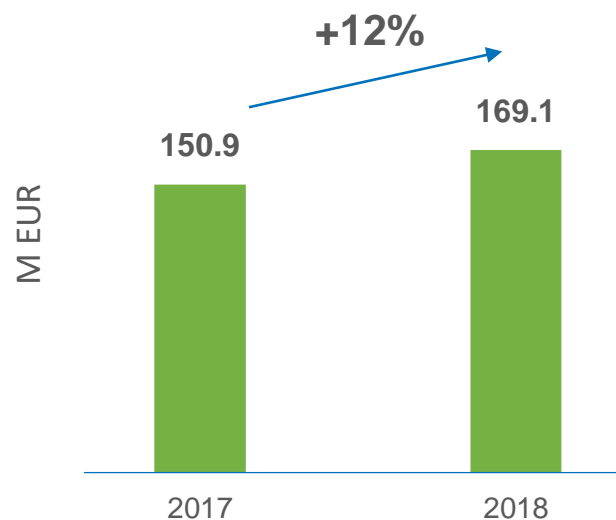
S&P rating: BBB+



Significant increase in EBITDA is expected in the upcoming years from the projects under construction and wind farms acquired in the end of 2018

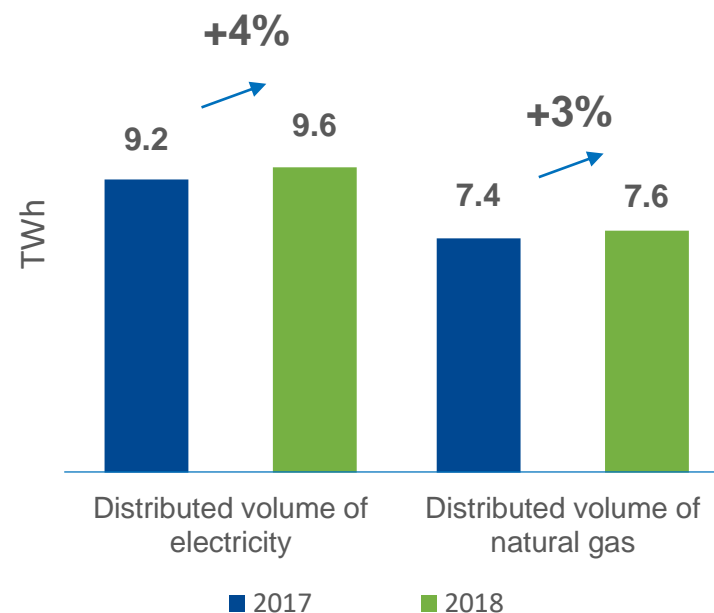
DSO 2018 RESULTS

Adjusted EBITDA



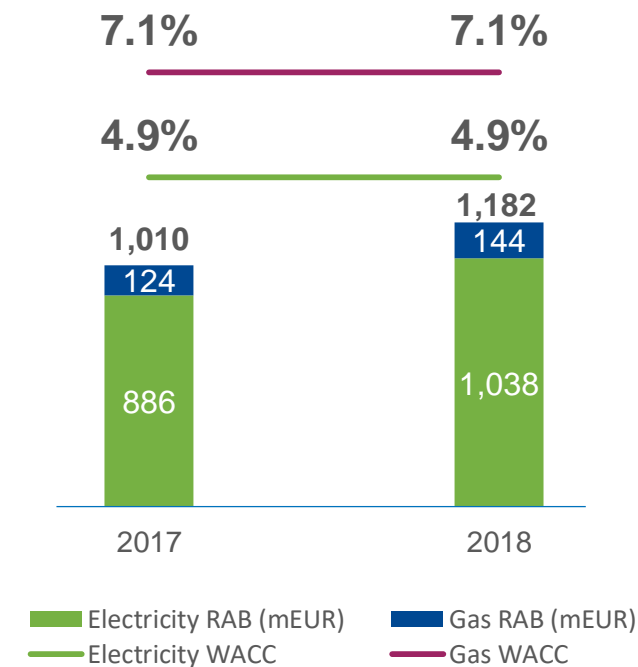
- EBITDA growth driven by increase in RAB as a result of investments into renewal and modernisation of networks.
- Reported EBITDA decreased from 140m to 122m, mainly because of high electricity purchase prices in 2018, and return of the positive temporary regulatory differences earned in past periods.

Distributed volumes



- Electricity volumes increased due to general economic growth and higher consumption in business segment.
- Gas volumes increased mostly due to higher gas consumption during February–March as a result of lower temperature.

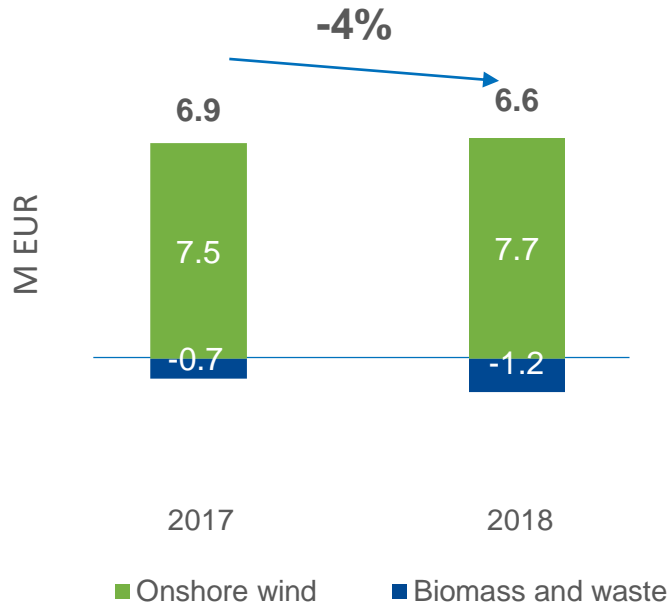
RAB and WACC



- New 5-year regulatory period for gas starts in 2019 with a WACC of 3.6%.
- Current regulatory period for electricity is valid until the end of 2020.

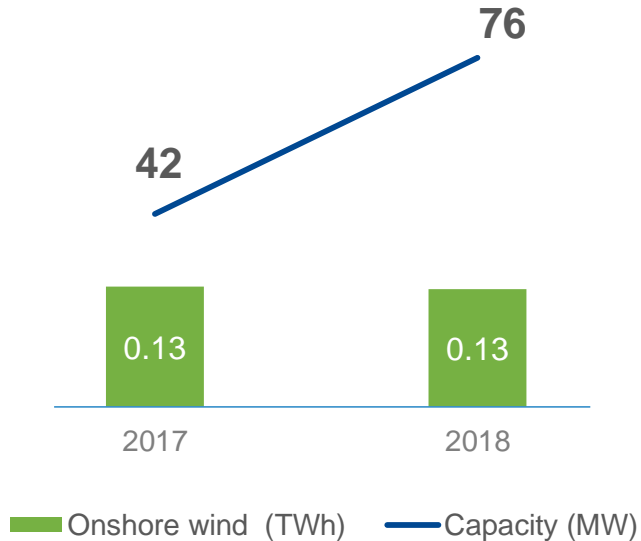
GREEN ENERGY 2018 RESULTS

Adjusted EBITDA



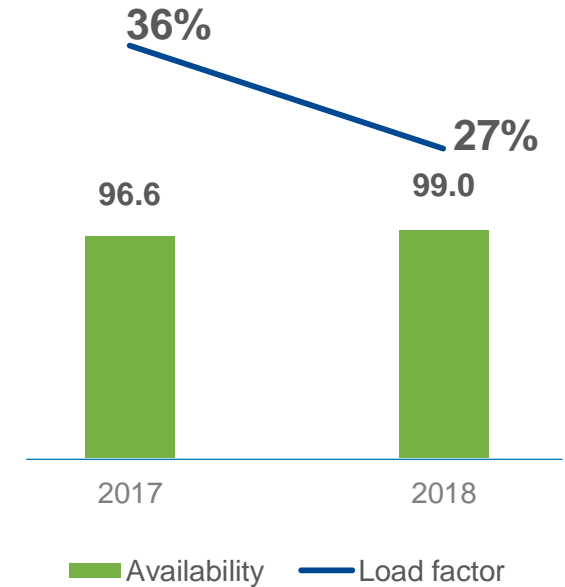
- Drop in EBITDA resulted from increased operating expenses of Vilnius and Kaunas CHP projects and lower wind speeds.
- Decrease was partly offset by acquisition of Vėjo Vatas and Vėjo Gūsis wind farms in November 2018.

Generated volumes and installed capacity



- Generation volumes decreased (-2%) due to lower wind speeds.
- Installed capacity increased to 76 MW after acquiring two wind farms.

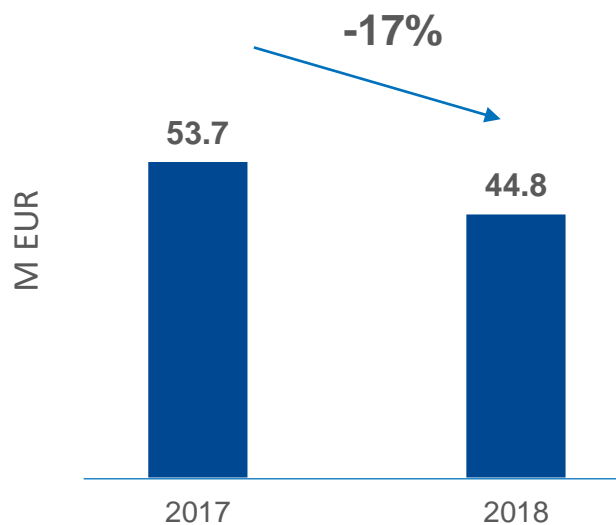
Availability and load factors



- Availability of wind farms increased to 99% as a result of improved coordination of O&M suppliers.
- Average load factor decreased due to lower wind speeds.

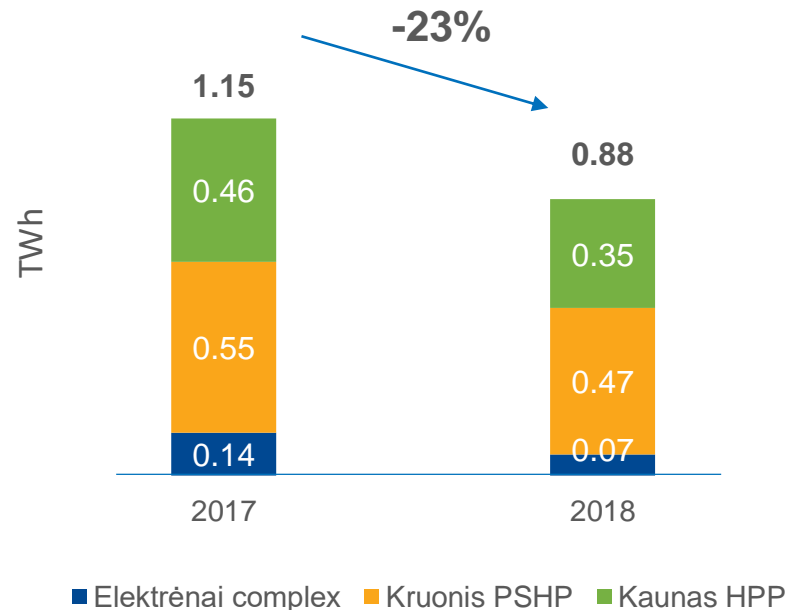
STRATEGIC GENERATION 2018 RESULTS

Adjusted EBITDA



- EBITDA has been negatively affected by reduced scope of regulated activities.

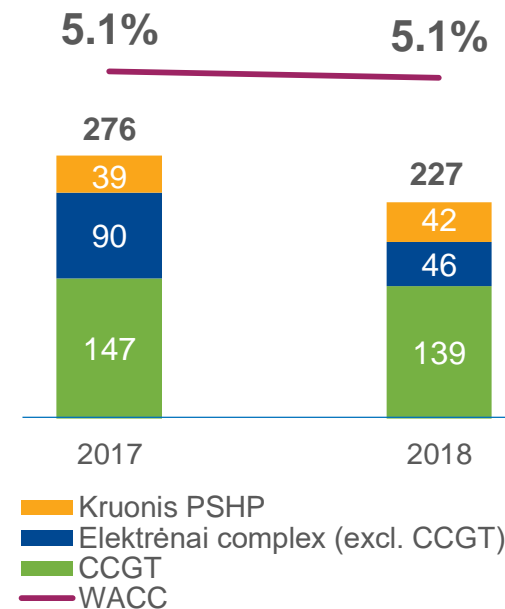
Generated electricity volumes



Generation volumes decreased in all power plants:

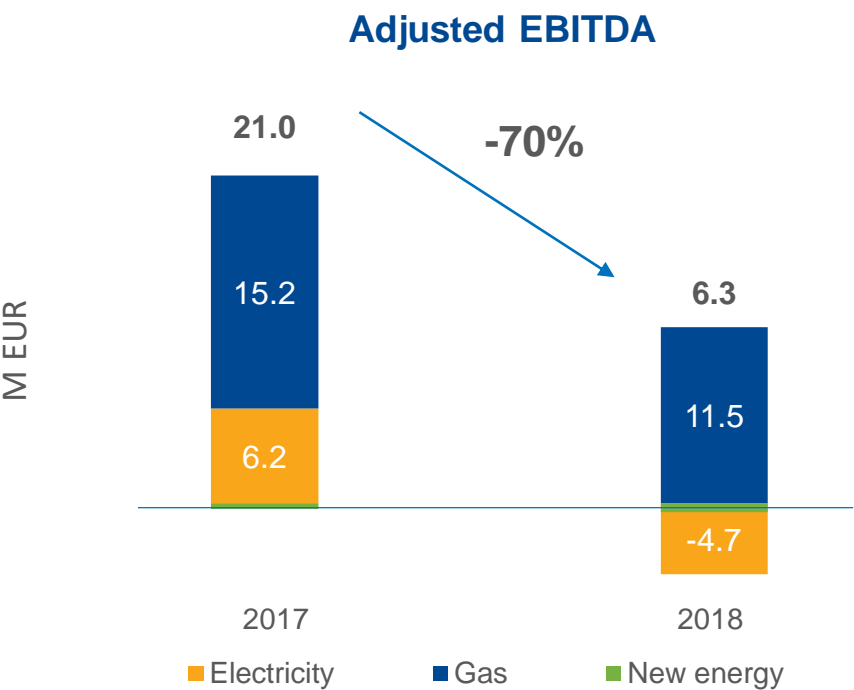
- Kaunas HPP due to dry weather conditions
- Kruonis PSHP due to planned repair works of the second hydro unit during February-July
- Elektreškai CCGT was switched on only 8 times during 2018 (19 times during 2017).

RAB, mEUR and WACC, %

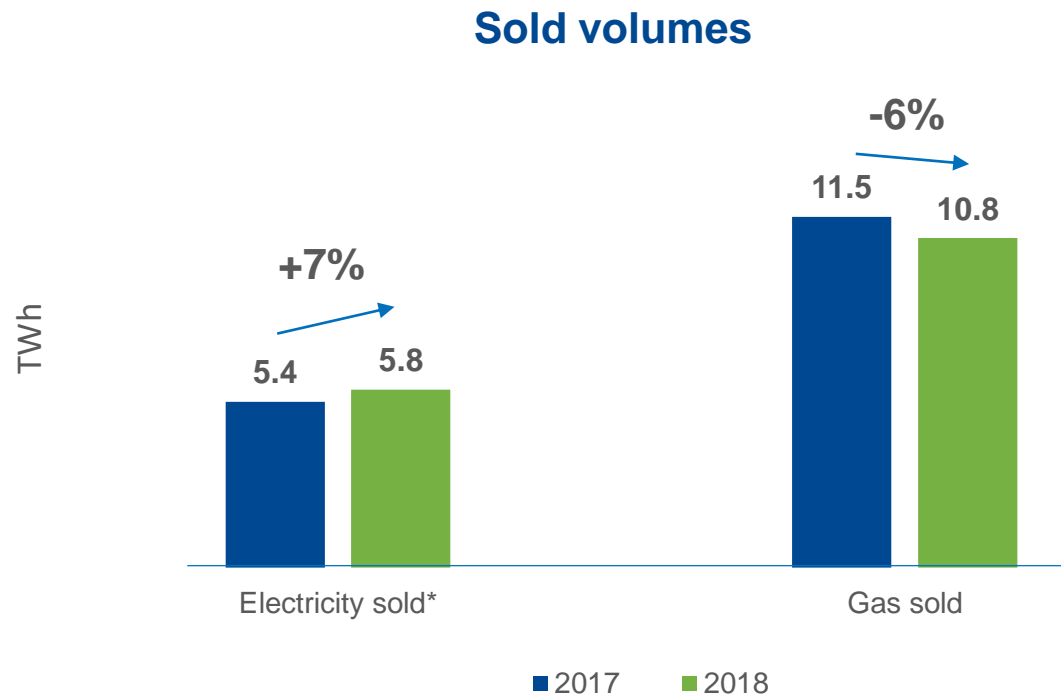


- Decrease in RAB: natural depreciation and conserved unit 7 in Elektreškai complex.

COMMERCIAL ORGANISATION 2018 RESULTS



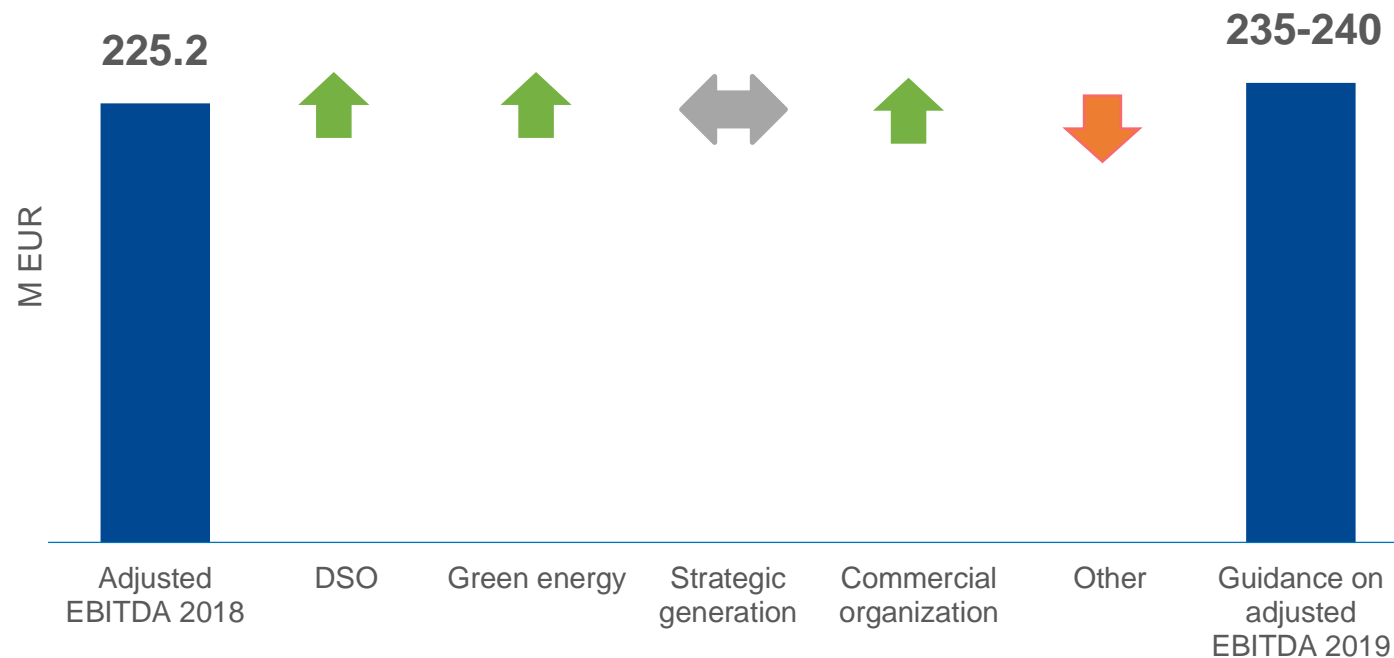
- Electricity result was mainly affected by unusually high electricity market prices at the Nord Pool exchange.
- Gas result decreased due to lower volumes sold and reduced sales margins.



- Volume of electricity sold increased mostly due to higher volume sold in Lithuanian retail market as a result of increased number of customers.
- The volume of gas sold was mostly affected by lower volume of gas sold to business clients in Lithuania and lower gas export as a result of increased competition and losing a major client.

* Sold volumes of electricity include public and guaranteed supply volumes

OUTLOOK – GUIDANCE FOR 2019



2019 adjusted EBITDA expected to be EUR 235-240m

- **DSO** EBITDA will continue to increase due to continued investments program.
- **Green Energy** result is expected to be higher because of a full-year effect of 2018 acquisitions to be included in 2019 results.
- **Strategic generation** expected to remain stable.
- **Commercial organization** expected to grow due to increase in electricity sales to retail clients in Lithuania and Latvia, better results of trading business in Poland, and investments into energy efficiency projects, as well as efficiency gains from consolidation of companies.
- **Other**: EBITDA decrease is forecasted as a result of divestment of non-core activities.



Thank You



Appendix

BALANCE SHEET AND INCOME STATEMENT

mEUR	31 Dec 2018	31 Dec 2017
Property, plant, and equipment	2.092	1.761
Other non-current assets	320	254
Non-current assets	2.411	2.015
Inventories	43	57
Trade receivables	143	113
Other current assets	63	69
Cash and cash equivalents	128	172
Non-current assets held for sale	66	79
Current assets	443	490
TOTAL ASSETS	2.854	2.505
Shareholders' equity	1.317	1.344
Non-current borrowings and bonds	735	480
Finance lease liabilities	14	0
Grants and subsidies	209	200
Other non-current liabilities	196	100
Non-current liabilities	1.154	780
Current borrowings	115	134
Trade payables	93	98
Other current liabilities	175	149
Current liabilities	383	381
Total liabilities	1.538	1.161
TOTAL EQUITY AND LIABILITIES	2.854	2.505

mEUR	2018	2017
Revenue	1.254	1.101
COGS	-975	-740
Depreciation and amortisation	-87	-87
Wages and salaries and related expenses	-80	-81
Repair and maintenance expenses	-21	-21
Result of revaluation of PPE	-68	-7
Reversal (impairment) of amounts receivable	-10	1
Impairment of PPE	7	-33
Other expenses	-26	-34
EBITDA	150	227
Adjusted EBITDA	225	239
EBIT	-5	97
Net financial activity	-14	-7
EBT	-19	90
Current year income tax expenses	-3	-3
Deferred income tax (expenses)/benefit	15	6
Net profit	-8	94
Adjusted net profit	116	130
<i>EBITDA margin, %</i>	<i>12,0%</i>	<i>20,6%</i>
<i>Adjusted EBITDA margin, %</i>	<i>18,0%</i>	<i>21,7%</i>
<i>Net profit margin, %</i>	<i>-0,6%</i>	<i>8,5%</i>
<i>Adjusted net profit margin, %</i>	<i>9,3%</i>	<i>11,8%</i>

KEY FINANCIAL INDICATORS

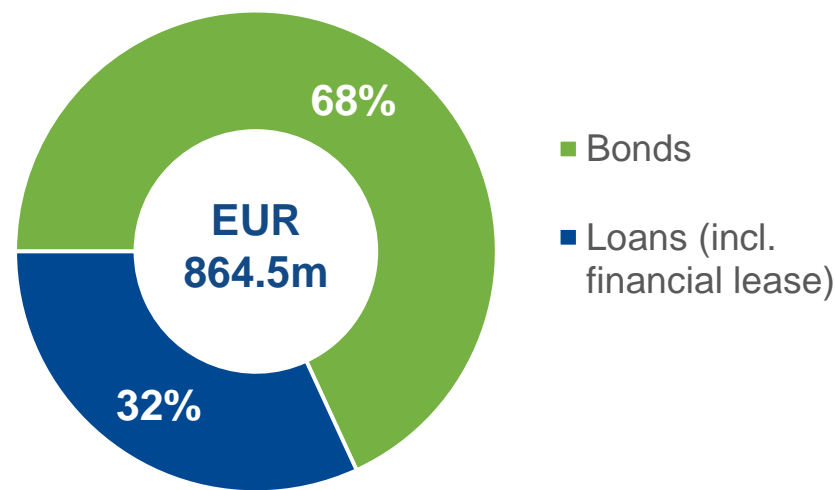
		2018	2017	Δ, EUR million	Δ, %
Revenue	EUR million	1,254.2	1,100.8	153.4	13.9%
Purchase of electricity, gas, fuel and related services	EUR million	974.5	740.5	234.0	31.6%
Operating expenses	EUR million	127.2	132.0	-4.8	-3.6%
EBITDA	EUR million	149.9	227.2	-77.3	-34.0%
EBITDA margin	%	12.0%	20.6%		
Adjusted EBITDA	EUR million	225.2	238.7	-13.6	-5.7%
Adjusted EBITDA margin	%	18.0%	21.7%		
EBIT	EUR million	-5.2	97.1	-102.3	-105.3%
FFO	EUR million	137.1	223.1	-85.9	-38.5%
Net profit	EUR million	-7.9	93.5	-101.5	-108.5%
Net profit margin	%	-0.6%	8.5%		
Adjusted net profit	EUR million	116.4	130.1	-13.7	-10.5%
Adjusted net profit margin	%	9.3%	11.8%		
Investments	EUR million	411.3	253.4	157.9	62.3%
		31 Dec 2018	31 Dec 2017	Δ. EUR million	Δ. %
Total assets	EUR million	2,854.1	2,505.1	349.0	13.9%
Equity	EUR million	1,316.6	1,343.6	-27.1	-2.0%
Borrowings	EUR million	864.5	614.1	250.4	40.8%
Net debt	EUR million	736.0	442.3	293.7	66.4%
Return on equity (ROE)	%	-0.6%	7.0%		
Adjusted return on equity (Adjusted ROE)	%	8.8%	9.8%		
Return on assets (ROA)	%	-0.3%	3.8%		
Equity ratio	%	46.1%	53.6%		
Net debt / 12-month EBITDA	times	4.91	1.95		
Net debt / 12-month adjusted EBITDA	times	3.27	1.85		
Net debt / Equity	%	55.9%	32.9%		
12-month FFO / Adjusted net debt	%	18.6%	47.8%		
Assets turnover ratio	times	0.439	0.439		
Current liquidity	times	1.156	1.285		
Working capital	EUR million	-19.0	-8.8	-10.3	-117.4%
Working capital / Revenue	%	-1.5%	-0.8%		

KEY OPERATING INDICATORS

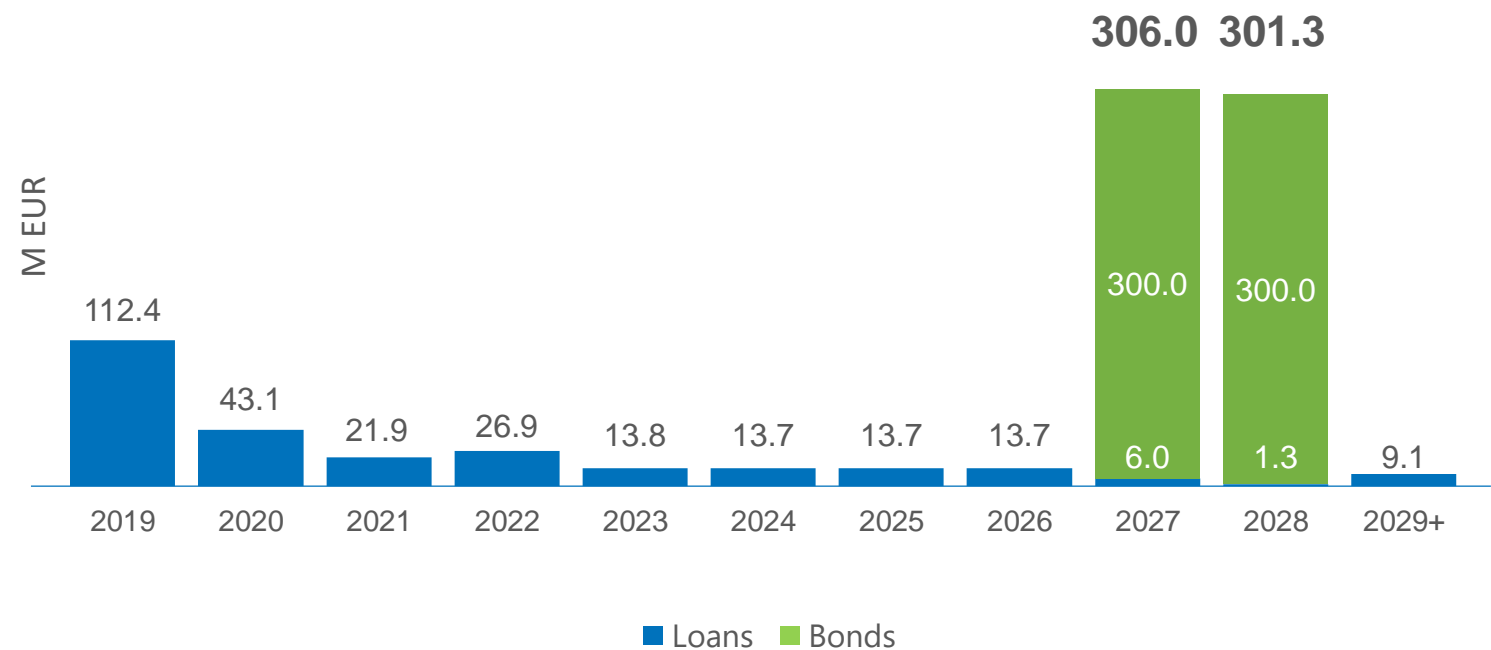
		2018	2017	Δ, +/-	Δ, %
Electricity					
Distributed electricity:	<i>TWh</i>	9.59	9.22	0.37	4.0%
Distributed to customers of independent suppliers	<i>TWh</i>	6.17	6.00	0.17	2.9%
Public and guaranteed supply	<i>TWh</i>	3.42	3.22	0.19	6.0%
Generated electricity (incl. Kruonis PSHP)	<i>TWh</i>	1.01	1.28	-0.27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

DEBT OVERVIEW

Gross debt structure as at 31 Dec 2018



Repayment schedule of the Group's debt



GREEN ENERGY

Capacity overview

	Country	Technology	Capacity (MWe)	Capacity (MWt)	COD	Support scheme	Tariff (EUR/MWh)	End of support
Operating			76					
Eurakras	LT	Wind	24		2016	FiT	71.0	2027
Tuuleenergia	EE	Wind	18		2013-2014	FiP	53.7	2026
Vėjo gūsis	LT	Wind	19		2010	FiT	86.9	2023
Vėjo vatas	LT	Wind	15		2011	FiT	86.9	2022
Under development			176	299				
Vilniaus kogeneracinė jėgainė (VKJ)	LT	Biomass	73	169	2020	-	-	-
		Waste	19	60				
Kauno kogeneracinė jėgainė (KKJ)	LT	Waste	24	70	2020	-	-	-
VVP Investment	LT	Wind	60		2022	-	-	-
Total			252	299				

GREEN BONDS



°CICERO
Dark Green

Green Bond issues			Allocated amount by the issue			
Issue	2017	2018	mEUR	2017	2018	Total
Rating	S&P: BBB+	S&P: BBB+	Projects	294	166	460
Face value	300	300	Wind farms	71	22	93
ISIN	XS1646530565	XS1853999313	Biomass and waste-to-energy plants	57	16	72
Maturity	14 July 2027	10 July 2028	Electricity distribution network	166	125	291
Tenor	10-year	10-year	Solar PV (small scale)	-	2	2
Coupon	2.000%, annual	1.875%, annual	ESCO (city lighting)	-	1	1
Type	Senior unsecured	Senior unsecured	Categories	294	166	460
Listing	Luxembourg Stock Exchange, NASDAQ Vilnius Stock Exchange		Renewable energy	71	24	95
Allocated proceeds in 2017	294	-	Pollution prevention, control	57	16	72
Allocated proceeds in 2018	-	166	Energy efficiency	166	126	292
Unallocated amount	-	134	Clean transportation	-	-	0

GLOSSARY

CAPEX	Capital expenditures	m	Million
CCGT	Combined cycle gas turbine	MW	Megawatt
CO	Commercial organisation	MWe	Megawatt electric
COD	Commercial Operations Date	MWh	Megawatt hour
DSO	Distribution system operator	MWt	Megawatt thermal
EBITDA	Earnings before interest, taxes, depreciation and amortization	NWC	Net working capital
EE	Estonia	OPEX	Operating expenses
ESCO	Energy Service Company	PPE	Property, plant and equipment
ESO	„Energijos skirstymo operatorius“, AB	PV	Photovoltaics system
Eurakras	„Eurakras“, UAB	RAB	Regulated assets base
FFO	Funds from operation	ROA	Return on assets
FiP	Feed-in Premium	ROE	Return on equity
FiT	Feed-in Tariff	S&P	Standard & Poor's Financial Services LLC
GWh	Gigawatt hours	SAIDI	System Average Interruption Duration Index
ISIN	International Securities Identification Number	SAIFI	System Average Interruption Frequency Index
Kaunas HPP	Kaunas Hydro Power Plant	Tuuleenergia	„Tuuleenergia“, UAB
Kauno kogeneracinė jėgainė	„Kauno kogeneracinė jėgainė“, UAB / Kaunas CHP / KKJ	TWh	terawatt hours
Kruonis PSHP	Kruonis Pumped Storage Hydroelectric Plant	Vėjo gūsis	„Vėjo gūsis“, UAB
LE	„Lietuvos energija“, UAB / Lietuvos Energija group	Vėjo vatas	„Vėjo vatas“, UAB
LEG	„Lietuvos Energijos Gamyba“, UAB	Vilniaus kogeneracinė jėgainė	„Vilniaus kogeneracinė jėgainė“, UAB / Vilnius CHP / VKJ
LET	„Lietuvos energijos tiekimas“, UAB	VVP Investment	„VPP Investment“, UAB
LITGAS	„Litgas“, UAB	WACC	Weighted Average Cost of Capital
LNG	Liquefied natural gas		
LT	Lithuania		