



# 2019

## Interim report and financial information

Consolidated interim report and condensed financial information of the Company  
and the Group for the twelve months period ended 31 December 2019

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# Overview

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# Management's foreword

## Dear Customers, Partners, Employees and Shareholders

2019 was a year of tremendous change and transformation. After brand consolidation, in September we became an international energy company Ignitis Group.

The new name marks the beginning of a new phase in the Group's readiness to meet its 2030 goals and focus on sustainable and environmentally friendly development in the international marketplace, ensuring high quality customer service and operating efficiency.

In recent years, the Group has issued EUR 600 million of green bonds, of which EUR 472 million has been invested in green generation projects. In addition to the economic value added to Lithuania by these green generation projects, the positive environmental impact is also much viable.

In addition, in December we became the first company from the Baltic States and Poland to join the initiative of the United Nations and the other international organizations 'Business Ambition for 1.5°C'. We thus commit to reduce net carbon dioxide (CO2) emissions to zero by 2050.

In previous year, we continued to set ourselves ambitious goals to increase our income outside Lithuania and expand our services abroad. The results of 2019 revealed that these goals are gradually becoming a reality: Group's sales from abroad grew more than 25 %. This is an evidence of Group becoming a serious market player on the international scale.

However, further investments are needed to preserve current and further expansion. With the aim to invest app. EUR 6 billion over the next decade, long-term financing alternatives have been assessed by the working group formed by the Ministry of Finance. On 28th February 2020 the working group provided their recommendations on the long-term Group's financing alternatives indicating Company's initial public offering (IPO) alternative being a preferred one. This is only start of the process which we are keen to do the best.

Had it not been for the highest standards of governance and transparency, which are an integral part of the Group's activities, the set goals would not have been achieved. We are excited to have them appraised in 2019 by the Governance Coordination Centre, where Ignitis Group was ranked as number one in the Good Corporate Governance Index published by this centre.

While focusing on the "energy-smart" world, our aim is to create value for Lithuania, we are committed to continuously working towards more transparent and effective outcome.



**Darius Maikštėnas**

Chairman of the Board and the CEO  
Ignitis grupė, UAB

# Ignitis group

## Creating “energy-smart” world

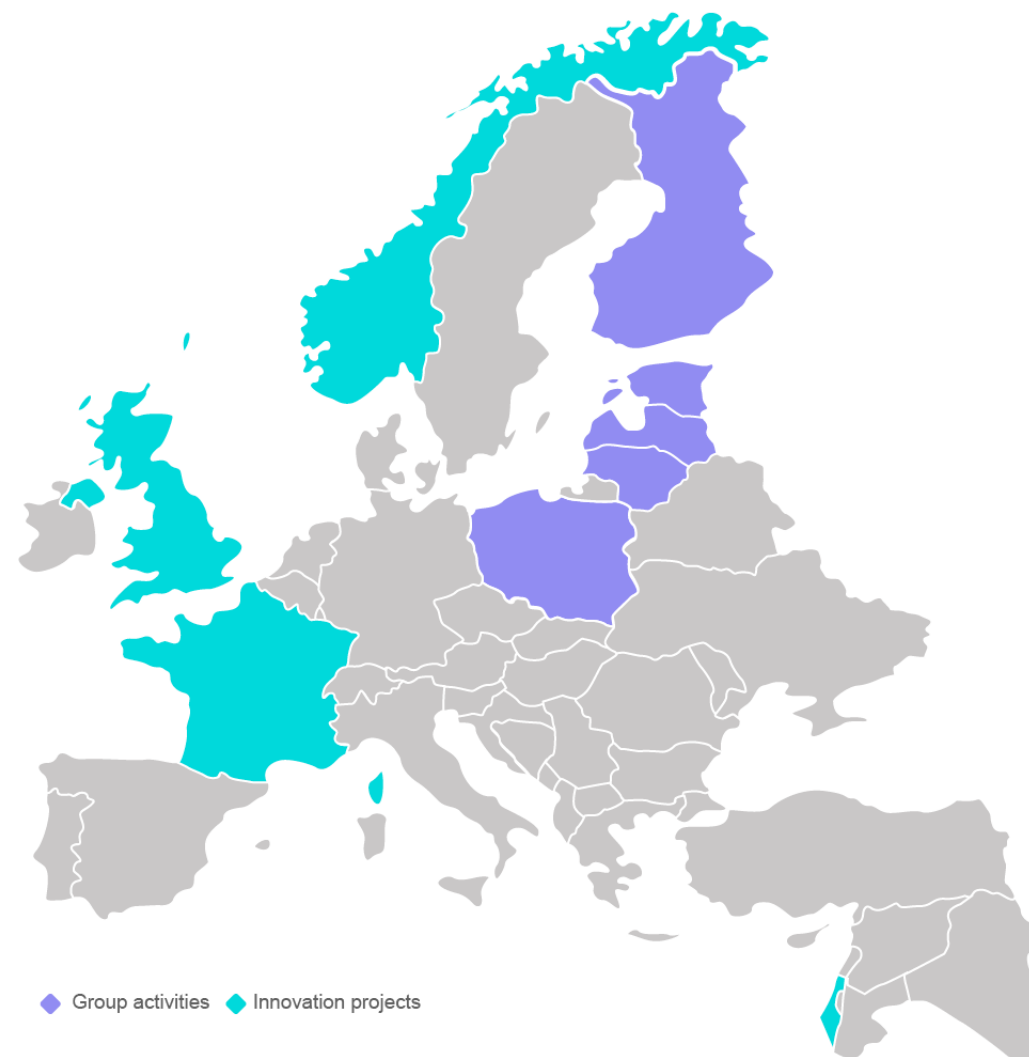
The international energy company Ignitis Group is one of the largest energy groups in the Baltic region.

The Group companies produce, distribute and supply energy, as well as develop “energy-smart” solutions.

The development of green energy generation capacity is a priority with a final goal to become the main competence centre for new energy and a leader in distributed energy solutions in the Baltic Sea region and beyond.

The Group companies operate in Lithuania, Latvia, Estonia, Poland and Finland. Group Innovation fund so far invested in the UK, Israel, Norway and France energy start-ups.

The Ministry of Finance of the Republic of Lithuania is the sole shareholder of the Company.





# 2019 in numbers



RES generation part



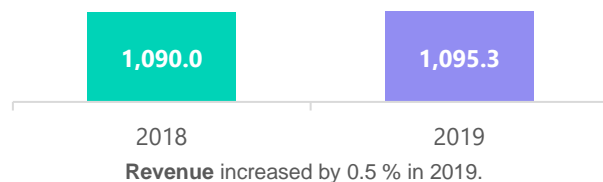
Group's staff number



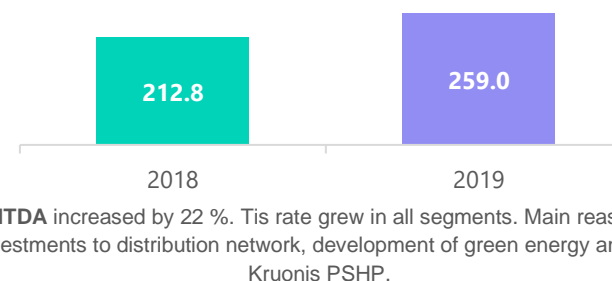
Consolidated revenue

# Key performance indicators

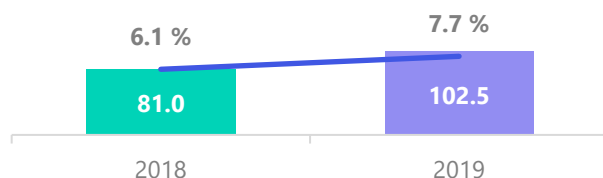
Revenue, EUR million



Adjusted EBITDA, EUR million

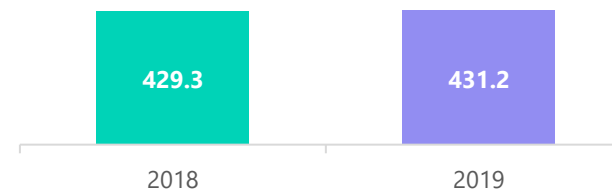


Adjusted net profit (EUR million) and adjusted return on equity, %



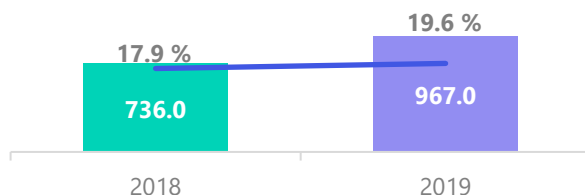
Adjusted net profit increased by 27 % due to higher EBITDA. Adjusted return on equity was 7,7 % in 2019.

Investments, EUR million



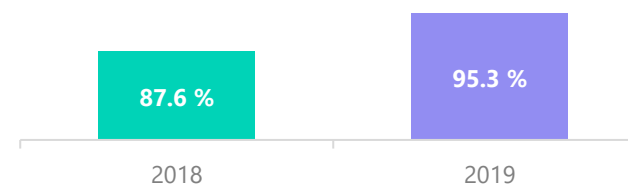
Intensive investment program continues as construction of co-generation plants are in progress and Group invests in wind farm projects.

Net debt (EUR million) and FFO/Net debt, %



Debt indicator FFO / Net debt grew from 17.9 % to 19.6 % due to higher EBITDA. In absolute size Net debt increased by 31 % due to continuance of intensive investments as to strategy of the Group.

Electricity generated using renewable energy sources (excl. Kruonis PSHP), %



Part of electricity generated using renewable energy sources (excl. Kruonis PSHP) grew by 8 % due to increase of electricity generated from wind farms.

# Most significant events during 2019

## Q1 2019

- ESO updated its business strategy. The main goal of ESO is to ensure reliable, effective and smart grid that enables further market development and the best customer experience.
- Based on the opinion of the Company's Supervisory Board, the Board of the Company nominated Rimgaudas Kalvaitis as the CEO of Ignitis gamyba. Aleksandr Spiridonov has been appointed as the head of Ignitis Renewables. Darius Montvila was elected as the head of the prospective commercial organization, which started its activities after the merge of Lietuvos Energijos Tiekimas and Energijos Tiekimas.

## Q2 2019

- In May, Ignitis Renewables acquired 100% shares of Pomerania, the company developing 94 megawatt (MW) capacity wind farm project in Poland.
- The test of Lithuanian energy system recovery after the total accident and isolated operation of a part of the system was successfully completed in the power plants managed by Ignitis Gamyba – in Kruonis PSP, Kaunas HPP and in the combined cycle block in Elektrėnai.
- The merger of Lietuvos Energijos Tiekimas and Energijos Tiekimas (now Ignitis) was finalised.

## Q3 2019

- The Supervisory Board of ESO approved the updated ESO 10-year investment plan. By 2028 ESO will invest EUR 1,8 billion in increasing network resilience and security, deploying smart solutions, improving customer experience, and promoting the market of services providing a level playing field for all market participants.
- Ignitis Group Innovation Center has started to publish open datasets. In the first phase, the data sets provided by ESO have been made published.
- Lietuvos Energija changed its legal name and brand to Ignitis Group. The legal name of Lietuvos energijos tiekimas was changed to Ignitis, Lietuvos energijos gamyba to Ignitis gamyba, and Lietuvos energija renewables to Ignitis renewables. In international markets, the group operates under the Ignitis brand.

## Q4 2019

- The world's first nationwide platform Saulės Parkai, available throughout the country, started its activity on 1 October. It is easily accessible to residents willing to use renewable solar energy in their homes. Part of a remote solar power plant can be acquired or leased through this platform.
- The first 50 Ignitis ON charging stations for electric vehicles were launched in Vilnius.
- Management of the Company made a decision to initiate delisting of Ignitis Gamyba and Energijos Skirstymo Operatorius procedures.
- The Ministry of Finance formed a working group to assess Group's the long-term financing alternatives, including the Company's initial public offering (IPO).
- The Company joined the initiative of the United Nations and other international organizations 'Business Ambition for 1.5°C'. The Company is committed to reduce net carbon dioxide (CO2) emissions to zero by 2050.
- Ignitis Gamyba won the auction of the tertiary active power reserve, announced by LITGRID, and will ensure the tertiary active power reserve in the full scope of 475 MW.



## 2019 – year of transformation

After the Group had announced its strategy for 2030 in May 2018, former Lietuvos Energija outlined clear lines of action plan. 2019 was another year focusing towards sustainable development and global recognition.

In 2019, a team of Group leaders and communication specialists with the help of external consultants refined the overall positioning of the Group and reached agreement on it. The outcome of the in-depth analysis, i.e. strategic positioning of “energy-smart”, has become the basis for both a radical change of the Group’s name and development of a new brand and its visual identity.

A wording “energy-smart” encodes the essence of the Group’s Strategy 2030: focus on real energy. The energy as it was seen by the pioneers of Elektra, AB back in the 1940s, who set an ambition to create a value for Lithuania. “Energy-smart” is about creating value by disposing activities that are not typical for an energy company and focusing on what we do best.

“Energy-smart”, as the Group’s transformation, is a reflection of energy resilience. It encompasses a wide range of energy activities: production, distribution, supply and customer care. Only now is it green, smart and open.

Such is Ignitis Group that creates the “energy-smart” world. Ensuring national strategic energy needs while rapidly developing green energy. Opening to innovations, competition and changes. Enabling new technologies to become platforms for innovative solutions accessible to everyone. Offering a wide range of energy services and solutions and helping customers become “energy-smart”.

**„Liberation from monopolies, by giving consumers more power and choice, is one of the historic changes in energy market. Monopoly will not be viable in the future. We have already become virtually unrecognisable, we compete in the international markets and we are ready to seriously compete in Lithuania. For this reason, we have to ourselves from the post-soviet state monopoly image.“**

**Darius Maikštėnas**

Chairman of the Board and CEO  
Ignitis grupė, UAB



# Business Model

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# Strategy

In the course of its activities, the Group observes its Strategy for 2030, approved in 2018. We strive to become a globally competitive energy company which creates value for Lithuania.

## Mission

To create an “energy-smart” world

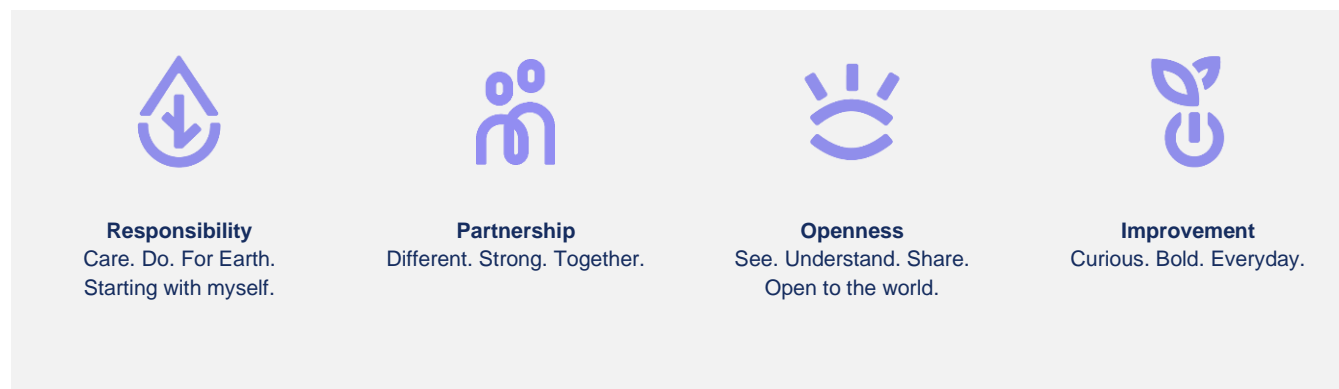
## Vision

A globally competitive energy company which creates value for Lithuania.

## Our values

We observe them both in everyday activities and when implementing strategic changes:

## Corporate values of the Group



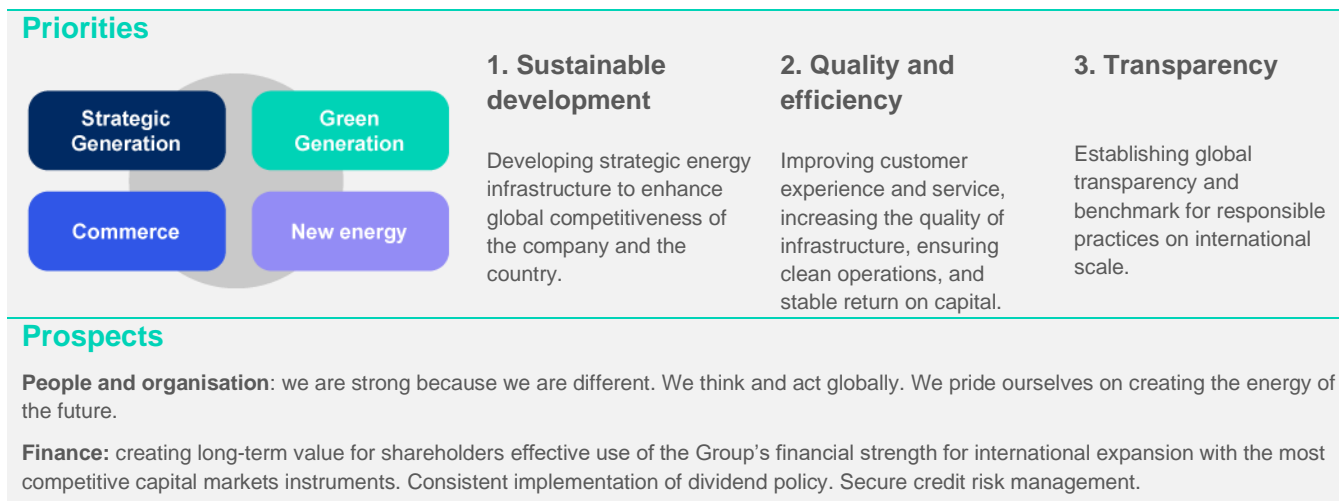
## Strategic priorities and perspectives

The implementation of the strategy focuses on sustainable development in the international market, quality and efficiency and transparency. The Group pursues these priorities in the context of the People and Organization, as well as Financial Perspectives.

## Markets

In 2019, the Group was active in the markets of Lithuania, Latvia, Estonia, Finland and Poland. Both short-term and long-term strategic goals provide for further international development, attributable primarily to the strategic development of green production and commercial organisation activities. Accordingly, the development of green energy is a priority for the Group with an aim to become the region's main competence centre for new energy and a leader in distributed energy solutions in the Baltic Sea region and beyond.

## The Group's priorities and prospects for 2030



## Segments

### Strategic generation

Ignitis Gamyba manages and develops the largest electricity generation capacities in Lithuania: Kruonis PSP, CCU and reserve power plant in Elektrėnai Complex, Kaunas Algirdas Brazauskas HPP and Vilnius TPP-3. The Elektrėnai Complex produces thermal energy for Elektrėnai consumers, Kietaviškės greenhouse complex, and the Company's own needs. The power generation capacity of the Elektrėnai Complex amounts to 1055 MW, Kruonis PSP - 900 MW, and Kaunas Algirdas Brazauskas HPP - 100,8 MW.

#### Strategic goals for strategic production:

- To provide power reserve services for local and regional market.
- To provide plant operation and maintenance services not only to the Group companies, but also to other generators.
- To seek to apply the latest battery technology to provide large-scale energy storage services.
- To modernize exiting units using the existing infrastructure or to build new units.

### Green Generation

Ignitis Renewables is engaged in management of renewable energy projects in the Baltic States and Poland and is responsible for efficient operation of existing wind farms, maintenance of the wind farms under construction and development of new production. The Group owns three wind farms operating in Lithuania with a combined capacity of 58 MW and an 18 MW wind farm in Estonia. Ignitis Renewables is building a 94 MW wind farm in Poland, Pomerania, and is about to launch the construction of a wind farm of a 60 MW in Mažeikiai, Lithuania, in the nearest future.

The green production segment also includes the development of cogeneration power plant projects in Vilnius and Kaunas, which will commence commercial operations in 2020 and 2021, respectively. VKJ heat capacity projected to be 229 MW, electricity capacity – 92 MW, whereas KKJ heat capacity projected to be 70 MW, electricity 24 MW.

#### Green production strategic goal:

- The target is 3,000 MW of installed capacity.

### Distribution

The core line of ESO business is to operate, maintain, manage and develop electricity and gas distribution networks and to ensure the safe and reliable operation, as well as guaranteed electricity and gas supply.

#### Strategic supply targets in field of quality and effectiveness:

- Customer experience: maintaining the price leadership of distribution services, reducing the deadlines for new customer connection to the distribution network; steadily increasing the quality of distribution services (SAIDI/SAIFI indicators) and the net promoter score.
- **Quality of infrastructure:** 100% smartization of the network; implementation of automation solutions for distribution system maintenance, which help to anticipate failures and readily rectify them; power line wiring where this is technologically and economically feasible, with priority given to the age of the lines, the accident rate and wooded and populated areas.

### Commercial organisation

Areas of activity of Ignitis: public electricity supply to residents, supply of gas to household customers, dedicated LNGT supply, supply of electricity and gas to business, energy efficiency (lighting) projects, construction of solar power plants for business and residents, installation and operation of electric vehicle charging stations, energy solutions for customer (gas boilers, heat pumps) balancing, trading in electricity and gas at Nasdaq, Nordpool, PolPX, Gaspool, etc. Ignitis operates in Latvia, Estonia, Finland and Poland.

#### Strategic goals of a commercial organization:

- Non-regulated activities dominate the commercial organization
- The brand awareness is firmly established at international level.
- Digital accessibility of all services.
- The best organisation among those engaged in similar activities by means of customer satisfaction.

## The Group's priority actions for 2020 - 2022

- Investments in green energy generation projects and assurance of strategic generation production:
  - Completion of construction and commercial commencement start of KKJ and VKJ accordingly in 2020 and 2021.
  - Continuing development of renewable sources: development of wind power plant projects and new capacities, preparation and participation in the auction of offshore wind development.
- Ensuring stable and reliable strategic production, preparing for auctions of production capacity in Lithuania and of provision of other system services in neighbouring countries.
- Increasing quality and efficiency of distribution activities: implementation of smartization and digitization projects, implementation of measures to improve service quality and customer satisfaction, preparation for the new electricity regulatory period.
- Planning to expand the commercial organization and to develop a new energy as well as to position Ignitis brand in Lithuania and abroad, and to prepare for the deregulation of the electric household consumer market.
- Increasing the efficiency of business development and support services and discontinuing non-core activities.

## Ongoing and planned investments

The priority is given to developing green production and increasing the quality and efficiency of distribution services whilst ensuring shareholder expectations

### *The biggest investments over the period 2020–2022*

Projects	Investments
Priority projects regarding the green energy development	<ul style="list-style-type: none"> <li>Completion of construction of cogeneration power plants in Vilnius and Kaunas</li> <li>Development of wind farm projects in Lithuania and abroad:               <ul style="list-style-type: none"> <li>94 MW wind farm in Poland ("Pomerania").</li> <li>63 MW wind farm in Lithuania ("Mažeikiai").</li> </ul> </li> <li>Development of new wind/solar farms.</li> </ul>
Priority projects regarding distribution activities and connection of new customers to the electricity and gas distribution networks	<ul style="list-style-type: none"> <li>Smart metering deployment is aimed to improve the quality of distribution services, make premises for customers to follow precisely the consumption of energy, get precise bills and save energy by rationally using it.</li> <li>Reconstruction of natural gas system and electricity grid to ensure an interrupted and quality energy distribution through the environmentally safe electricity and gas grid.</li> <li>Connection of new customers to the electricity and gas distribution networks. The power distribution operator is obliged to connect all new customers in compliance with the rules in force.</li> </ul>

## Strategy implementation and update

The Group companies develop and update their strategies and develop draft implementation plans based in the Group's strategy. Every year, each company prepares its long-term financial plans and forecasts expenses in accordance with its strategic and operational plans. The strategies of the Company and group companies are subject to annual review. The strategies are updated if there is a change in circumstances that affect the structure, the areas of activity of the Group companies, and have a significant impact on the forecasted outturn, strategic directions and strategic goals. The strategic plan of the Company is developed and updated annually for three-year period. It assists in measuring progress and communicating planned actions and resources to meet shareholder expectations.

# Information on securities of the Group

## Issuers of shares

The shares of Energijos Skirstymo Operatorius and Ignitis Gamyba are listed on the 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. Both companies concluded the securities accounting agreements on the accounting of securities issued and management of personal securities accounts with SEB Bankas AB.

**Structure of the issued capital and shareholders owning more than 5 per cent of the issuer's issued capital as at 31 December 2019:**

Company	Number of ordinary registered shares issued	Nominal value per share	Total nominal value of shares (in EUR)	ISIN code	Securities' abbreviation	Trading list	Full name of the shareholder (name of the company)	Voting rights conferred by shares owned, %
Ignitis Gamyba	648 002 629	EUR 0.29	187 920 762,41	LT0000128571	LNR1L	BALTIC MAIN LIST	Company	96,82 %
Energijos Skirstymo Operatorius	894 630 333	EUR 0.29	259 442 796,57	LT0000130023	ESO1L	BALTIC MAIN LIST	Company	94,98 %

On 4 December 2019, the Extraordinary General Meetings of Ignitis Gamyba and Energijos Skirstymo Operatorius took the decision to delist the shares of these companies from the NASDAQ Vilnius Stock Exchange to approve the Company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. At the date of signing this report, the delisting process is not yet completed and the shares of Energijos Skirstymo Operatorius and Ignitis Gamyba are still traded on the Nasdaq Vilnius Stock Exchange.

## Debt securities

On 31 December 2019, the Company has issued two issues of green bonds listed in the Stock Exchanges of Luxembourg and NASDAQ Vilnius. The total nominal value of bonds issued by the Company is EUR 600 million. The amount of Bond Programme is EUR 1.5 billion.

## Credit rating

In May 2019, after having carried out the annual review of the Company credit rating, the international credit rating agency S&P Global Ratings has left BBB+ credit rating valid for the Company. When implementing strategic projects, the Group entered the intense investment phase last year, reaching the historically highest annual investment flow for the connection of new customers of Energijos Skirstymo Operatorius and investments in the projects of the construction of cogeneration power plants in Vilnius and Kaunas. These circumstances led to a change in credit rating outlook from stable to negative.

## Major changes

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.

### *Debt securities issued by the company*

Company	Total nominal values of the issue, EUR	ISIN code	Buy-out date
Ignitis grupė	300 000 000,00	XS1646530565	2027-07-14
Ignitis grupė	300 000 000,00	XS1853999313	2028-07-10



# Core activities of the Group

At the end of the reporting period, the Group consisted of 24 companies: the parent Company and 23 directly and indirectly controlled companies.

Key elements of the Group's value chain are generation, distribution and supply activities, other non-core activities and internal services for business development and support.

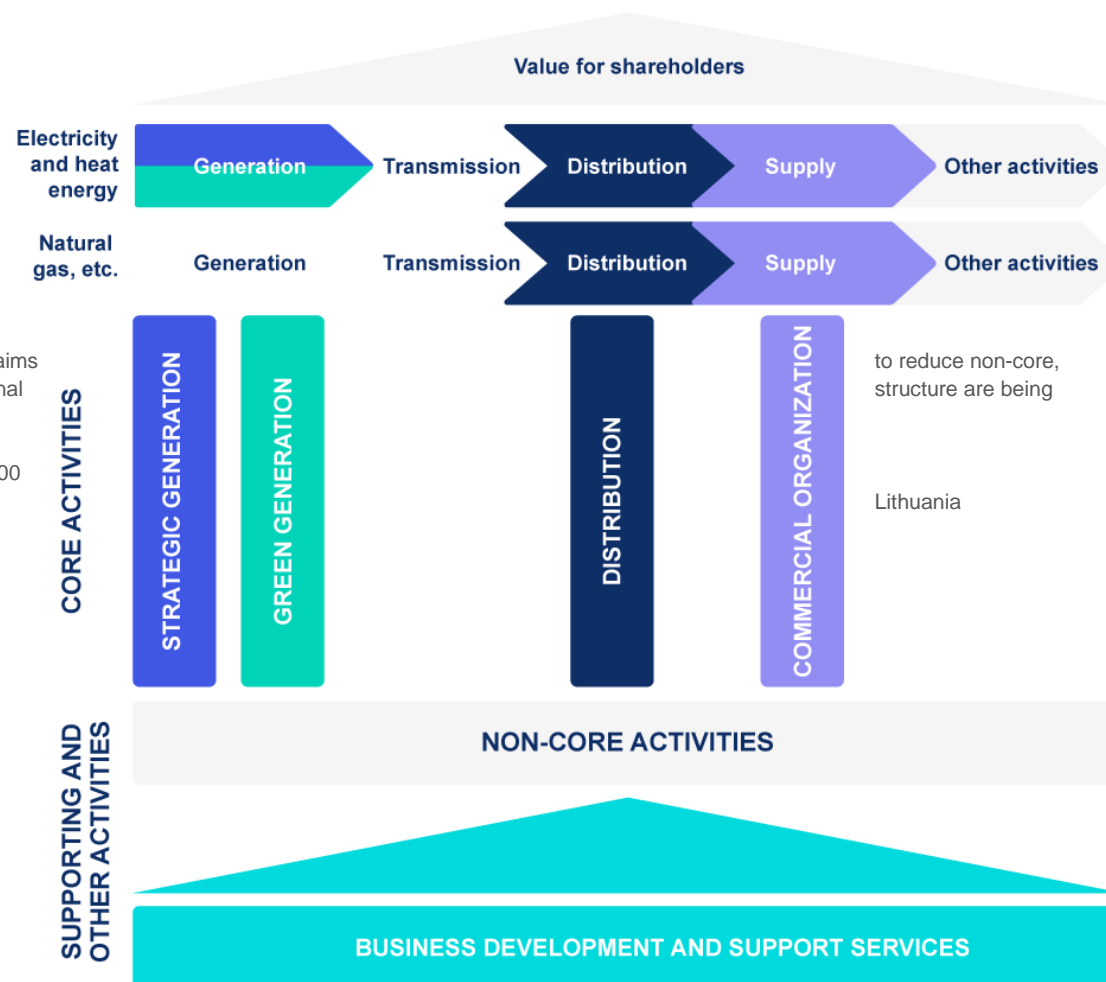
The main business activities of the Group are the generation of electricity and heat (strategic and green generation), electricity and gas distribution and commerce activities (public supply of electricity to residents, gas supply to household customers, LNGT dedicated supply, electricity and gas supply to businesses, energy efficiency (lighting) projects, construction of solar power plants for business and residents, installation and operation of electric car stops, energy solutions for residents (gas boilers, heat pumps), balancing, electricity and gas trading on exchanges.

In order to focus on value-creating activities and their sustainable development, the Group aims non-core activities by divesting them. Changes in the group's management and organizational made to realize strategic goals.

The Group also invests in the reduction of carbon dioxide emissions and has issued EUR 600 million worth of green bonds. The proceeds are being used for a variety of projects in with a forecast to reduce carbon emissions by 700,000 tons every year.

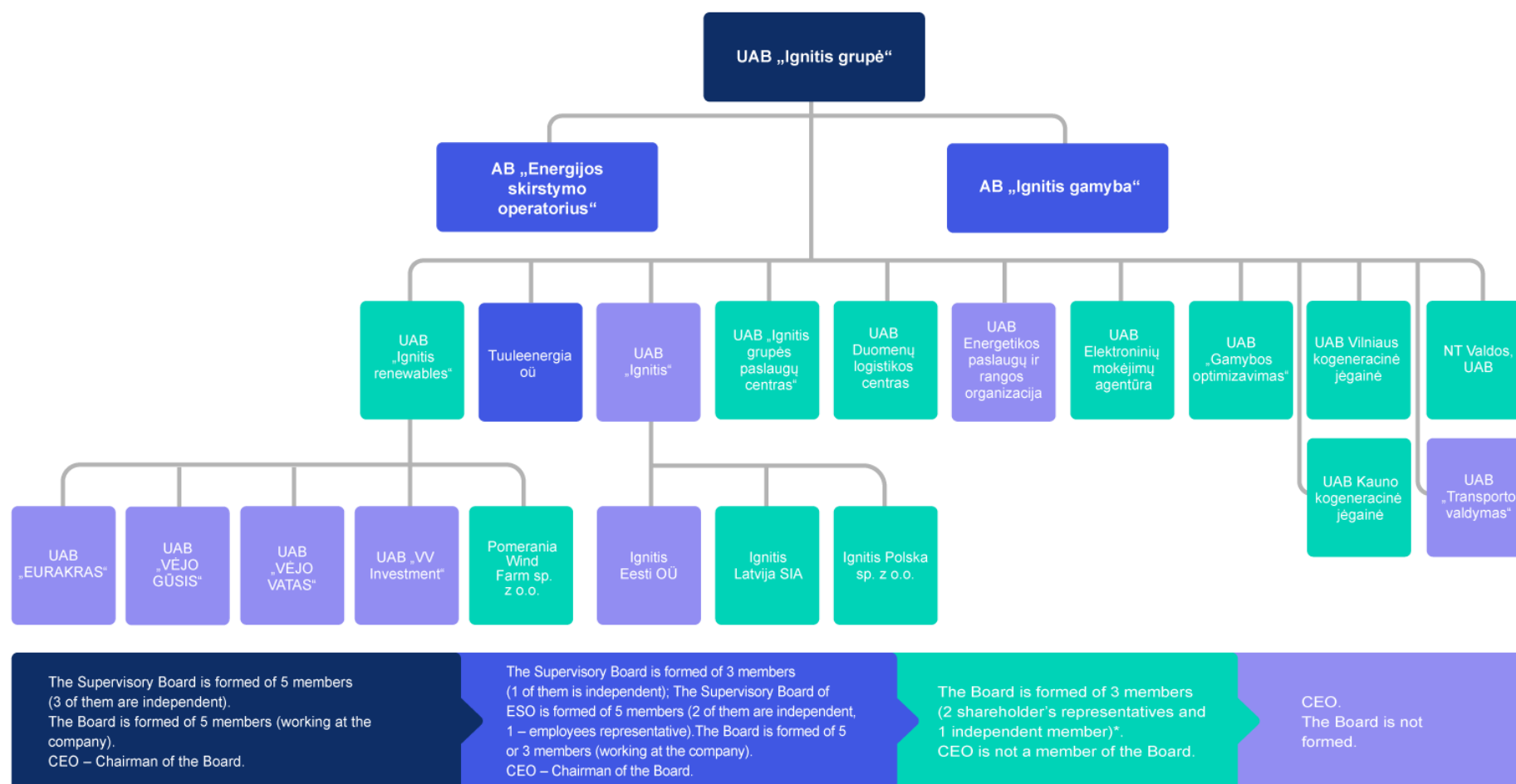
Approximately 3,800 employees work in the Group companies.

## Group's value chain and organizational performance model



## Structure of the Group

At the date of this report, these entities were controlled, directly or indirectly, by the Group.



\* 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 representation of all shareholders, the provisions of individual shareholder agreements or the implementation of specific legislation is also taken into account ensuring the representation of all shareholders.

# Business environment

The most relevant internal and external processes of the Group which likely to have significant financial and non-financial impact are:

## Internal environment

- Occupational Health and Safety.
- Ensuring IT system development needs and targeted architecture and digitizing business processes.
- Personal data protection and cyber security.
- Staff turnover.
- Prevention of corruption.
- Potential for operational efficiency enhancement.
- Strategic procurement and timely implementation of priority projects.

## Key factors of the external environment

<b>Political</b>	<ul style="list-style-type: none"> <li>– National Energy Independence Strategy.</li> <li>– Energy Security Policy: strategic energy projects.</li> <li>– Environment and climate change policy: EU policies of reducing green-house gas emissions.</li> </ul>
	<ul style="list-style-type: none"> <li>– The country's economy is growing, increase in electricity consumption in Lithuania is also forecasted, the production accounts for only a quarter of demand.</li> <li>– Impact of economic development cycles on changes in energy demand and performance.</li> <li>– The synchronization of the Lithuania's electricity system with the electricity system of the Continental Europe has the potential to open up new markets while increasing competition.</li> <li>– Growing competition in the power generation market.</li> <li>– Increasing competition between system service providers.</li> <li>– Lack of competition in the outsourced market results in rising prices for services.</li> <li>– Cost of resources, fluctuations in imported electricity and gas prices.</li> </ul>
<b>Economical</b>	<ul style="list-style-type: none"> <li>– The relatively slow growth of the local purchasing power is highly sensitive to price increases; expectations regarding prices of decreasing energy.</li> <li>– Continuing need for the safety of employees/contractors/residents.</li> <li>– Growing public expectations regarding new technology solutions.</li> <li>– The electricity market is exceptional because electricity is used practically everywhere.</li> </ul>
	<ul style="list-style-type: none"> <li>– Conventional power generation has to face challenges and opportunities brought by the power generation from renewable energy sources.</li> <li>– Innovation development need for new energy services and technologies. Innovation activities increase the Company's competitiveness.</li> <li>– The need for digital technologies and complex modern solutions (e.g. Cloud, IoT, etc.) to increase competitiveness.</li> <li>– Sub-optimal and less automated distribution network.</li> <li>– The growing risk of cyber threats.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>– Energy sector regulation:</li> <li>– New regulatory period and LRAIC model update.</li> <li>– Projected deregulation of the electricity market for household customers.</li> <li>– Continuity of designated supply business model.</li> <li>– RES auctions, offshore wind farms' development.</li> <li>– Power auctions, system service uncertainty.</li> <li>– Risk of non-compliance: anti-money laundering and counter terrorist financing, NERC's qualitative distribution indicators (SAIDI, SAIFI, duration of connection of new customers), personal data protection.</li> </ul>
	<ul style="list-style-type: none"> <li>– Growing public attention to climate change.</li> <li>– Increasing environmental requirements, leading to additional investment needs.</li> </ul>
<b>Technological</b>	
<b>Legal/Regulatory/ Compliance</b>	
<b>Environments</b>	

## Overview of market trends

### Situation on the wholesale electricity market

In 2019, prices fell in all of the bidding areas of the Nord Pool Nordic power exchange. Compared to 2018, the average price for systemic services was lower by app. 11% (2018 – 43,99 Eur/MWh, 2019 – 38,94 Eur/MWh), in the fourth price area of Sweden, with which Lithuania is connected by the NordBalt power link – app. 14% (2018 – 46,36 Eur/MWh, 2019 – 39,80 Eur/MWh), in Finland – app. 6% (2018 – 46,80 Eur/MWh, 2019 – 44,04 Eur/MWh), in Lithuania – app. 8% (2018 – 50,00 Eur/MWh, 2019 – 46,12 Eur/MWh), Latvia and Estonia – app. 7% (2018 – 49,90 Eur/MWh, 2019 – 46,28 Eur/MWh).

It is noteworthy that unlike in 2018, prices in Finland were more similar to those in the Baltic region and more different from the rest of the Scandinavian region in 2019, while in Lithuania at some period's prices were lower than in Latvia and Estonia. In 2019, the average price difference between Lithuania and Sweden in the fourth zone was app. 73% higher than in 2018 and reached app. 6.30 Eur/MWh (2018 – app. 3,64 Eur/MWh). The highest difference was observed during June and September – app. 11–17 EUR/MWh.

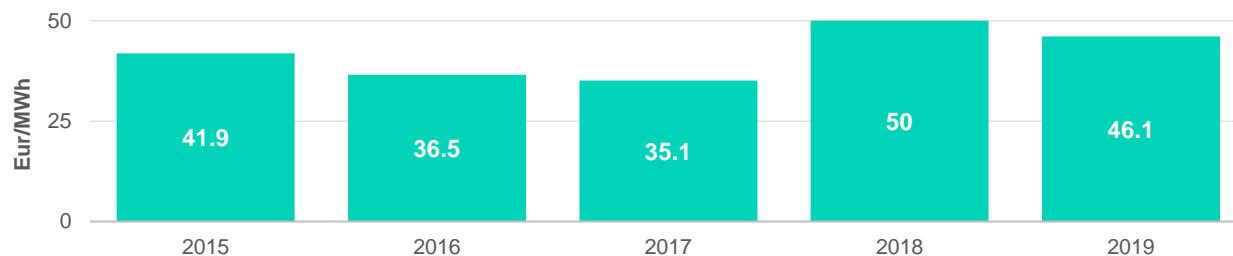
In 2019, the total energy demand in the price areas of the Nord Pool power exchange decreased by app. 1.5%, wind farm production increased by app. 17%, total installed wind power capacity increased from 17 GW to almost 20 GW, hydroelectric power plant

production decreased by app. 5%, nuclear power plant production changed slightly, Unit 2 of the Ringhals nuclear power plant in Sweden was shut down at the end of last year (852 MW of installed power), Ringhals 1 is scheduled to shut down at the end of 2020 (881 MW of installed power).

Annual electricity demand in Lithuania was similar to that in 2018 – app. 12 TWh (excl. Kruonis PSHP demand), in it decreased by app. 2% in Latvia and Estonia and totalled 8 TWh and 7 TWh respectively. In 2019 Lithuania produced about 12% more electricity than in 2018, meanwhile Latvia - app. 5% less, Estonia - app. 41% less. Lithuania remains an energy-deficit country, producing around 30% of the country's demand, Latvia – app. 85%. Estonia has decided to shut down polluting oil shale fired power stations and from the energy-surplus country it turned into an energy-deficit country, producing about 74% of the country's demand.

In 2019, the balance of Lithuanian commercial imports changed. In 2019, import from third countries increased by app. 35% compared to 2018, with imports increasing significantly in the first and second quarters – app. by 84% and 76% respectively. Volumes of import remained at the same level in the third and fourth quarter. Electricity imports from Scandinavia, through the power line with Sweden, increased by app. 20% compared to last year: app. 42% less in the first quarter, almost three times more in the third quarter, however, similar results were observed in the second and fourth quarters. Export in the direction of Poland increased several times.

**Electricity prices as per Lithuanian price area**  
(source: "Nord Pool")



### Situation on the natural gas market

In 2019, the global liquefied natural gas (LNG) market suffered overcapacity, therefore, buyers held extremely strong bargaining positions in this market.

In 2019, LNG supply worldwide increased by about 12% and totalled 483 billion m<sup>3</sup>. The largest increase in the liquefaction capacity of natural gas was recorded in the USA. This country liquefied app. 20 billion m<sup>3</sup> more gas in 2019 than in 2018.

Since the beginning of last year, European natural gas indices have been reflecting global LNG price trends and have come down. The Dutch TTF (Title Transfer Facility) price index in January 2019 was app. 24 EUR per MWh, and in December it decreased to app. 15.89 EUR per MWh.

For most of the year, shipment of LNG cargo from Europe and United States of America to Asia were economically unviable. As a result, Europe has, to some extent, been balancing global LNG flows by accepting additional loads. This was particularly noticeable in October and November, when LNG transportation costs were sharply up.

One of the highlights of 2019 for the natural gas market was the US decision to impose sanctions on companies constructing the Nord Stream 2 pipeline. According to market analysts, these sanctions will delay the completion of the gas distribution pipeline construction for an indefinite period.

As at 31 December 2019, European natural gas storage filling rate stood at 88%, which was 18% higher than in the same period in 2018.

In 2019, 19.6 TWh or 2.2 times more natural gas was supplied from the Klaipėda LNG terminal to customers of Lithuania than in 2018. According to the data of the Lithuanian transmission system, the consumption of natural gas in the country was 5% higher than in 2018 and reached 23.5 TWh.

## GDP forecast

The changes in general domestic product have the biggest impact on increase in demand for energy and competitive environment, in which the Group is operating. The general domestic product has been growing for several years in the European Union already. The growth will continue. However, according to the forecasts, due to increasing global uncertainties, it will be more moderate.

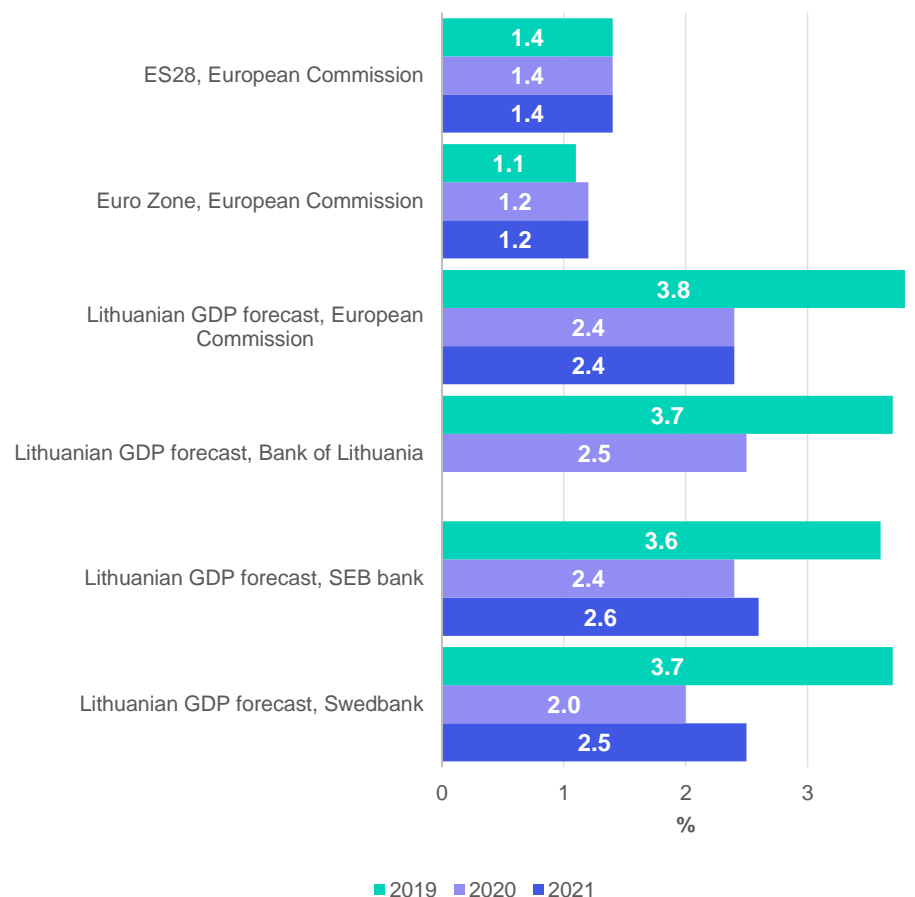
According to the forecast of the European Commission published in autumn 2019<sup>1</sup>, the gross domestic product is forecast to grow by 1.4% in the European Union (EU28) in 2019 and 1.2% in the euro area. Meanwhile, the economic growth should be 1.4% and 1.2% in 2020, and 1.4% and 1.2% in 2021, respectively. The European Commission informed that the growth of the Lithuanian economy was going to reach 3.8 percent in 2019, and 2.4% both in 2020 and in 2021.

As indicated in the Lithuania's economic outlook published by the economists of the Lithuanian banks, Lithuania's economic prospects are considered to be positive. According to the forecasts presented by the analysts of SEB bank in September 2019<sup>2</sup>, the real Lithuanian general domestic product increased by 3.6% in 2019. Meanwhile in 2020 this indicator is going to increase by 2.4%, and in 2021 – 2.6%.

The Swedbank analysts published Lithuania's economy outlook in the end of January 2019<sup>3</sup>: it is forecasted that the growth of general domestic product will reach 3.7% in 2019, 2.0% in 2020, and 2.5 percent in 2021. The projections of the Bank of Lithuania, made in December 2019<sup>4</sup>, showed that the gross domestic product in Lithuania was growing by 3.7 percent in 2019, and is going to grow by 2.5 percent in 2020 (see figure in the right).

Whereas the energy consumption is closely related to the growth of gross domestic product, the changes in economic growth rates in Lithuania and neighbouring countries may also affect the performance and financial results of the Group companies.

### Gross Domestic Product Growth Forecasts for the European Union, Euro Zone and Lithuania in 2019-2021, %



<sup>1</sup> Data source: European Commission. European Economic Forecast Autumn 2019.

<sup>2</sup> Data source: SEB bank. Lithuanian Macroeconomic Review, 11 September 2019, No 70.

<sup>3</sup> Data source: Swedbank Economic Outlook. November 2019.

<sup>4</sup> Data source: Bank of Lithuania. Lithuanian economic review: October 2018.

## A look at 2020 in Lithuania's energy sector

### Commented by Vytautas Rimas, Head of Market Regulation at Ignitis Group.

In 2018, following the approval of the new Lithuanian National Energy Independence Strategy (NEIS) and the corresponding plan of measures for the implementation of the strategy, actions for a greener and more secure energy sector were initiated.

In 2019, a number of important political decisions were taken which set the scene for certain measures and actions: adoption of a so-called law on synchronisation with EU funding for this project; the announcement of auctions promoting the development of renewable energy, the decision on smart metering deployment, the renewed model for prosumer development, a record high ranking in "Doing Business 2020" which was partially influenced by the shortened connection time to the grid, etc.

And while the country's energy sector seems to be moving forward, we are going to face new challenges in 2020.

Since the Astravyets nuclear power plant (NPP) has been a constant topic of discussion, next year we will probably focus on "catching" electrons potentially trying to get to Lithuania from unsafe third-country nuclear power plants. Following the launch of the Astravyets NPP, we will have to agree with Latvia and Estonia on a trade with third countries and regarding

isolated work test of the electrical systems in the Baltic States, which is a prerequisite for synchronization with continental Europe.

While household consumers are waiting for smart electricity meters, we will also have to properly prepare for the planned market liberalisation, because the draft laws provide that the first part of the country's largest household electricity consumers will have to choose their new electricity supplier on 1 January 2021. Accordingly, to make this process for consumers as smooth as possible, awareness raising initiative is expected to start from mid-2020: consumers will learn about the planned stages of liberalization, the benefits and the opportunities they can embrace from this process.

Next year, even bigger breakthrough of prosumers is expected in the area of renewable energy, and a second auction (0.7 TWh) for the allocation of renewable energy promotion allowances is planned in mid-2020. In addition, the development of offshore wind farms in the Baltic Sea will be supported by the conceptual decisions and research in 2020, which should be one of the cornerstones for the successful implementation of the national energy sector goals set by the NENS not only in the short but also in the long term. It is noteworthy that next year not only potential developers, but also municipalities will be engaged in the field of renewable energy. Most of the municipalities (50 out of 60 municipalities) will have to prepare action plans for the use of RES in the

period of 2021–2031. Willing to prove that these scenarios do not exist on paper alone, municipalities will also need to recall their Sustainable Urban Mobility Plans prepared some time ago, as some of them will have to stretch to meet the targets for the development of electric vehicle charging stations.

In the field of reliable electricity generation, the year of 2020 will also be exceptional to Lithuania. After a longer break. Vilnius and Kaunas co-generation power plants, which are expected to start the operation in 2020, will bring a new reliably accessible electricity generation capacity in Lithuania to a more significant level. It is also expected that, once the necessary legislative changes and the final concept have been decided, auctions of Capacity Mechanisms should take place at the end of next year to ensure the adequacy of the Lithuanian energy system after synchronisation with continental Europe in 2025. For this reason, and the potential impact of these mechanisms on the final consumer electricity bill, this matter will potentially be one of the main topics in the country's energy heaven next year.

In the light of all these pending tasks, it is to be hoped that the potentially changing political winds will not prevent everyone from marching forward and consolidating on what it has been achieved so far.

*Published on vz.lt as at December 2019.*



# Results

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# Full year 2019 results

## Group's key operating indicators

		2019	2018	Δ, +/-	Δ, %
<b>Electricity</b>					
Volume of electricity distributed	TWh	9.55	9.59	-0.04	-0.43 %
Distributed to customers of independent suppliers	TWh	6.22	6.17	0.06	0.90 %
Public and guaranteed supply	TWh	3.33	3.42	-0.10	-2.82 %
Volume of electricity generated (incl. Kruonis PSHP)	TWh	1.06	1.01	0.05	5.26 %
Generated electricity using renewable energy sources (excl. Kruonis PSHP)	TWh	0.50	0.47	0.03	5.98 %
Generated electricity using renewable energy sources (excl. Kruonis PSHP)	%	95.30 %	87.60 %	-	8.79 %
Volume of electricity sold in retail market	TWh	5.86	5.91	-0.05	0.84 %
Public and guaranteed supply	TWh	3.35	3.48	-0.13	-3.69 %
Sales in retail market	TWh	2.51	2.43	0.08	3.24 %
Volume of electricity sold in wholesale market	TWh	4.71	0.70	4.01	574.72 %
Number of newly connected customers*	units	40,151	30,976	9,175	29.62 %
Duration of connection of new customers (average)	calendar days	31.99	46.26	-14.27	-30.85 %
<b>Quality indicators of electricity supply</b>					
SAIDI (with force majeure)	min.	91.79	81.28	10.51	12.94 %
SAIFI (with force majeure)	units	1.31	1.14	0.17	14.74 %
Technological costs in the distribution network	%	6.29 %	5.96 %	-	5.59 %
<b>Gas</b>					
Volume of gas distributed	TWh	6.97	7.60	-0.64	-8.39 %
Volume of gas sold in retail market	TWh	9.83	11.33	-1.50	-13.22 %
Volume of gas purchased:	TWh	10.92	10.90	0.02	0.19 %
Volume of LNG purchased	TWh	5.92	5.68	0.24	4.19 %
Volume of natural gas purchased	TWh	5.01	5.22	-0.22	-4.14 %
Number of newly connected customers*	units	11,793	14,741	-2,948	-20.00 %
Duration of connection of new customers (average)	calendar days	65.05	87.70	-22.65	-25.83 %
<b>Quality indicators of gas supply</b>					
SAIDI (with force majeure)	min.	1.25	0.61	0.64	106.23 %
SAIFI (with force majeure)	units	0.008	0.006	0.00	35.93 %
Technological costs in the distribution network	%	2.17 %	2.06 %	-	4.96 %

\*New customers – clients, that newly connected to electricity or gas distribution networks or upgraded capacity.

## Analysis of key operating indicators

The volume of distributed electricity in 2019 remained at a similar level and amounted to 9.55 TWh. The distribution of electricity to customers of the independent suppliers slightly increased by 0.9 % and amounted to 6.22 TWh. The volumes of public and guarantee supply slightly decreased by 2.8 % and amounted to 3.33 TWh (2018: 3.42 TWh).

Electricity generation at Kaunas Algirdas Brazauskas HPP decreased by 21.8 % in 2019 compared to 2018 due to a lower level of water in the Nemunas river and amounted to 0.27 TWh. Electricity generation volumes at Kruonis PSHP increased by 14.1 % due to increasing daily and night-time electricity tariffs and amounted to 0.54 TWh. Electricity generation volumes at the Elektrėnai Complex decreased by 63.2 % in 2019 and reached 0.02 TWh (2018: 0.07 TWh).

Following the acquisition of Vėjo Vatas and Vėjo Gūsis in November 2018, the volume of electricity generated at wind farms operating in Estonia and Lithuania totalled 0.23 TWh, which is 81.4 % more compared to the same period in the previous year. Therefore, the share of electricity generated from renewable energy sources (including electricity generated by Kaunas A. Brazauskas HPP, but excluding Kruonis PSHP) in 2019 increased to 95.3% of the Group's total electricity generation volume (excluding Kruonis PSHP) (generated electricity from renewable energy sources in 2018 was 87,6 %).

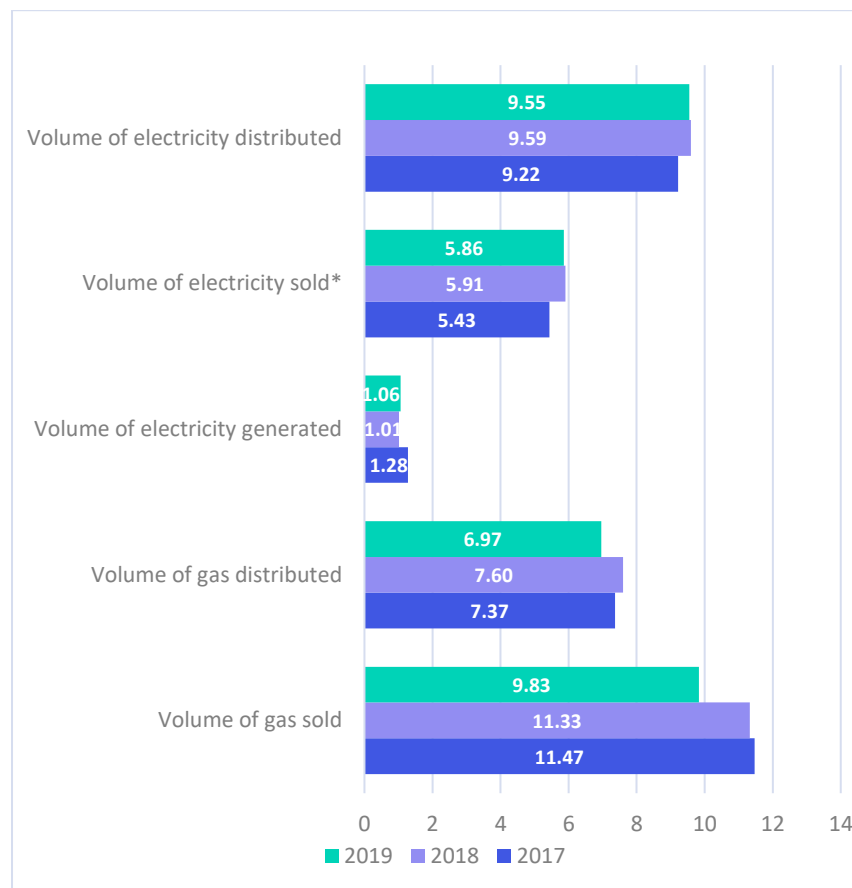
In 2019, technological costs in the electricity distribution network rose to 6.29 % (2018: 5.96 %) due to higher over declaration in December 2019, compared to 2018. In the comparative period, SAIDI ratio, with the impact of force majeure circumstances, deteriorated and was 91.79 minutes (2018: 81.28 minutes). SAIFI indicator was equal to 1.31 time (2018: 1.14 time) in 2019. Deterioration of quality indicators of continuous electricity supply due to external impact and increased breakdowns in the medium voltage grids, caused by high weather temperatures.

The volume of gas distributed by the Group companies in 2019 decreased by 8.4 % and amounted to 6.97 TWh (2018: 7.60 TWh). In 2019, higher average air temperatures were the main contributor to the reduction in gas distribution compared to the same period in 2018. The volume of gas sold in retail market in 2019 decreased by 13.2 % and amounted to 9.83 TWh (2018: 11.33 TWh). This was mainly influenced by changes in the legal framework. The obligation for regulated energy producers to purchase natural gas supplied through the Klaipėda LNG Terminal from a designated supplier was abolished.

In 2019, technological costs in the gas distribution network increased from 2.06 % to 2.17 % due to high weather temperature. Gas distribution SAIDI ratio, with the impact of force majeure circumstances, deteriorated during 2019 and was 1.25 minutes (2018: 0.61 minutes) and SAIFI ratio was approximately equal to 0.008 unit (2018: approx. 0.006 unit). Deterioration of quality indicators of gas supply due to third parties interruption to the network, which affected more customers, compared to 2018.

During 2019, 40,151 new customers were connected to the electricity distribution network. The number of newly connected electricity customers increased by 29.6 % compared to the same period in the previous year. In 2019, 11,793 new customers were connected to the natural gas distribution network, which is 20.0 % less than during the same period last year.

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



\* Total volume of electricity sold is shown excluding sold electricity volumes in wholesale market (volumes of electricity sold in wholesale market - 2018: 0.70 TWh, 2019: 4.71 TWh)

## Group's key financial indicators

		2019	2018	Δ, EUR million	Δ, %
Revenue	EUR million	1,095.3	1,090.0	5.3	0.5 %
Cost of sales	EUR million	736.0	814.4	-78.4	-9.6 %
EBITDA	EUR million	209.5	145.8	63.7	43.7 %
EBITDA margin	%	19.1 %	13.4 %	-	-
Adjusted EBITDA	EUR million	259.0	212.8	46.2	21.7 %
Adjusted EBITDA margin	%	23.7 %	19.5 %	-	-
EBIT	EUR million	85.9	-20.1	106.0	527.2 %
Net profit	EUR million	60.9	-21.5	82.4	382.6 %
Net profit margin	%	5.6 %	-2.0 %	-	-
Adjusted net profit	EUR million	102.5	81.0	21.5	26.5 %
Adjusted net profit margin	%	9.4 %	7.4 %	-	-
Investments	EUR million	431.2	429.3	2.0	0.5 %
FFO	EUR million	189.2	131.9	57.3	43.4 %
FOCF	EUR million	-163.4	-207.2	43.8	21.1 %
		2019.12.31	2018.12.31	Δ, EUR million	Δ, %
Total assets	EUR million	3,194.2	2,853.4	340.8	11.9 %
Equity	EUR million	1,351.3	1,303.1	48.2	3.7 %
Borrowings	EUR million	1,098.3	864.5	233.8	27.0 %
Net debt	EUR million	967.0	736.0	230.9	31.4 %
ROE	%	4.6 %	-1.6 %	-	-
Adjusted ROE	%	7.7 %	6.1 %	-	-
ROA	%	2.0 %	-0.8 %	-	-
Adjusted ROA	%	3.4 %	3.0 %	-	-
ROCE	%	3.7 %	-1.0 %	-	-
Adjusted ROCE	%	6.3 %	6.1 %	-	-
Equity ratio	%	42.3 %	45.7 %	-	-
Net debt/EBITDA	times	4.62	5.05	-	-
Net debt/Adjusted EBITDA	times	3.73	3.46	-	-
Debt/Equity	%	81.3 %	66.3 %	-	-
FFO/Net debt	%	19.6 %	17.9 %	-	-
Assets turnover ratio	times	0.34	0.38	-	-
Current liquidity ratio	times	0.86	1.16	-	-
Working capital	EUR million	-70.6	-108.2	37.6	34.7 %
Working capital/Revenue	%	-6.4 %	-9.9 %	-	-

## Analysis of Key Financial Indicators

### Revenue

Revenue of the Group increased by 0.5% (EUR 5.3 million) in 2019 as compared to 2018 and totalled EUR 1,095.3 million. The main reasons causing revenue changes were as follows:

1. **Higher revenue of the distribution segment (EUR 26.8 million).** The increase was mainly driven by higher distribution revenue (EUR 21.1 million) and transmission revenue (EUR 10.6 million) due to increase of tariff.
2. **Higher revenue of the strategic generation segment (EUR 11.4 million).** The segment's revenue grew mainly due to EUR 9.3 million compensation from the Ministry of Finance of the Republic of Lithuania for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009. Sales were also boosted by sales of fuel oil stocks that were no longer in use and higher sales of Kruonis PSHP production.
3. **Higher revenue from the green energy segment (EUR 9.4 million).** Revenue growth was driven by two major reasons: the increased portfolio of wind farms (EUR 6.8 million) and favourable meteorological conditions for wind power operations (EUR 2.6 million). The above reasons outweighed the decrease in income due to lower production volumes in Kaunas A. Brazauskas HPP in 2019, compared to the same period last year. The production volumes of Kaunas HPP fell due to the hydrological drought.
4. **Lower revenue from the commercial organisation segment (EUR 31.0 million).** The decline was mainly driven by lower gas sales to business customers (EUR 52.9 million) due to lower volumes and prices. The volume of gas sold declined due to a change in regulation of the designated supply model from 1 January 2019, when a part of heat producers have chosen other suppliers in the market. Also, revenue of derivatives decreased by EUR 41.8 million. Decrease of revenue was partly offset by increase of revenue from public electricity supply activities (EUR 43.0 million) due to higher service rate, increase of gas sales to residential customers (EUR 8.2 million) and increase of retail sales (EUR 4.8 million).

In 2019, the Group earned 92.14 % of its revenue in Lithuania (EUR 1,008.3 million). The Group's foreign revenue in 2019, compared to the corresponding period in 2018, increased by 25.4 % and mounted to EUR 87.0 million (2018: EUR 69.3 million).

#### Revenue by segment, EUR million

	2019	2018	Δ, +/-	Δ, %
Commercial organisation	500.5	531.5	(31.0)	-5.8 %
Distribution	422.0	395.2	26.8	6.8 %
Strategic generation	130.9	119.5	11.4	9.5 %
Green generation	31.8	26.7	5.1	19.2 %
Other activity	10.1	17.2	(7.0)	-40.9 %
<b>Revenue, total:</b>	<b>1,095.3</b>	<b>1,090.0</b>	<b>5.3</b>	<b>0.5 %</b>

#### Revenue by country, EUR million

	2019	2018	Δ, +/-	Δ, %	2019 m., %
Lithuania	1,008.3	1,020.6	-12.4	-1.2%	92.1 %
Abroad	87.0	69.3	17.6	25.4%	7.9 %
<b>Revenue, total:</b>	<b>1,095.3</b>	<b>1,090.0</b>	<b>5.3</b>	<b>0.5%</b>	<b>100.0 %</b>

## Expenses

### Cost of sales

The Group's costs for the purchase of electricity, gas, fuel and related services (cost) amounted to EUR 736.0 million in 2019 (2018: EUR 814.4 million). These costs decrease by 9.6 % (EUR 78.4 million) compared to 2018. Decrease of cost of sales was caused by lower gas purchases (EUR 63.1 million) due to lower volumes and prices and lower costs of purchasing electricity or related services (EUR 12.8 million). Other components of cost of sales remained in the similar level as during the respective period in 2018.

The main reasons causing increase in repair expenses were as follows:

1. Increased need of ESO for carrying out repair and maintenance works on the power grid and transformer stations (EUR 7.8 million).
2. The provision that was made by Ignitis gamyba for the costs of Elektrėnai complex dismantling projects (EUR 1.4 million).

Compared to 2018, wages and other operating costs increased due to the Group's and Lithuania's average salary growth.

Compared to 2018, depreciation expenses in 2019 grew due to investments.

Impairment expenses and write-offs of property, plant and equipment in 2019 decreased compared to 2018. The effect of ESO asset impairment on fair value adjustments was recognized in 2018. While independent valuator indicated higher value of ESO assets in 2018, for accounting reasons the increase of value was recognized in equity under revaluation reserve and loss related to valuation was recognized in the income statement.

### Operating expenses, EUR million

	2019	2018	Δ, +/-	Δ, %
<b>Cost of sales:</b>	<b>736.0</b>	<b>814.4</b>	<b>-78.4</b>	<b>-9.6 %</b>
Purchases of electricity, gas for trade and related services	497.5	510.4	-12.9	-2.5 %
Purchases of gas and heavy fuel oil	238.5	304.0	-65.5	-21.5 %
Salaries and related expenses	87.0	79.7	7.3	9.1 %
Repair and maintenance expenses	29.8	21.2	8.6	40.6 %
Other expenses	29.2	27.4	1.8	6.5 %
Depreciation charge	113.6	87.3	26.3	30.1 %
Impairment expenses and write-offs of property, plant and equipment	9.5	87.5	-78.0	-89.1 %
Write-offs and impairments of short term and long-term receivables, inventories and other	3.8	1.4	2.4	171.4 %
Revaluation of emission allowances	0.4	-8.9	9.4	104.8 %
<b>Total operating expenses</b>	<b>1,009.3</b>	<b>1,110.1</b>	<b>-100.8</b>	<b>-9.1 %</b>



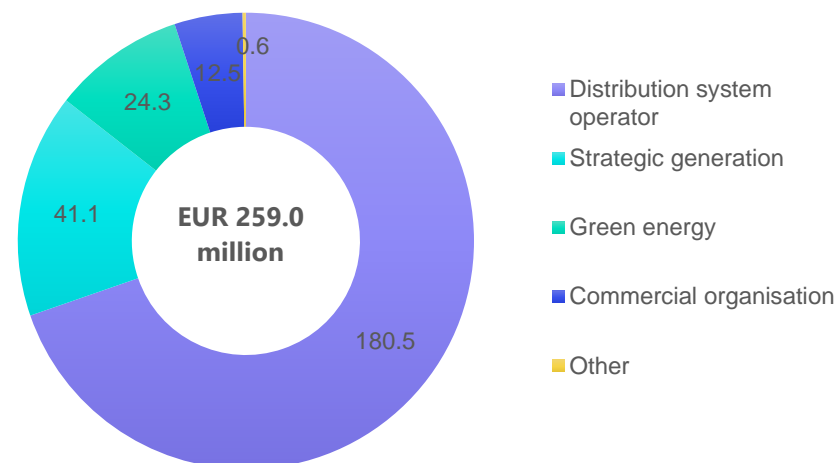
## Adjusted EBITDA

The Group's adjusted EBITDA amounted to EUR 259.0 million in 2019, which is 21.7 % or EUR 46.2 million more than adjusted EBITDA for 2018, which was equal to EUR 212.8 million. In 2019, adjusted EBITDA margin reached 23.7 % (2018: 19.5 %). The main reasons for the change in the Group's adjusted EBITDA were as follows:

- Higher adjusted EBITDA result of the distribution segment.** The increase of the distribution segment's adjusted EBITDA (EUR 19.2 million) was driven by growing number of new customers connected to distribution network and continuous distribution network renovation investments.
- Higher adjusted EBITDA of strategic generation segment.** Adjusted EBITDA of the segment increased by EUR 13.5 million in 2019, compared to the same period in 2018. Adjusted EBITDA increased due to better results of 7<sup>th</sup> unit of Ignitis gamyba Elektrėnai Complex as it operated for testing of isolated network in 2019 and was preserved and did not provide any services in 2018 (EUR 4.6 million). The extremely favourable difference between the day peak and night electricity prices resulted in better financial production result of Kruonis PSHP – increase in both production volumes and generation margin (EUR 3.5 million). The increase was also affected by positive result of sale of fuel oil stocks (EUR 1.8 million).
- Higher adjusted EBITDA of green generation segment.** The green generation grew by EUR 0.6 million. This was mainly influenced by the increased portfolio (EUR 6.0 million) of the Group's wind power plants at the end of 2018, which was partly offset (EUR 1.6 million) by the increasing OPEX of co-generation power plants as the launch of plants is approaching. The increase of adjusted EBITDA was lowered by decrease in Kaunas Algirdas Brazauskas HPP results.
- Higher adjusted EBITDA of commercial organisation segment.** The growth of adjusted EBITDA (EUR 5.8 million) was mainly driven by better results of Ignitis Latvia electricity hedging activity (EUR 3.5 million) and higher electricity sales of Ignitis Polska (EUR 3.5 million).
- Less negative adjusted EBITDA of other activity.** Less negative results of EnePRO (EUR 8.2 million) in 2019 compared to 2018.

As of 1 January 2019, taking into the account a change in IFRS 16, defining treatment of lease, operating lease expenses shifted from OPEX to depreciation. As a result, the Group's consolidated EBITDA increased by EUR 3.5 million compared to the corresponding period in 2018. This effect is included in the representation of changes in each of the operating segments.

## Adjusted EBITDA 2019, EUR million



## Adjusted EBITDA by segments, EUR million

	2019	2018	Δ, +/-	Δ, %
Distribution	180.5	161.3	19.2	11.9 %
Strategic generation	41.1	27.7	13.5	48.7 %
Green generation	24.3	23.7	0.6	2.6 %
Commercial organisation	12.5	6.7	5.8	87.1 %
Other	0.6	-6.5	7.1	109.0 %
<b>Adjusted EBITDA, total:</b>	<b>259.0</b>	<b>212.8</b>	<b>46.2</b>	<b>21.7 %</b>

\*The 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 17 "Operating segments".

## EBITDA adjustments

A more detailed description of the management adjustments is presented in Consolidated and Company Financial statements, Note 17 "Operating segments". Management adjustments decreased by **26.1%** (EUR **17.5** million) **in 2019** compared to 2018. **Effects of** recalculation of regulated revenue of ESO (EUR 27.1 million) and Ignitis (EUR 24.7 million) decreased. Increase **of corrections** was partly offset by the change in the market value of open financial derivative instruments (EUR 30.3 million).

- (1) Elimination of the difference between the actual profit earned during the reporting and earlier periods and the established (by NERC) allowable return on investments.
- (2) Current year cash effect of new customer connection is reversed, as according to accounting policy revenue has to be booked not at the connection moment but deferring it over the useful lives of the newly created infrastructure.
- (3) (a) Ignitis gamyba received compensation of EUR 9,276 thousand for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of the public limited liability company Lietuvos Elektrinė in 2005–2009; b) One-off cost adjustment due to compensation received from Litgrid AB for transmission (including systemic) services (for January and February 2016).

### EBITDA adjustments, EUR million

	2019	2018	Δ, +/-	Δ, %
<b>EBIT</b>	<b>85.9</b>	<b>-20.1</b>	<b>106.0</b>	<b>527.2 %</b>
Reversal of depreciation and amortisation expenses	113.6	87.3	26.3	30.1 %
Reversal of impairment expenses and write-offs of non-current assets	9.5	87.5	-78.0	-89.1 %
Reversal of expenses of the revaluation of emission allowances	0.4	-8.9	9.4	104.8 %
<b>EBITDA</b>	<b>209.5</b>	<b>145.8</b>	<b>63.7</b>	<b>43.7 %</b>
Management's adjustments, write-offs of inventories and receivables				
Recalculation of regulated revenue (1)	31.1	81.5	-50.4	-61.8 %
Mark to Market	15.5	-14.9	30.3	204.0 %
Reversal of current year cash effect of new customer connection (2)	12.2	3.5	8.7	247.2 %
Other corrections	2.6	-3.1	5.7	-184.6 %
Compensation received for previous periods (3)	-11.9	-	-11.9	100.0 %
<b>Total adjustments</b>	<b>49.6</b>	<b>67.1</b>	<b>-17.5</b>	<b>-26.1 %</b>
<b>Adjusted EBITDA, total:</b>	<b>259.0</b>	<b>212.9</b>	<b>46.2</b>	<b>21.7 %</b>
<i>Adjusted EBITDA margin</i>	<i>23.7 %</i>	<i>19.5 %</i>		

## Adjusted net profit

The Group's adjusted net profit amounted EUR 102.5 million in 2019. This is 26.5% or EUR 21.5 million more than in 2018. The following effects had the biggest impact:

1. **Higher reporting EBITDA result.** In 2019, adjusted EBITDA was EUR 46.2 million higher than in 2018 m. The reasons for the growth are described in the section for adjusted EBITDA.
2. **Increased investments resulted in higher depreciation expenses.** The Group's adjusted net profit was reduced due to increase in depreciation and amortisation expenses (EUR 26.3 million).
3. **Impairment of non-current amounts receivable.** Impairment of non-current amounts receivable recognised in 2018 (EUR 11.2 million) had a positive impact on adjusted net profit of 2019.
4. **Result of the revaluation of Ignitis gamyba emission allowances.** The result of the revaluation of emission allowances had a negative effect on the result of adjusted net profit. Change between years – EUR 9.4 million.

Adjustments to net profit measured at income tax rate of 15%, except for the adjustment to the change in the market value of electricity financial instruments where profit tax is already included.

Reported net profit in 2019 amounted to EUR 60.9 million and compared to 2018 (EUR 82.4 million) was higher due to these reasons:

1. Assets impairment recognised in 2018.
2. Not received regulated income caused by the difference between the electricity rate determined by the regulatory authority for 2018, which was included in the public distribution service rate of 2018, and the actual market price.

## Adjusted net profit, EUR million

	2019	2018	Δ, +/-	Δ, %
<b>Net profit</b>	<b>60.9</b>	<b>-21.5</b>	<b>82.4</b>	<b>-382.6 %</b>
Recalculation of regulated revenue	26.5	69.3	-42.8	-61.8 %
Mark to Market	15.9	-14.8	30.8	-207.2 %
Reversal of current year cash effect of new customer connection	10.4	3.0	7.4	247.2 %
ESO assets revaluation and write-off reversal	-0.0	49.0	-49.0	-100.1 %
Other corrections	-1.0	-3.9	2.8	-73.4 %
Compensation received for previous periods	-10.1	-	-10.1	-100.0 %
<b>Total adjustments</b>	<b>41.6</b>	<b>102.5</b>	<b>-60.9</b>	<b>-59.4 %</b>
<b>Adjusted net profit, total:</b>	<b>102.5</b>	<b>81.0</b>	<b>21.5</b>	<b>26.5 %</b>
<i>Adjusted net profit margin</i>	<i>9.4 %</i>	<i>7.4 %</i>		
<i>Net profit margin</i>	<i>5.6 %</i>	<i>-2.0 %</i>		
<i>Adjusted ROE</i>	<i>7.7 %</i>	<i>6.1 %</i>		
<i>ROE</i>	<i>4.6 %</i>	<i>-1.6 %</i>		

## Investments

In 2019, the Group's investments amounted to EUR 431.2 million or 0.5% more than in the same period in the previous year. The largest part of investments was made for development of Vilnius and Kaunas CHP (47.7% from total investments), electricity distribution network development (18.3%) and gas distribution network development (10.3%).

Investments of green generation segment amounted to EUR 113.4 million in 2019 and was EUR 102.4 million higher than in 2018. Compared to the same period last year, higher investments in 2019 were made in works of construction of Vilnius and Kaunas CHP. Investments in these projects amounted to EUR 205.6 million in 2019 and were 123.0 % higher than in 2018 (EUR 113.4million).

Investments in the development of the electricity distribution network decreased by EUR 4.5 million and amounted EUR 79.1 million in 2019. ESO invested EUR 44.5 million in renewal of the electricity distribution network in 2019, which is EUR 77.0 million less than in 2018. ESO connected 40.2 thousand new consumers to the electricity distribution network in 2019 – 18.0% more than in 2018, when 34.0 thousand consumers were connected. Admissible electric power of newly connected customers was 446.1 MW in 2019, which is 0.3% lower than in 2018 (444.6 MW).

ESO's investments in the development of gas distribution network amounted to EUR 45.0 million in 2019 and were 5.7% lower than in 2018 (EUR 47.7 million). ESO constructed 504.9 km of the gas distribution pipelines in 2019 (614.2 km in 2018) for the connection of new customers to the gas network.

In May 2019, the Group owned Ignitis Renewables has signed contract for the acquisition of 100% shares of Pomerania Inval Sp. z o. o. – the Company that develops a 94 MW installed capacity wind farm project in Poland and launched the construction of wind farms.

The Group received EUR 82.3 million subsidies for non-current assets in 2019. Most of it was European Union subsidies for Vilnius CHP project (EUR 60.9million).

### *Dynamics of the Group's investments by segments, EUR million*

	2019	2018	Δ, +/-	Δ, %
Green generation	231.7	129.3	102.4	79.2 %
Distribution	181.4	271.3	-89.9	-33.1 %
Commercial organisation	2.1	0.3	1.8	569.2 %
Strategic generation	0.8	5.0	-4.2	-83.1 %
Other	15.2	23.4	-8.2	-34.9 %
<b>In total</b>	<b>431.2</b>	<b>429.3</b>	<b>2.0</b>	<b>0.5 %</b>
Subsidies	82.3	43.9	38.5	87.7 %
<b>Total, excl. subsidies</b>	<b>348.9</b>	<b>385.4</b>	<b>-36.5</b>	<b>-9.5 %</b>

## Balance sheet

### Assets

In 2019, the Group's assets amounted to EUR 3,194.2 million. Compared to 2018, the asset rose by 11.9 % (EUR 340.8 million). The change in the Group's assets was mainly influenced by the increase in tangible non-current assets due to investments made.

The Group's non-current asset rose by 14.9 % or EUR 358.7 million. This was mainly caused by the investments in green production and distribution network.

The Group's current assets decreased 4.1% or EUR 17.9 million mainly due to a decrease in non-current assets held for sale.

### Equity

In 2019, the equity of the Group increased by 3.7% or EUR 48.2 million and amounted to EUR 1,351.3 million. The Group's equity ratio decreased during the reporting period, and on 31 December 2019 it was 42.3% (on 31 December 2018: 45.7%).

### Liabilities

The Group's liabilities increased by 18.9 % or EUR 292.6 million in 2019 as compared to 2018.

Non-current liabilities increased by 15.5% or EUR 180.8 million, which was mainly influenced by the increased non-current liabilities for banks (EUR 85.5 million) and grants (EUR 59.1 million) mainly due to Vilnius CHP project.

The Group's current asset rose by 29.2 % or EUR 111.8 million. The biggest increase observed in bank overdrafts (EUR 149.0 million). The current portion of non-current borrowings decreased by EUR 24.4 million, amounts payable for gas – EUR 28.8 million and payables for non-current assets – EUR 6.5 million.

### Balance sheet, EUR million

	2019	2018	Δ, +/-	Δ, %
Non-current assets	2,769.2	2,410.5	358.7	14.9 %
Current assets	424.9	442.9	(17.9)	-4.1 %
<b>TOTAL ASSETS</b>	<b>3,194.2</b>	<b>2,853.4</b>	<b>340.8</b>	<b>11.9 %</b>
Equity	1,351.3	1,303.1	48.2	3.7 %
Total liabilities	1,842.8	1,550.3	292.6	18.9 %
Non-current liabilities	1,348.4	1,167.6	180.8	15.5 %
Current liabilities	494.5	382.7	111.8	29.2 %
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,194.2</b>	<b>2,853.4</b>	<b>340.8</b>	<b>11.9 %</b>

## Financing

### Net debt

In 2019, the Group's net debt amounted to EUR 967.0 million. Compared to the net debt in 2018, the rate increased by 31.4% or EUR 230.9 million. The increase in the net debt was mostly influenced by the new loans for investments.

During 2019, the level of borrowings of the Group increased by 27.0% (or EUR 233.8 million), and on 31 December 2019 amounted to EUR 1,098.3 million (on 31 December 2018 – EUR 864.5 million). The biggest increase observed in non-current loans to banks (58.5 % or EUR 85.5 million). In 2019, amount of borrowings of Vilnius and Kaunas CHP increased by EUR 130.1 million compared to 2018. Meanwhile borrowings of the Company (by EUR 57.4 million) and Ignitis Gamyba (by EUR 12.3 million) decreased in comparison to 2018. In 2019, higher overdrafts were used, which increased the short-term financial liabilities by EUR 149.0 million.

As of 1 January 2019, taking into the account a change in IFRS 16, defining treatment of lease, expenses shifted from OPEX to lease liabilities. For this reason, financial liabilities increased by EUR 42.2 million.

The Group manages liquidity by entering into the credit line agreements with banks. In 2019, the Group's unwithdrawn credit line facilities amounted to EUR 108.7 million. All the credit lines are committed, i.e. funds are paid by the bank upon demand. In 2019, the Group's current liquidity ratio was 0.86 (2018: 1.16).

In 2019, borrowings amounting to EUR 700.0 million were subject to a fixed interest rate (72.4 % of the total borrowings) and the remaining amount of borrowings was subject to a variable interest rate. All borrowings are in EUR.

In 2019, the growth of financial assets remained relatively stable at 2.2 % or EUR 2.9 million.

The Group's net debt to equity ratio increased from 56.5 % at the end of 2018 to 71.6 % in 2019. The FFO/Net debt ratio rose by 1.6 % due to higher FFO, which increase was caused by improved EBITDA result.

### Net debt, EUR million

	2019	2018	Δ, +/-	Δ, %
<b>Total financial liabilities</b>	<b>855.7</b>	<b>749.7</b>	<b>106.0</b>	<b>14.1 %</b>
Banks	231.7	146.2	85.5	58.5 %
Bonds	590.1	589.0	1.1	0.2 %
Other entities	0.0	0.2	-0.2	-100.0 %
Interests payable (including accrued)	0.1	0.0	0.1	608.3 %
Finance lease	0.0	14.3	-14.3	-100.0 %
Lease liabilities (IFRS 16)	33.8	0.0	33.8	100.0 %
<b>Total current financial liabilities</b>	<b>242.6</b>	<b>114.8</b>	<b>127.8</b>	<b>111.4 %</b>
Current portion of non-current loans	37.5	61.8	-24.4	-39.4 %
Current loans	0.0	0.0	0.0	0.0 %
Current portion of finance lease liabilities	0.0	5.2	-5.2	-100.0 %
Lease liabilities (IFRS 16)	8.4	0.0	8.4	100.0 %
Banks (overdrafts)	191.3	42.3	149.0	352.6 %
Interests payable (including accrued)	5.4	5.5	0.0	-0.3 %
<b>Total financial borrowings</b>	<b>1,098.3</b>	<b>864.5</b>	<b>233.8</b>	<b>27.0 %</b>
<b>Cash, cash equivalents and current investments</b>	<b>131.4</b>	<b>128.5</b>	<b>2.9</b>	<b>2.2 %</b>
Cash and cash equivalents	131.4	127.8	3.5	2.8 %
Current investments	0.0	0.7	-0.7	-100.0 %
<b>Net financial debt</b>	<b>967.0</b>	<b>736.0</b>	<b>230.9</b>	<b>31.4 %</b>
<i>Debt/Equity</i>	<i>71.6%</i>	<i>56.5%</i>	<i>15.1%</i>	<i>-</i>
<i>Net debt/Adjusted EBITDA</i>	<i>3.7</i>	<i>3.5</i>	<i>0.3</i>	<i>7.9 %</i>
<i>FFO/Net debt</i>	<i>19.6 %</i>	<i>17.9%</i>	<i>1.6%</i>	

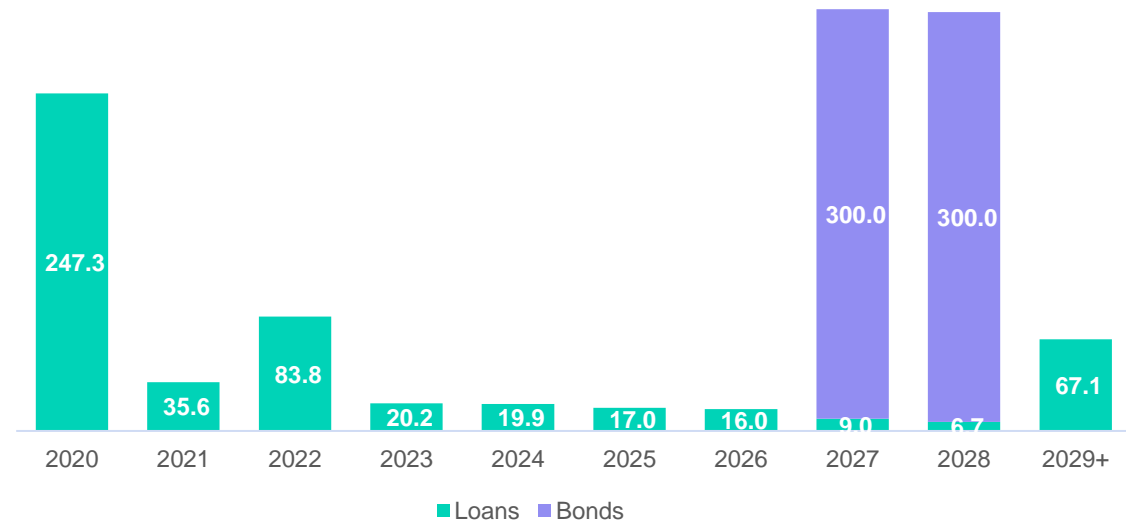


## Repayment of the Group's borrowings

Green bonds, which will be redeemed in 2027 (EUR 300.0 million) and in 2028 (EUR 300.0 million) make the largest portion of the Group's financial liabilities.

The average repayment period of the borrowings as at 31 December 2019 was 6.3 years (31 December 2018: 7.6 years).

*Group's borrowings repayment schedule, EUR million*



# Alternative performance measures

Indicator	Method of indicator calculation	Definition	Meaning and interpretation of indicator
Current liquidity ratio	$\frac{\text{Current assets at the end of the period}}{\text{current liabilities at the end of the period}}$	The gross liquidity ratio shows the degree to which current assets cover current liabilities (and other amounts payable within one year), i.e. it shows the ability of the company to meet current liabilities from the existing current assets.	The average value of the indicator is 1.2 - 2 (times). In general, this indicator must be no lower than one. A lower value would indicate potential financial problems of the Group and inability to pay off debts immediately. In an emergency, even with an indicator value being above one, when current assets are illiquid, the Group may face short-term liquidity problems. A value higher than 2 may indicate inefficiently used inventories and other current assets and liabilities.
EBIT	Profit (loss) before tax + Finance income/(costs), net	EBIT – earnings before the result from financing activities and taxes.	The indicator shows the Group's profitability, ignoring cost of capital, impact of capital structure and profit tax.
EBIT margin	$\frac{\text{EBIT}}{\text{Revenue}}$	EBIT margin – is a profitability ratio, which shows the amount of profit before the result from financing activities and taxes that the company has earned as a percentage of revenue.	A higher indicator value shows a higher profitability of the Group. Earnings before interest and taxes shows operating profit as a percentage of revenue before interest and taxes, and discloses the impact of all the Group's income and expenses, excluding financial and income tax, on the Group's profitability.
EBITDA	Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs (including depreciation as to IFRS 16) + impairment losses + write-offs of property, plant and equipment + revenues/expenses of revaluation of emission allowances	EBIT – earnings before the result of financing activity, taxes, depreciation and amortization.	The indicator shows the Group's profit, ignoring capital expenses and the impact of the capital structure, depreciation and amortization, and income tax, thus allowing comparing profits of different companies (or even different industries). It is important for investors (due to a possibility to compare different companies), banks and creditors, as it is one of the key indicators when assessing the ability of the Group to repay loans and pay interest.
EBITDA margin	$\frac{\text{EBITDA}}{\text{Revenue}}$	EBITDA margin – is a profitability ratio, which shows the amount of profit before interest, tax, depreciation and amortization that the company has earned as a percentage of revenue.	A higher indicator value shows a higher profitability of the Group. The indicator is also useful for monitoring the efficiency of reduction of the Group's operating expenses. The higher the EBITDA margin of the Group, the lower the Group's operating expenses compared to the total revenue.
Net debt	Financial debts - cash and cash equivalents - short-term investments and term deposits - share of other non-current financial assets consisting of investments in debt securities	Net debt is the total financial liabilities of the Group, eliminating from them the available cash (and cash equivalents).	The key indicator showing the level of debt of the Group
Net debt/EBITDA of 12 months, in times	$\frac{\text{Net debt}}{\text{EBITDA of 12 months, in times}}$	The ratio which shows the Group's ability to repay debts from the profit earned. The value of the indicator shows the number of years that the Group has to work to bring its EBITDA profit value in line with the Group's debt.	The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is a key indicator of the Group's debt level.
Net debt/Adjusted EBITDA of 12 months, in times	$\frac{\text{Net debt}}{\text{Adjusted EBITDA for 12 months}}$	The ratio which shows the Group's ability to repay debts from the profit earned. The value of the indicator shows the number of years the Group has to work to bring its EBITDA profit value in line with the Group's debt.	The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is a key indicator of the Group's debt level.
Debt/Equity	$\frac{\text{Debt}}{\text{Equity}}$	The indicator is used to measure the Group's financial capacity and shows the ability of equity of shareholders to cover all outstanding debts of the company in case of termination of the company's activities. The indicator shows the Group's level of dependence on borrowed funds and its ability to meet its financial liabilities.	The lower the indicator value, the greater the Group's ability to meet its financial liabilities and to attract more borrowed capital.
Net profit margin	$\frac{\text{Net profit}}{\text{Revenue}}$	Net profit margin is calculated as the ratio of net profit (loss) and revenue and shows the profitability of the Group.	The indicator shows how much each euro in revenue earned by the Group generates profit. A higher indicator value shows a higher profitability of the Group.
Free Operating Cash Flow	Cash flows from operating activities - capital expenditures	Free operating cash flow equals to cash flows from operating activities less investments in non-current assets.	This indicator shows how much of the Group's operating income actually remains. Free cash flow from operating activities represents the amount of the cash earned

Indicator	Method of indicator calculation	Definition	Meaning and interpretation of indicator
(FOCF)			that the Group could return to shareholders.
Adjusted EBITDA	EBITDA + recalculation of regulated revenue from public transmission/distribution of electricity and gas + compensation received for previous periods + change in market value of open financial derivative instruments + write-offs of inventories, non-current assets and other amounts + impairment	EBITDA having eliminated one-off and other adjustments by the management	Adjusted EBITDA is a key measure of the Group's performance, eliminating the share of revenue, which the regulatory environment will require to be returned to consumers in the future, respectively adding income foregone in the reporting period related to profit from regulated activity generated in the previous year. This indicator allows for a more reliable comparison of the Group's results over different periods of time and eliminates the discrepancies between actual and adjusted income and the impact of one-off factors.
Adjusted EBITDA margin	$\frac{\text{Adjusted EBITDA}}{\text{Revenue}}$	Adjusted EBITDA margin – is a profitability ratio, which shows the amount of profit before interest and tax, depreciation and amortization, having eliminated one-off and other adjustments by the management that the Group has earned as a percentage of revenue.	A higher indicator value shows a higher profitability of the Group. The indicator is also useful for monitoring the efficiency of reduction of the Group's operating expenses. The higher the adjusted EBITDA margin of the Group, the lower the Group's operating expenses compared to the total revenue.
Adjusted net profit	Net profit + recalculation of regulated revenue from public transmission/distribution of electricity and gas + compensation received for previous periods + change in market value of open financial derivative instruments	Net profit having eliminated one-off and other adjustments by the management	This is one of the key indicators deciding on the payment of the Group's dividends.
Adjusted net profit margin	$\frac{\text{Adjusted net profit}}{\text{Revenue}}$	Adjusted net profit margin – is a profitability ratio, which shows the amount of profit having eliminated one-off and other adjustments by the management that the Group has earned as a percentage of revenue.	The indicator shows how much each euro in revenue earned by the Group, having eliminated one-off and other adjustments by the management generates profit. A higher indicator value shows a higher profitability of the Group.
Return on equity (ROE) of 12 months %	$\frac{\text{Net profit (loss) of the past 12 months}}{\text{Average equity at the beginning and end of the reporting period}}$	Return on equity shows the share of net profit attributable to equity.	The indicator shows the effectiveness of use of the Group equity to generate revenue. It is also important for the Group's shareholders assessing the return on their investment in the Group. A higher value of the indicator indicates a higher return on investment.
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Equity level is a financial indicator comparing equity of the company to its assets	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on borrowed funds in its activities.
Return on Capital Employed (ROCE)	$\frac{\text{EBIT of the past 12 months}}{\text{Average net debt+ average equity at the beginning and end of the reporting period}}$	Return on capital employed is a financial ratio that measures the efficiency with which this capital is used.	Return on capital employed measures the efficiency with which this capital is used. It helps to decide whether the borrowings are effective, because ROCE should be higher than interest rates.
Funds from operations (FFO)	EBITDA + interest received - interest paid - current year income tax	Funds from operations is a financial indicator of how much the Group earns from operating activities, net of interest and taxes.	Funds from operations indicator shows the Group's ability to generate cash.
Assets turnover ratio	$\frac{\text{Revenue}}{\text{Total assets at the end of the period}}$	The asset turnover ratio shows the number of asset turnovers per year.	The indicator shows the effectiveness of use of the Group's capital. A higher value indicates a higher degree of effectiveness in managing total assets.
Return on assets (ROA) of 12 months, %	$\frac{\text{Net profit (loss) of the past 12 months}}{\text{Average assets at the beginning and end of the reporting period}}$	Return on assets shows the Group's profitability attributable to the Group's assets.	The indicator describes the effectiveness of use of the Group's assets. A higher indicator value shows how effectively the Group uses its assets to earn profit.

# Governance

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# Key information about the company and the Group

Company name	Ignitis Group UAB
Company code	301844044
Issued capital	EUR 1,212,156 thousand
Paid-up share capital	EUR 1,212,156 thousand EUR
Address	Žvejų st. 14, LT-09310, Vilnius, Lithuania
Telephone	(+370 5) 278 2998
Fax	(8 5) 278 2115
E-mail	grupe@ignitis.lt
Website	www.ignitisgrupe.lt
Legal form	Private Limited Liability Company
Date and place of registration	28 August 2008, Register of Legal Entities
Register accumulating and storing data about the Company	Register of Legal Entities, State Enterprise the Centre of Registers

The company's shareholder is the Republic of Lithuania. 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 was changed to Lietuvos Energija. As from 6 September 2019, the name of the Company was changed to Ignitis Group UAB.

As of 31 December 2019, the issued capital was divided into ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

## At the date of this report, these entities were controlled, directly or indirectly, by the Group:

Company	Company code	Registered office address	Effective ownership interest (%)	Share capital EUR	Profile of activities
Ignitis Gamyba	302648707	Elektrinės st. 21, Elektrėnai	96,82	187 921	Production and supply of electricity and trading
Energijos Skirstymo Operatorius	304151376	Aguonų st. 24, Vilnius	94,98	259 443	Supply and distribution of electricity to the consumers; distribution of natural gas
Ignitis	303383884	Žvejų st. 14, Vilnius	100	40 140	Supply of electricity and gas and trade
Ignitis Latvia	40103642991	Darziema st. 60, LV-1048, Riga	100	5 500	Supply of electricity.
Ignitis Eesti	12433862	Narva st. 5, 10117 Tallinn	100	35	Supply of electricity.
Ignitis Polska	0000681577	Puławska 2-B, PL-02-566, Warsaw	100	PLN 10 million	Supply of electricity.
Ignitis Renewables	304988904	P. Lukšio st. 5B, Vilnius	100	3	Analysis and coordination of the activities of legal entities belonging to the Company.
Tuuleenergia OU	10470014	Keskus, Parnu (Estonia)	100	499	Production of renewable electricity.
Eurakras	300576942	Žvejų st. 14, Vilnius	100	4 621	Production of renewable electricity.
Vėjo Gūsis	300149876	Žvejų st. 14, Vilnius	100	7 443	Production of renewable electricity.
Vėjo Vatas	110860444	Žvejų st. 14, Vilnius	100	2 896	Production of renewable electricity.
VVP Investment	302661590	Žvejų st. 14, Vilnius	100	250	Development of a renewable energy (wind) power plant project.
Pomerania	0000450928	Al. Grunwaldzka 82/368, 80-244 Gdańsk	100	PLN 60 million	Development of a renewable energy (wind) power plant project.
Vilnius CHP	303782367	Žvejų st. 14, Vilnius	100	52 300	Modernization of the provision of centralized supply of heat in Vilnius city
Kaunas CHP	303792888	Žvejų st. 14, Vilnius	51	40 000	Modernization of the provision of centralized supply of heat in Kaunas city
Gamybos Optimizavimas	304972024	Žvejų st. 14, Vilnius	100	350	Planning, optimization, forecasting, trading, brokering of electricity and other energy production regime
Ignitis Grupės Paslaugų Centras	303200016	A. Juozapavičius st. 13, Vilnius	100	7 914*	Provision of information technology and telecommunications and other services
Elektroninių mokėjimų agentūra	136031358	Žvejų st. 14, Vilnius	100	1 370	Provision of collection services.
NT Valdys	300634954	Geologų st. 16, Vilnius	100	5 000	Disposal of real estate, other related activities and provision of services
Transporto Valdymas	304766704	Smolensko st. 5, Vilnius	100	2 359	Vehicle rental, leasing, repair, maintenance, renewal and service
Duomenų Logistikos Centras	302527488	A. Juozapavičius st. 13, Vilnius	79,64	4 033	Information technology and telecommunication services
Energetikos paslaugų ir rangos organizacija	304132956	Motorų st. 2, Vilnius	100	350	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures
Lietuvos energijos paramos fondas	303416124	Žvejų st. 14, Vilnius	100	-	Provision of support to projects, initiatives and activities, relevant to the society

\*Until the reorganisation completion date on 31/12/2019, the issued capital of Ignitis Grupės Paslaugų Centras was 6 960 000 EUR.

# People and Culture

In 2019, the strategic initiatives for the coordinated development of the organization, management of human resources, the formation of new organizational culture, operational efficiency, new staff development, strengthening and sustaining key employee competences were continued. In 2020, Human Resources team intends to increase the attractiveness of the Group's as employer image, to improve systems of remuneration and additional benefits, develop a leadership competency model, and to prepare a leadership development plan.

## Development of the organization and its culture

The Group supports and respects the international protection of human rights in the area of influence, and ensures that the Group does not contribute to human rights violations, and strongly objects to any such infringements. The Group implements an honest and transparent remuneration policy, complies with the laws and regulations governing overtime and working hours, objects to any discrimination (with respect to employees, or recruitment), forced or child labour, respects the rights of the employees to rest, and promotes work and family reconciliation. The Group's human resources management policy is oriented towards professional development of its employees, building up of a corporate culture ensuring a creation of higher value for customers, partners and the society.

## Employee diversity

On 31 December 2019, the Group had 742 employees.

Because of the peculiarity of activities in the sector, technological nature of the operations, the predominant members of the staff are men, while women are working mostly in administration or customer service divisions.

The possibilities to select the nature of work are equally available to both genders, and that is specifically noted at recruiting employees. The majority of the employees of the Group were men – 72.2 %, whereas women – 27.8 %. Among specialists – 64,8 % men, whereas women – 35,2 %. The majority mid-level managers were men – 68,8 %, women – 31,2 %. Distribution by gender of the employees who hold executive positions is very similar: 70.1 % of the executives were men, and 29.9 % – women

On 31 December 2019, the Group had 742 employees with a very diverse age distribution. The Group offers employment opportunities for people of all ages. The biggest group of the Group companies' employees are in the age range from 37 to 56 years (1,788). closely followed by the age groups from 17 to 36 years (1,219). The smallest group (721) include employees in the age group from 57 to 76 year.

66.5% of the Company's employees have higher education, 11.2% – post-secondary and 21.8% – secondary and vocational education. 20 employees hold PhD degree.

## Development of competences

The 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 in individual companies, for example, Leadership, Team Building, Change Management, Communication, Project Management, Business Process Management, etc.

Company	# of employees
„Energijos skirstymo operatorius“	2374
Verslo aptarnavimo centras	438
„Ignitis gamyba“	352
„Ignitis grupės paslaugų centras“	178
„Ignitis“	103
„Ignitis grupė“	<b>101</b>
VKJ	44
KKJ	36
„Transporto valdymas“	27
Enepro	21
„Duomenų logistikos centras“	14
„NT Valdos“	10
„Ignitis Latvia“	9
„Ignitis renewables“	8
„Ignitis Polska“	8
„Gamybos optimizavimas“	7
„Elektroninių mokėjimų agentūra“	4
„Pomerania“	2
„Ignitis Eesti“	1
„Eurakras“	1
„VĖJO GŪSIS“	1
„VĖJO VATAS“	1
„VVP Investment“	1
„Tuuleenergia“	1
<b>Iš viso</b>	<b>3 742</b>



During 2019, every employee of the Group attended training (only instructor-led trainings included) lasting, on average, 8 hours. In 2018, the number of training hours was 25 hours (electronic and live trainings included).

In order to improve the competency development program, the Education Guidelines were updated in 2019. The Grow academy, an in-house training program for lecturers and participants, launched its operations. In 2019, 30 new lecturers were selected, training of trainers was organised, training materials were updated, in-house trainers' development club was established.

Each new employee of the Group attends 'Days of new employees' (for more see section 'Integration of New Employees'). In 2019, the program of 'Days of new employees' has been updated: with new notifications and the format of the day changed using the Customer Journey Mapping technique.

## Remuneration

The Group companies have implemented an advanced employee remuneration system placing the Company on an equal footing with other leading companies of the country remunerating their employees according to their performance, the value created for the organisation and the team. The remuneration system was developed on the basis of 'Korn Ferry' methodology ensuring objective evaluation of the employee's job positions according to the required qualification, complexity of the problems, and the level of responsibility assigned to a specific job position.

In 2019, the Group Remuneration Policy, which sets out the cornerstone principles of remuneration management, was updated: internal justice, external competitiveness, clarity, transparency, flexibility, ensuring that employees all Group companies are rewarded in the same way for the same type of work, expertise and performance.

Information on employee remuneration is provided below in this notice.

## Practical training possibilities

The Group companies create conditions for high school and vocational students to adapt theoretical knowledge and acquire practical skills. In 2019, 57 trainees from different universities and vocational schools completed the traineeship in the Group. 8 students were employed. Most trainees (31) were recruited and employed (4) by ESO.

In 2019, the Group participated in Career Days organized by Vilnius Gediminas Technical University, Kaunas University of Technology and Vilnius College of Technology and Design. The Company participated in the Student Practice Forum, which introduced students to the field of energy and professions. The Group also contributed to the project 'Būsiu' and National Career Week, during which the Group companies' employees visited schools to introduce various professions in the energy sector.

In Q4 2019, a strategy for cooperation with educational establishments has been developed and agreed the implementation of which will continue in 2020. The Group aims not only to promote the engineering professions, but also to raise students' awareness on a wide range of positions in the energy sector. The goal of this strategy in 2020 is to strengthen the Group's cooperation with educational establishments, not only contributing to student engagement initiatives, but also improving student experience and study quality.

## Employee representation

11 trade unions operate in ESO and Ignitis Gamyba companies. 7 trade unions operate in the company ESO, and 4 trade unions in Ignitis Gamyba. Collective agreements in the Group are signed by employees of ESO and Ignitis Gamyba, which is 73% of the employees.

On 15 April 2019, ESO was the first in Lithuania to sign an agreement with all 7 trade unions operating in the company, which provides for the involvement of a trade union delegated employee representative on the supervisory board, while pursuing objectives of mutual interest. As of October 2019, the employee representative is a member of the Supervisory Board of ESO and thus contributes to the sustainable development and growth of the Company by ensuring representation of the rights or legal interests of all employees of the Company. In addition, quarterly meetings are held at the Company to discuss strategic projects implemented by the Company. Trade union representatives always participate in working groups, where employee-related issues are addressed (working conditions, remuneration and social issues).

# Corporate governance report

The purpose of the Company and the Group is understood as pursuit of the objectives related to the activities of the Group, as set forth in the State Sector Strategy Papers and their implementing documents, by ensuring socially responsible enhancement of the long-term value of the Company and the Group and appropriate return on capital invested by the shareholder, by balancing the interests of the shareholder (state) with the interests and expectations of other stakeholders. Therefore, the aim of the Company is to ensure effective and transparent operations. In order to achieve this aim, the reorganisation was carried out in 2013, during which the corporate governance of the Group was reorganised and improved.

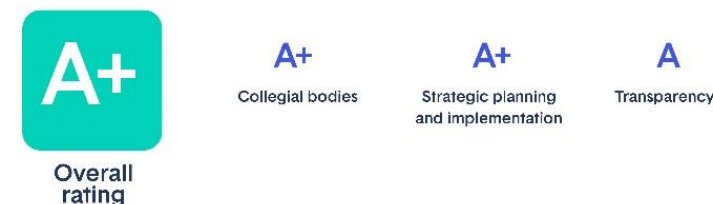
The new governance structure and model of the Group have been developed on the basis of the most advanced international and national practices, following the recommendations published by the OECD, having regard to the Corporate Governance Code of companies listed on the Nasdaq Vilnius exchange, Guidelines on the Governance for State-owned Enterprises recommended by the Baltic Institute of Corporate Governance (BICG). The corporate governance model of the power generation companies' group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013 and renewed on 1 June 2017 and 16 September 2019 (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 *Ignitis Group* companies and targeting them at the achievement of the common goals at the Group level.

## Principles of the corporate governance of the Group are as follows:

1. **Making preconditions for effective Corporate Governance:** an environment in which the Group of Companies or individual companies operate promotes transparency in the market, ensures separation of management, oversight and state regulatory functions.
2. **The exercise of the rights conferred by shareholders' shares:** the corporate governance system shall ensure the possibilities of exercising the property and non-property rights arising from the share management, while safeguarding the interests of minority shareholders. The shareholder of the Company shall seek and ensure that the Group of Companies operates on an equal footing with other market participants, without creating exclusive business conditions for the Group of Companies.
3. **The role of stakeholders:** the Corporate Governance system shall recognise the expectations and rights of stakeholders arising from agreements or legal regulation, as well as shall encourage active cooperation in creating sustainable added value.
4. **Openness and Transparency:** the Corporate Governance system must ensure timely and accurate disclosure of information about the Group of Companies by providing financial, operational, managerial, as well as other information to be communicated to the stakeholders. The Group of Companies strives for transparency in all areas of its activities, and observes the principles of zero tolerance to corruption and of unbundling of the activities of the Group of Companies from political influence.
5. **Responsibility and accountability of the managing and supervisory bodies:** the Corporate Governance system shall ensure that the managing and supervisory bodies of the Group of Companies or of individual companies properly perform their functions and are accountable to the shareholders.

## "Ignitis group" – 2018 – 2019 Governance index leaders



For many years the Company has been recognised as the best managed state-owned company. The Good Corporate Governance Index has been compiled since 2012 by the Governance Coordination Centre on annual basis with the aim to assess and measure how each state-owned company implements key good governance practices. Currently, this index is the most widely used measure for assessing the quality of governance of all state-owned enterprises. In the Corporate Governance Index of the state-owned enterprises for 2018–2019, the Company received the highest possible "A+" rating and was recognised as the governance leader in the category of large companies.

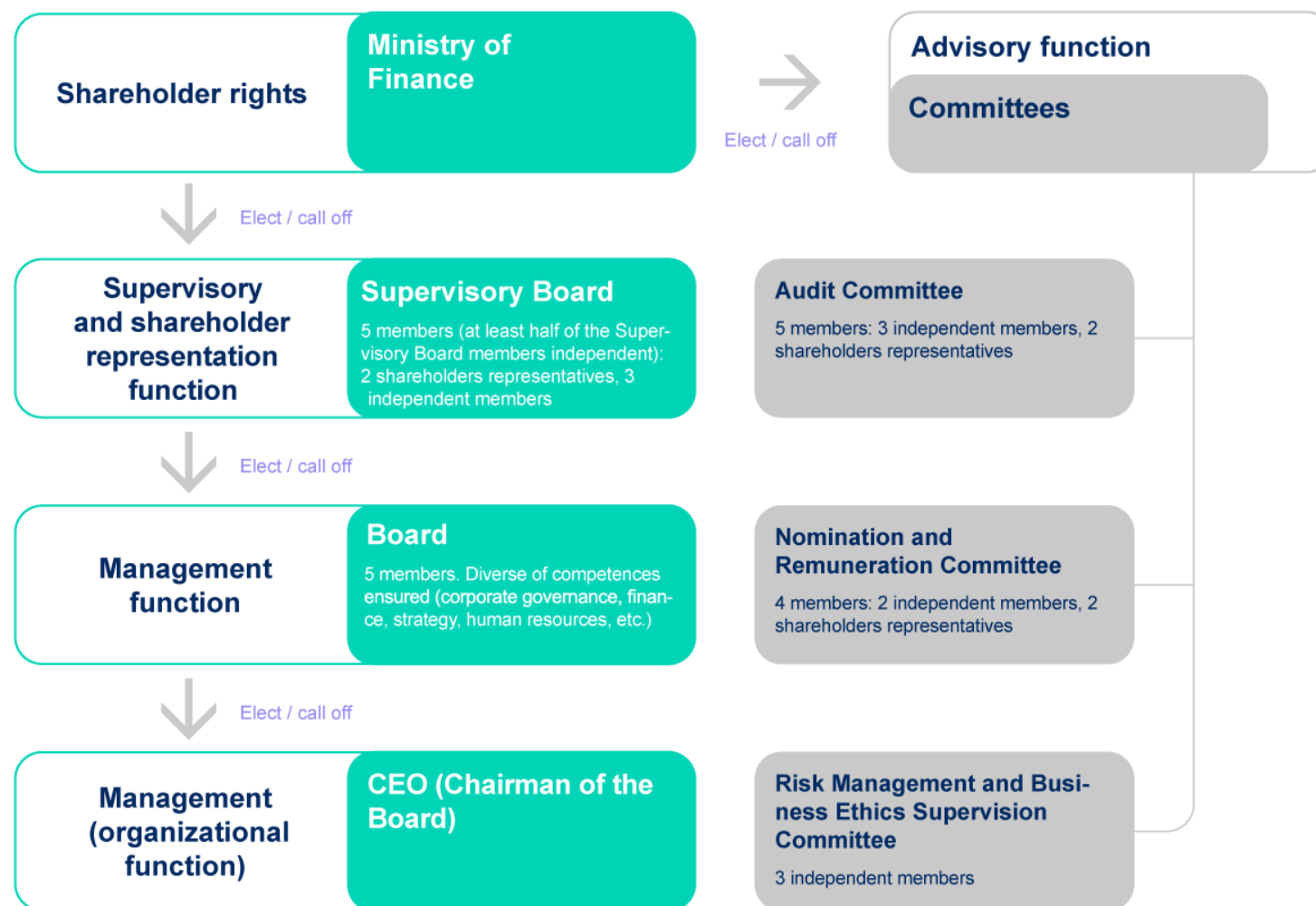
The Company applies the Corporate Governance Code for the companies listed on the Nasdaq Vilnius AB. Information on compliance with this Code of Governance is provided for in Annex No 1.

## Governance structure

The corporate governance of the Group of Companies is understood as a system designed to manage and control the Group of Companies with a view to pursuing for the objectives which are common not only for the individual company but also for the entire Group of Companies. In performing the functions of patronage assigned to it, the Company implements the corporate governance of the Group of Companies.

The whole and the system of the managing and supervisory bodies of the Group of Companies must be formed and operate in such a way as to create the preconditions necessary to ensure proper representation of the State as a shareholder, and the reconciliation of interests of other stakeholders, and separation of the management and supervisory (control) functions of the Group of Companies. The whole and the system of the managing and supervisory bodies must be formed and operate so as to comply with the principles of corporate governance, the requirements arising from the corporate governance legislation (including the legal acts of the EU and of the Republic of Lithuania regulating the unbundling of energy sector activities), the international good practice.

## Corporate governance structure



## Shareholder and shareholders expectations

The sole shareholder of the Company – the Republic of Lithuania, and the rights and obligations of the shareholder are exercised by the Ministry of Finance of the Republic of Lithuania, which adopts the principal decisions relating to the exercise of property rights and obligations. The management of the shares shall be carried out in accordance with the Law on Companies, which establishes the property and non-property rights and obligations of the shareholder, and the Description of the Procedure of the Implementation of State Property and Non-Property Rights in State-Owned Enterprises approved by the Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012 (hereinafter – the Property Guidelines), Articles of Association of the Company.

### Shareholder expectations

In accordance with the Property Guidelines, the authority representing the state shall prepare and submit to the state-owned enterprise a letter on the objectives pursued by the State in the state-owned enterprise and its expectations at intervals of no more than four years. With that in mind, the letter on the expectations of the State in relation to the activities of the Group companies was approved by the order of the Minister of Finance on 13 April 2018 (the shareholder's letter is available at [www.ignitisgrupe.lt](http://www.ignitisgrupe.lt)).

In this letter, the shareholder expects the Group to:

- Strategic directions of activities for 2018–2025: sustainable, socially responsible development through the further development of a modern, globally competitive energy company.
- To develop in a way that creates added value for the Lithuanian economy.
- To strengthening the value chain by improving operational efficiency and quality of service.
- To offer an example of good governance practices for other state-owned companies.
- To operate based on the principles of transparency, responsibility and established values.

### Shareholder competence

The Company's shareholder competence also covers the following key areas:

- Appointment and removal of the member of the Company's Supervisory Board, determination of the remuneration for the independent members of the Supervisory Board;
- Amendment of the Articles of Association of the Company;
- Approval of the annual financial statements and the consolidated financial statements of the Group companies, as well as the interim financial statements prepared for the purpose of deciding on the distribution of dividends for a period shorter than the financial year;
- Approval of the Company's annual report and consolidated annual report of the Group companies;
- Making a decision on the allocation of profit (loss) and the distribution of dividends for a period shorter than a financial year;
- Making a decision to increase or decrease the authorized capital of the Company;

Making a decision on the Company's restructuring, reformation, reorganization, liquidation;

Approval of the decisions of the Board of the Company regarding the Company becoming a founder and shareholder of other legal entities

- Approval of the decisions of the Board of the Company regarding the most important decisions related to the status of the Group companies of strategic importance for national security engaged in the production, distribution and supply activities in the energy sector as well as the status of the companies directly controlled by the Company operating in the energy production sector.

### Shareholder decisions

Decisions taken by the Company's shareholder during the reporting period:

- Daiva Kamarauskienė, director of the Budget Department of the Ministry of Finance, appointed as a member of the Company's Supervisory Board by the order No 1K-30 of the Minister of Finance of 1 February 2019.
- Audit firm Ernst & Young Baltic UAB was elected for the audit of the consolidated financial statements of the Company and its subsidiaries for 2019-2021 by the order No 1K-59 of the Minister of Finances of 25 February 2019.
- Consolidated financial statements for the year 2018, the Company's profit (loss) allocation for the year 2018 and the Company's consolidated annual report for the year 2018 were approved by the order No 1K-136 of the Minister of Finances on 30 April 2019.
- New edition of the Articles of Association of the Company approved by the order No 1K-238 of the Minister of Finance of 5 August 2019.
- Guidelines for Corporate Governance of State-Owned Energy Group were amended by the order No 1K-269 of the Minister of Finance of 16 September 2019.
- Decisions of the Board of Directors of the Company on voting at extraordinary general meetings of shareholders of Energijos Skirstymo Operatorius AB and Ignitis Gamyba AB regarding delisting of shares of these companies from the stock exchange were approved by the order No 1K-369 of the Minister of Finance of 29 November 2019,

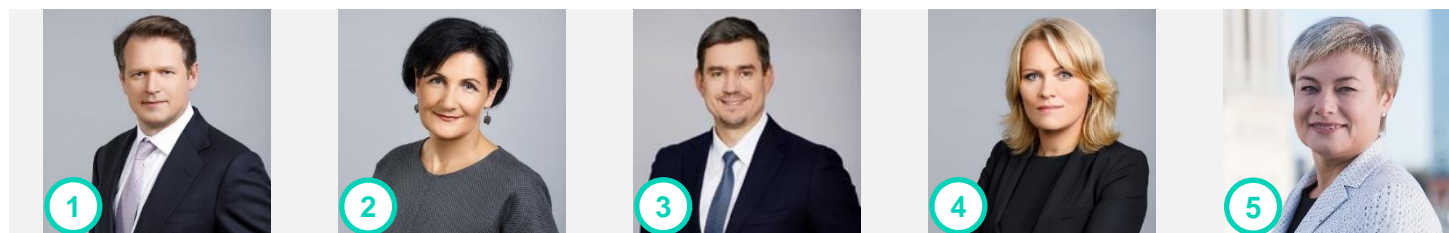
# Supervisory bodies

## 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 the Company consists of 5 members: - 2 representatives of the Ministry of Finances 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. No members of the Supervisory Board have any participation in the capital of the company or group enterprises.

The Supervisory Board of the Company shall be formed in view of the provision that the competences of the members of the Supervisory Board must be diverse, they must meet the requirements of which are set in the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipally-Owned Company or its Subsidiary approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015. The Head of the Company, the member of the Board of the Company, a person who is not legally entitled to hold this post, as well as a person whose participation would cause a conflict of interest and would infringe the principles of impartiality and objectivity cannot be the member of the Supervisory Board. The Company observes the recommendation to elect independent member as the Chairman of the Supervisory Board. The rule that the member of the Supervisory Board may not hold office for

## Members of the Supervisory Board (at the date of publication)



### 1. DARIUS DAUBARAS (born 1973), Chairman, independent member

**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;

**Place of employment, position:** Saudi Aramco, senior finance executive to advise company's executive management on implementation of corporate projects, acquisitions, investments and joint venture, Treasury department Member of the Supervisory Board of "Smart Energy Fund powered by Lietuvos Energija" (until 01/7/2019)

### 2. DAIVA LUBINSKAITĖ-TRAINAUSKIENĖ (born 1970), Independent member

**Education:** ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Vilnius University, Diploma of a Specialist in Philology

**Place of employment, position:** Thermo Fisher Scientific Baltics UAB, company code 122351387. Address: V.A. Graičiūno st. 8 Vilnius, Director of Personnel. Association of Personnel Management Professional, company code 300563101, address J. Galvydžio st. 5, Vilnius, Member of the Board.

### 3. ANDRIUS PRANCKEVIČIUS (born 1976), Independent member (since 22/12/2017)

**Education:** Kaunas University of Technology, Bachelor's degree in Business Administration and Master's degree in Marketing Management; Harvard Business School, Leadership Development

**Place of employment, position:** Linas Agro Group AB, company code 148030011, address Smėlynės st. 2C, Panevėžys, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Kekava, Kekavos r., Kekavos mun., Kekava PF, Chief Executive Officer and Chairman of the Board; Linas Agro AB, company code 147328026, address Smėlynės st. 2C, LT-35143 Panevėžys Member of the Board; Lielzeltini SIA, "Mazzeltiņi", Janeikas, Ceraukstes pag., Bauskas nov., Latvija Chairman of the Board; Broileks SIA, company code. 50103262981, address "Mazzeltiņi", Janeikas, Ceraukstes pag., Bauskas nov., LV Chairman of the Board; (Cerova SIA, company code 43603019946, address Bauskas nov., Ceraukstes pag., Mūsa, Centra iela 11, LV, Chairman of the Board; Žilvīsta ŽŪB, company code 302299020, address Panevėžio r. sav., Velžio mun., Staniūnų k., Paplentės g. 20 Member

### 4. AUŠRA VIČKAČKIENĖ (born 1974), member

**Education:** Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration

**Place of employment, position:** Ministry of Finances, company code 288601650, Lukiškių st., Vilnius, Assets Management Department, Finance, Director; Būsto paskolų draudimas UAB, company code 110076079, Ulonų st. 5 Vilnius, Member of the Board



more than 3 consecutive terms of office, each not exceeding 4 years is also maintained.

At the date of publication of the report, the Supervisory Board consisted of the following members (the term office from 30/08/2017 to 30/08/2021).

## 5. DAIVA KAMARAUSKIENĖ (born 1963), member (since 1/2/2019)

**Education:** Vilnius University Faculty of Economics, master's degree.

**Place of employment, position:** Ministry of Finances, company code 288601650, Lukiškių st., Vilnius, Budget Department of the Ministry of Finance, Director.

None of Supervisory Board members holds shares of the Group companies.

### The main functions and responsibilities of the Supervisory Board are as follows

consideration and approval of the business strategy of the Company and the Group companies' activities, analysis and evaluation of the information on the implementation of the business strategy, provision of this information to the annual General Meeting, election and removal of the Members of the Board, supervision of activities of the Board and the CEO, provision of comments to the General Meeting of Shareholders on 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.

### Changes in the composition of the Company's Supervisory Board during the reporting period:

On the 1st of February, 2019, the Ministry of Finance of the Republic of Lithuania submitted to the Company a sole shareholder's decision to appoint Daiva Kamarauskiene the member of the Supervisory Board of the Company. She replaced Ramūnas Dilba who was recalled from the Supervisory Board of the Company by the decision of the Ministry of Finance on 7 November 2018 and who is acting chancellor at the Ministry of Energy of the Republic of Lithuania as of 6 November 2018.

### Activities of the Company's Supervisory Board during the reporting period

Overall 13 meetings of the Supervisory Board were held in January-December of 2019: 11 of them were attended by all members of the Supervisory Board who were elected at that time, in two of the meetings one member of the Company's Supervisory Council was absent.

Activities of the Supervisory Board in 2019 covered the following key areas:

- Evaluation of nominations for members of the Group companies' corporate governance and supervisory bodies;
- Submission of proposals regarding the business organization and planning, objectives, financial position and performance of the Company;
- Issues related to the remuneration system of the Group companies;
- Issues related to major investment projects of the Group companies;
- Issues related to the organization and operation of the Company's Supervisory Council and its committees.

### Information on payments made to the members of the Supervisory Board during the reporting period

The Articles of Association establish that independent members of the Supervisory Board may be remunerated for their work on the Supervisory Board at the decision of the general shareholders' meeting. The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria, are established at the General Meeting of Shareholders.

Details of the remuneration paid to the independent members of the Supervisory Board during the reporting period are provided below.

## Committees of the Supervisory Board

The committees are formed by the Company's Supervisory Board to perform their functions and duties effectively. They have the competence to submit conclusions, opinions and suggestions to the Company's Supervisory Board. 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 1/3 of the members shall be independent, except for the Audit Committee, which shall include at least 2/3 of the independent members. The members of the committees are elected for the period of four years.

The following committees of the Supervisory Board are operating in the Company:

- **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 Audit committee** is responsible for submission of objective and impartial conclusions and suggestions regarding audit, related party transactions, 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 Nomination and remuneration committee** is responsible for submission of conclusions and suggestions about appointment, revocation of the management and supervisory bodies of the Group 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 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 the Company.

## Risk Management and Business Ethics Supervision Committee

### Main function of the committee:

- To monitor the way the risks relevant for the achievement of the targets set for Ignitis Group and Ignitis 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 Ignitis Group and its Group companies;
  - 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 against bribery and corruption, and to monitor periodically their implementation/compliance;
  - To monitor periodically information related to the controlling actions of assurance of business ethics, events and unsolved incidents (security of transparency, prevention of corruption, management/prevention of corruption risk, etc.);
- To perform other functions assigned to the Committee based on the decision of the Supervisory Board of Ignitis Group.

### Activities of the Risk Management and Business Ethics Supervision Committee during the reporting period

Overall 7 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Activities of the Risk Management and Business Ethics Supervision Committee in 2019 covered the following key areas:

- Risk assessment and management process applied in the Group;
- The key risks of the Group and their management measures;

### Members of the Risk Management and Business Ethics Supervision Committee

Committee member	Term of office	Education	Place of employment, position
<b>ANDRIUS PRANCKEVIČIUS</b> Chairman, independent member	From April 2018 to April 2022	Kaunas University of Technology, Bachelor's degree in Business Administration and Master's degree in Marketing Management; Harvard Business School, Leadership Development.	Linus Agro Group, AB, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Chief Executive Officer and Chairman of the Board; Linus Agro, AB, (Lithuania), Member of the Board; Lielzeltini, SIA, (Latvia), Chairman of the Board; Broileks, SIA, (Latvia), Chairman of the Board; Cerova, SIA, (Latvia), Chairman of the Board. Žilvita ŽŪB, Member
<b>DARIUS DAUBARAS</b> Independent member	From April 2018 to April 2022	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;	SAUDI ARAMCO Senior Adviser  Chairman of the Supervisory Board of Ignitis Group, independent member  Member of the Supervisory Board of "Smart Energy Fund powered by Ignitis" (until 01/7/2019)
<b>ŠARŪNAS RAMEIKIS</b> Independent member	From April 2018 to April 2022		R.Mištauto ir T.Milickio Law Firm „Konsus“, Lawyer

None of Risk Management and Business Ethics Supervision Committee members holds shares of the Group companies.



- Corporate risk register and risk management plan;
- Information security;
- The Group's Business Continuity System;
- Risks associated with green production capacity and their management;
- Cooperation with the Audit Committee of the Supervisory Board;
- Cooperation with the following function of the Group: information security, prevention, risk management, occupational safety, personal data protection and compliance.

## Audit Committee

### Main functions of the Audit Committee:

- To monitor the preparation process of financial statements of the Company and the Group companies paying particular attention to assessment of suitability and consistency of applied accounting methods;
- To monitor effectiveness of internal control and risk management systems of the Company and the Group companies that affect financial accountability of the audited company;
- To monitor independence and objectivity of auditors and audit companies, and to submit recommendations regarding selected audit company;
- To supervise audit processes of the Company and the Group companies, to verify audit's effectiveness and reaction of the administration to the recommendations submitted in the management letter by the audit company;
- To monitor effectiveness of internal audit function of the Company and the Group companies, 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 verification 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 monitor whether the activities of the Company and the Group companies 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 companies, 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 assess 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.

The group of companies has a centralised internal audit function since 5 January 2015. This helps ensure independence and objectivity of the internal audit, consistency in application of uniform methodology and reporting principles, and a more rational allocation of the available audit resources and competences.

The term of office of the incumbent Risk Management and Business Ethics Supervision Committee will last until 23 April 2022.

### Members of the Audit Committee

Committee member	Term of office	Education	Place of employment, position
<b>IRENA PETRUŠKEVIČIENĖ</b> Chairperson Independent member	From October 2017 to October 2021	Vilnius University, Degree in Economics	The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finances of the Republic of Lithuania, Member of Audit Oversight Committee; European Stability Mechanism (ESM), Member of Auditors Board. Lietuvos Geležinkeliai AB, Member of Audit Committee; Maxima Grupė UAB, Chairman of Audit Committee.
<b>DANIELIUS MERKINAS</b> Independent member	From October 2017 to October 2021	Vilnius University, Master's degree in Management and Business Administration; Deventer Business College, Deventer, Netherlands, Master's degree in International Marketing.	NNL Termo UAB, CEO, Chairman of the Board; NNT LT UAB, CEO, Chairman of the Board; Nordnet UAB, Head of Commerce, Chairman of the Board; Mercado prekyba UAB, CEO. Litcargo UAB, Chairman of the Board. Lietuvos paštas AB, Member of the Board (until 31/10/2019)
<b>ŠARŪNAS RADAVIČIUS</b> Independent member	From May 2018 to October 2021	Vilnius University, Master's degree in Audit and Accounting.	Rodl & Partner UAB, CEO (until August 2018).
<b>AUŠRA VIČKAČKIENĖ</b> Member	From October 2017 to October 2021	Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Master's	Lithuanian Ministry of Finance, Asset Management Department, Director Member of the Supervisory Board of Ignitis Group UAB.

## Activities of the Audit Committee during the reporting period

Overall 16 meetings of the Audit Committee were held during the reporting period

Activities of the Audit Committee in 2019 covered the following key areas:

- Monitoring carried out by the independent auditor on the financial reporting process and discussion on financial statements of the Group companies;
- Monitoring of the efficiency of internal control and risk management systems of the Company companies;
- Assessing the efficiency of the business processes of the Company and providing recommendations for their improvement;
- Monitoring the effectiveness of the organisation of internal audit process;
- Getting acquainted with the observations of internal audit submitted to the Management of the Company companies;
- Monitoring whether the Management of the Company considers the recommendations and observations made by the internal and Independent Auditor or an Audit Firm;
- Granting permission to the Audit Firm to participate and submit proposals for the purchase of services other than the audit of financial statements in the purchase;

Familiarization with the main projects and initiatives in the Group companies

## Nomination and Remuneration Committee

The main functions of the Nomination and Remuneration Committee are the following:

- To provide suggestions in relation to the long-term remuneration policy of the Company and the Group companies' (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 monitor compliance of the remuneration and bonuses policies of the Company and the Group companies with international practice and good governance practice guidelines, and provide suggestions for their improvement;
- To assess the terms and conditions of Company and the Group companies' agreements between the Company and the Group companies and the members of the management and supervisory bodies;
- To assess the procedures for recruitment and hiring of candidates to the positions of management and supervisory bodies and top management of the Company and Group companies, and establishment of qualification requirements for them; submit recommendations and findings to the Supervisory Board;
- To assess the structure, size, composition and activities of management and supervisory bodies of the Company and the Group companies;
- To oversee and assess the implementation of measures ensuring business continuity of management and supervisory bodies of the Company and the Group companies;
- To perform other functions falling within the scope of competence of the Committee as decided by the Supervisory Board.

		degree in Management and Business Administration	
<b>INGRIDA MUCKUTĖ</b> Member	From May 2018 to October 2021	Vilnius University, Master's degree in Finance, Accounting and Banking Vilnius University, Bachelor's degree in Management and Business Administration	The Ministry of Finance of the Republic of Lithuania, Head of Reporting, Audit, Property Valuation and Insolvency Management Division

None of Audit Committee members holds shares of the Group companies.

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

## Members of the Nomination and Remuneration Committee

Committee member	Term of office	Education	Place of employment, position
<b>DAIVA LUBINSKAITĖ-TRAINAUSKIENĖ</b> Chairperson Independent member	From September 2017 to September 2021	ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Vilnius University, Diploma of a Specialist in Philology.	<i>Thermo Fisher Scientific Baltics, UAB</i> , Director of Personnel; Association of Personnel Management Professionals (PVOA), the Member of the Board Member of the Supervisory Board of Ignitis Group UAB.
<b>LĖDA TURAI-PETRAUSKIENĖ</b> Independent member	From March 2018 to September 2021.		<i>L-CON Global UAB</i> , leadership training partner, shareholder
<b>AUŠRA VIČKAČKIENĖ</b> Member	From September 2017 to September 2021	Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Master's degree in Management and Business Administration	Lithuanian Ministry of Finance, Asset Management Department, Director  Member of the Supervisory Board of Ignitis Group UAB.
<b>DAIVA KAMARAUSKIENĖ</b> Member	From March 2019 to September 2021	Vilnius University Faculty of Economics, master's degree.	Budget Department of the Ministry of Finance, Director  Member of the Supervisory Board of Ignitis Group UAB.

**Activities of the Nomination and Remuneration Committee during the reporting period:**

Overall 14 meetings of the Nomination and Remuneration Committee were held in 2018.

Activities of the Nomination and Remuneration Committee in 2019 covered the following key areas:

- Evaluation of nominations for members of the Company's group companies corporate governance and supervisory bodies;
- Issues related to the development of remuneration policy;
- Issues related to the implementation of the Company's strategy and objectives in the area of people and culture.

None of Nomination and Remuneration Committee members holds shares of the Group companies.

The term of office of the incumbent Nomination and Remuneration Committee will last until 12 September 2021.

# Management Bodies

## Board

The Board is a collegial management body provided for in the Articles of Association of the Company. The activities of the Board are regulated by the Law on Companies, the bylaws, the Guidelines for Corporate Governance of State-Owned Energy Group, the Articles of Association of the Company and the Rules of Procedure of the Board. During the reporting period, the rules governing the election of the members of the Board of the Company were not amended. The members of the Board are employees of the Company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. The Board consists of 5 members and elects the Chairman, the CEO of the Company, from among its members. No members of the Board have any participation in the capital of the Company or Group companies. Remuneration for the activities in the Board is paid in accordance with the guidelines established by the shareholder of the Company.

The Management Board of the Company shall be formed in view of the provision that the competences of the members of the Management Board must be diverse, they must meet the requirements of which are set in the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipally-Owned Company or its Subsidiary approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015. The member of the Supervisory Board, a person who is not legally entitled to hold this post cannot be the member of the Management Board, as well as a member

## Members of the Board (at the date of publication of this report)



### 1. DARIUS MAIKŠTĖNAS, Chairman of the Board, CEO

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

**Place of employment, position:** Energijos Skirstymo Operatorius AB, company code 304151376, address Aguonų st. 24, Vilnius, Chairman of the Supervisory board; WIDER COMMUNICATIONS INCORPORATED, DELAWARE CORPORATION, USA, shareholder, the member of the Board (until 21/05/2019); WIDER COMMUNICATIONS LIMITED PRIVATE LIMITED COMPANY, UK a sole member of the Board (until 21/05/2019)

### 2. VIDMANTAS SALIETIS, member of the Board, Commerce and Services Director

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

**Place of employment, position:** Ignitis Latvija SIA, company code 40103642991, address Darzciema st. 60, LV-1048, Ryga, the member of the Board (until 22/10/2019); Ignitis Eesti OU, company code 12433862, address Narva st. 5 10117 Tallinn, Estonia, Chairman of the Board (until 14/11/2019), Energijos Tiekimas UAB, company code 302449388, address: P. Lukšio st. 1, Vilnius, Chairman of the Board (until 01/06/2019); Ignitis Group UAB, company code 303383884, address: Žvejų st. 14, Vilnius Chairman of the Board (until 01/06/2019); Ignitis UAB, UAB Member of the Supervisory Board (from 01/06/2019), Chairman of the Supervisory Board (from 22/08/2019) Elektroninių Mokėjimų Agentūra UAB, company code 136031358, address Žvejų st. 14, Vilnius Member of the Board; NT Valdės UAB, company code 300634954, address P. Lukšio st. 5B, Vilnius, Chairman of the Board; Gamybos Optimizavimas UAB, company code 304972024, address Žvejų st. 14, Vilnius Chairman of the Board.

### 3. DARIUS KAŠAUSKAS, Member of the Board, Finance and Treasury Director

**Education:** 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

**Place of employment, position:** Duomenų Logistikos Centras UAB, company code 302527488, address A. Juozapavičiaus st. 13 Vilnius, Chairman of the Board; Lietuvos Energijos Paramos Fondas, company code K. 303416124, address Žvejų st. 14, Vilnius, Member of the Board; 288th DNSB Vingis, Member of the Revision Commission; Energetikos Paslaugų ir Rangos Organizacija UAB, company code 304132956, address Motorų st. 2 Vilnius, Chairman of the Board (until 24/10/2019) Energijos Skirstymo Operatorius AB, company code 304151376, address Aguonų st. 24, Vilnius, Member of the Supervisory board;

### 4. DOMINYKAS TUČKUS, Member of the Board, Infrastructure and Development director

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

**Place of employment, position:** Ignitis Gamyba AB, company code 302648707, address Elektrinės st. 21, Elektrėnai, Chairman of the Supervisory board; Ignitis UAB, company code 303383884, address: Žvejų st. 14, Vilnius Member of the Board (until 01/06/2019); Ignitis UAB, company code 303383884, address: Žvejų st. 14, Vilnius Member of the Supervisory Board (until 01/06/2019); EURAKRAS UAB, company code 300576942, address Žvejų st. 14, Vilnius, Member of the Board (until 03/09/2019); Tuulueenergia OU, company code 10470014, address Keskus, Helmküla küla, Varbla vald, Pärnumaa, Chairman of the Board (until 28/01/2019); Vilniaus Kogeneracinė Jėgainė UAB, company code 303782367, address Žvejų st. 14, Chairman of the Board; Ignitis Renewables UAB, company code 304988904, address P. Lukšio st. 5B, Vilnius, Member of the Board (from 03/01/2019); Smart Energy Fund KÜB, powered by Ignitis Group, company code 304596351, address Antakalnio st. 17, Vilnius, Member of the Advisory Committee.

of the supervisory body, management body or administrative body of a legal person engaged in electricity or gas transmission activities, an auditor or an employee of an audit firm who participates and/or participated in the audit of financial statements if a period of more than 2 years has not elapsed; and the person who is not legally entitled to this post. The Members of the Board of the Company must meet the general and specific criteria laid down by law. The need for competences shall be determined by the Supervisory Board during the formation of the Board.

Besides, according to the Company's Articles of Association, members of the Board may not have any other job or hold any other office that would be incompatible with their activity on the Board, including the holding of management positions in other legal entities (except for the position and work in the Company or the Group of companies), work in civil service, statutory service. Members may hold any other position or have other job, except for the position held in the Company and other legal entities the participant whereof the Company is, also engage in educational, creative, or authorship activity only on receipt of prior consent from the Company's Supervisory Board. This rule also applies to the management of all Group companies.

The term office from 1 February 2018 to 31 January 2022.

## 5. ŽIVILĖ SKIBARKIENĖ, Member of the Board, Organisational Development Director

**Education:** 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:** Verslo Aptarnavimo Centras UAB, company code 303359627, address P. Lukšio st. 5b, Vilnius, Chairman of the Board (until 01/01/2020); Ignitis Grupės Paslaugų Centras UAB, company code 303200016, address A. Juozapavičiaus st. 13, Vilnius, the Board member (from 28/06/2019), Chairwoman of the Board (from 31/07/2019); Elektroninių Mokėjimų Agentūra UAB, company code 136031358, address Žvejų st. 14, Vilnius Member of the Board; Ignitis Gamyba AB, company code 302648707, address Elektrinės st. 21 Member of the Supervisory Board.

None of the Board members holds shares of the Group companies.

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

**The main functions and responsibilities of the Board are as follows**

Implementation of the strategy of the Company (its Group of Companies), financial management and reporting, performance management, assets, participation in other legal entities, making decisions on approval of significant transactions. The competence of the Board of the Company also includes decisions on the common rules and principles (policies, guidelines, recommendations) applicable to the Group of Companies, decisions related to the general interest of the Group of Companies, and achievement of its objectives, the structure of the Group of Companies, and the issues of service activities.

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. Each member of the Board is responsible for the analysis of the issues assigned to his competence, i.e. the field under his supervision directly related to work at the Management Board on which the respective decision must be made, and presentation of all relevant information to other members of the Management Board so that the necessary decisions of the Board would be made in a timely manner. At the date of publication of the report, the applicable rules of procedure of the Company's Board specify the following areas of responsibility of the Board members:

- Strategy and governance;
- Organisational development;
- Finance and treasury;
- Infrastructure and development;
- Commerce and services.

Specific areas of competence may be changed upon the proposal of the Chairman of the Board with the approval of the Supervisory Council of the Company.

**Activities of the Company's Board during the reporting period:**

Overall 66 meetings of the Board were held in January-December 2019. Activities of the Board in 2019 covered the following key areas:

- Evaluation of the most significant transactions planned by the Company, approval of their conclusion and approval of essential terms of transactions;
- Evaluation of the organization of the Company and the Group companies' activities and taking decisions related thereto;
- Evaluation and approval of the Company's operational planning documents, taking into account the opinion of the Company's Supervisory Board;
- Setting the operational guidelines and rules, general enterprise policy for group companies, annual financial plans, annual rate of return on assets, maximum amounts of debt obligations for the Company and the Group companies, as well as establishing performance parameters for the other companies of the Company and Group companies;
- Making decisions on participation and voting in general meetings of the companies in which the Company is a shareholder;

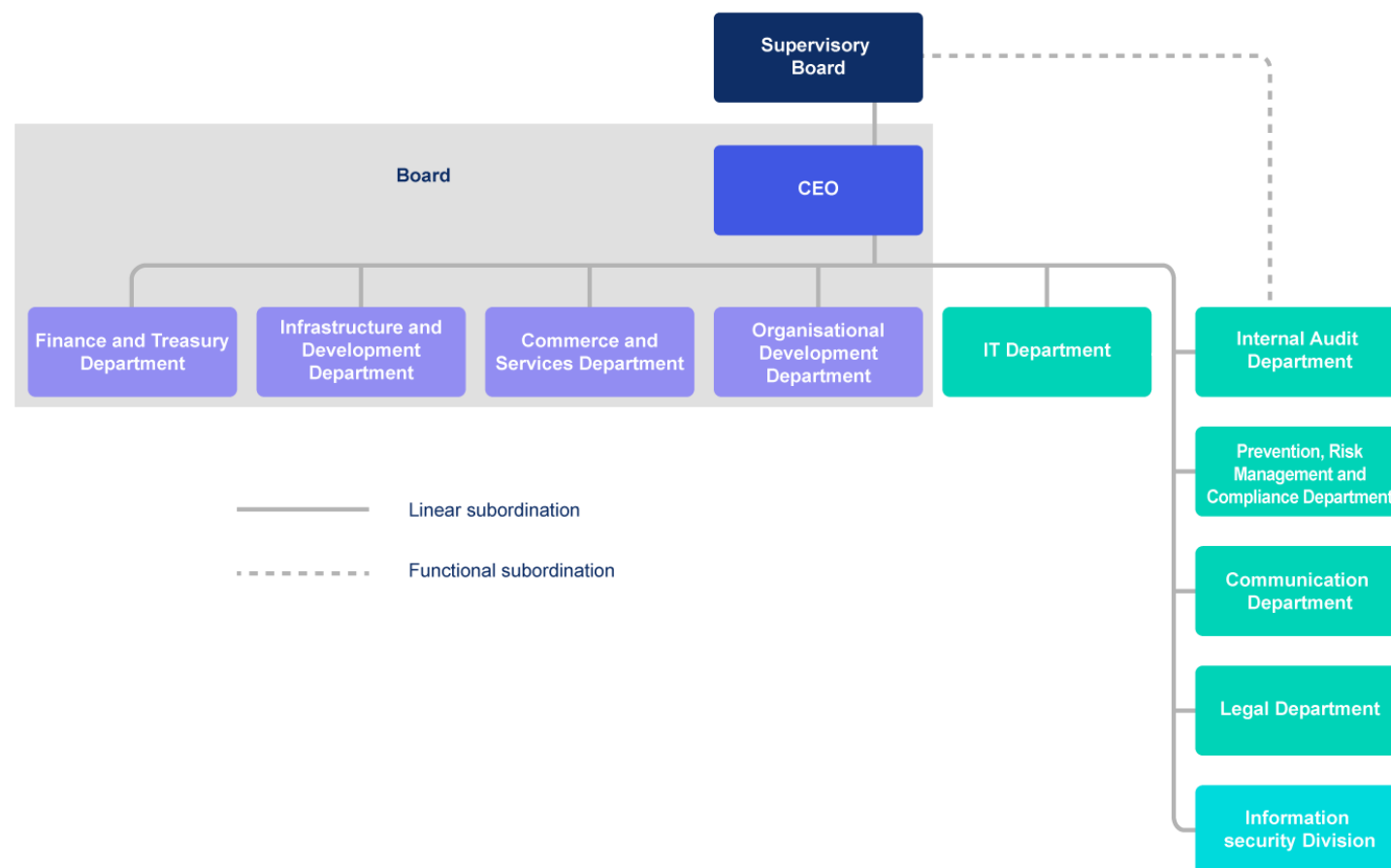
- Approval of the Company's Annual Report and submission to the Supervisory Council and the General Meeting of Shareholders;
- Evaluation of the Company's annual financial statements and draft allocation of profit (loss) and providing feedback to the Supervisory Council and the General Meeting of Shareholders.

## CEO

The General Manager is a single-person management body of the Company, who organizes, directs, acts on behalf of the Company and concludes transactions unilaterally, except as provided by the Law on Companies, its implementing legislation and the Articles of Association of the Company.

The competence of the General Manager, the procedure of appointment and removal, the terms of office shall be established by the Law on Companies, the bylaws, the Guidelines for Corporate Governance of State-Owned Energy Group and the Articles of Association of the Company. In accordance with the Guidelines for Corporate Governance of State-Owned Energy Group, the Chairman of the Board elected by the Board is appointed as the General Manager of the Company. It should be noted that the General Manager of the Company, as a state-owned enterprise, is also subject to the special recruitment features provided for in the Law on Companies, according to which the term of the General Manager is limited to 5 years. It is also stipulated that the same person may not be elected for more than two consecutive terms as the General Manager.

## The Company's governance structure





# Remuneration report

## Principles of remuneration of collegial bodies

The Guidelines for Corporate Governance of State-Owned Energy Group, approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013 (wording of the Order No 1K- 269 of 16 September 2019), establish the principles of remuneration of members of collegial bodies. Accordingly, the maximum monthly amount of the remuneration paid for the activities in the Supervisory Board, its committees or to the members of the managing and supervisory bodies of other companies in the Group of Companies, who are subject to remuneration, cannot exceed 1/4 (one quarter) of the amount of the monthly salary paid to the CEO of the Company (basic pre-tax remuneration). The maximum monthly amount of the remuneration paid to the Chairman of the Supervisory Board of the Company for the work in the Supervisory Board or its committees cannot exceed 1/3 (one third) of the amount of the monthly salary paid to the CEO of the Company (basic pre-tax remuneration).

In addition, the Corporate Governance Guidelines authorize the Company's Supervisory Board to determine, based on the opinion of the Nomination and Remuneration Committee, the guidelines/system for the remuneration of the Company and its group companies. In view of this, the Company's Supervisory Board has approved the guidelines for the remuneration of the managers of the Group of Companies, which were last updated in 22 November 2019. For the purposes of these guidelines, the remuneration system shall consist of the following elements:

- A fixed component of the remuneration represents the monthly salary specified in the employment contract;
- A variable component of remuneration shall be allocated for the achievement of goals/ indicators set as a percentage of the fixed wage component or another base of calculation.

It should be noted that the above parts of the remuneration scheme apply to members of the collegial bodies of the Group consisting of the employees of the Group companies (executive board).

Remuneration of the Board member (RBM) in the Supervisory Board or Board:

- To the managers of structural divisions, who also serve as a member of the Board (executive board) in the respective Group company (board member's rights and duties are defined in the board member activity agreement), the size of the RBM varies according to the level of the position;
- when necessary, to the management of the group companies operating in foreign countries, the specific amount of the RBM is determined by the decision of the Board of the Company, without violating the principle of internal justice and within the limit set in the remuneration guidelines.

The Management Remuneration Guidelines also provides that the total remuneration of the management may not exceed the sum of the maximum amounts of the RBM and the maximum values of the remuneration range, which are approved annually by the Company's Supervisory Board.



**Information about the payments to the members of supervisory and management bodies of the Company during the reporting period.**

Position, name, surname	Fixed monthly remuneration (before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)	Calculated amounts for the activities (January-December 2019) in the Supervisory Board* (before taxes, EUR)	Average remuneration for the activities as the member of the Board (before taxes, EUR)	Other payments (before taxes, EUR)
<b>MEMBERS OF THE SUPERVISORY BODIES*</b>					
Darius Daubaras, Chairman of the Supervisory Board, member of the Risk management and business ethics supervision committee (independent member)	-	-	16 650	-	-
Andrius Pranckevičius, Member of the Supervisory Board, chairman of the Risk management and business ethics supervision committee (independent member)	-	-	5 288	-	-
Daiva Liubinskaitė-Trainauskienė, Member of the Supervisory Board, chairwoman of the Nomination and remuneration committee (independent member)	-	-	5 070	-	-
Šarūnas Rameikis, Member of the Risk management and business ethics supervision committee (independent member)	-	-	3 375	-	-
Irena Petruškevičienė, chairwoman of the Audit committee (independent member)	-	-	11 738	-	-
Danielius Merkinas, member of the Audit committee (independent member)	-	-	10 590	-	-
Šarūnas Radavičius, member of the Audit committee (independent member)	-	-	8 258	-	-
Lėda Turai-Petrauskienė, member of the Nomination and remuneration committee (independent member)	-	-	-	-	-
<b>MEMBERS OF THE MANAGEMENT BODIES</b>					
Darius Maikštėnas, CEO	8 170	2 508			
Darius Maikštėnas, chairman of the Board	-	-	-	2 550	-
Živilė Skibarkienė, member of the Board	-	-	-	1 815	-
Darius Kašauskas, member of the Board	-	-	-	1 815	-
Dominykas Tučkus, member of the Board	-	-	-	1 815	-
Vidmantas Salietis, member of the Board	-	-	-	1 815	-

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

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

Employee category	Company	Group
Head of the company	9 725	7 262
Top level executives	7 342	6 713
Mid-level managers	6 320	3 323
Experts, specialists	3 833	1 906
Workers	-	1 475
<b>Average salary</b>	<b>4 281</b>	<b>2 015</b>

The Company's total wage fund for 2019 was EUR 4.9 million.  
The Group's total wage fund for 2019 was EUR 87.6 million.

# Supervisory and management bodies of the listed companies

The management and supervisory structure of the subsidiaries of the Group companies is formed taking into account the activities of a particular company, stock managers, legal status and other aspects. The rule is that the managing and supervisory bodies of the subsidiaries must be optimal, they must ensure the implementation of the interests of the Company as a shareholder, of other shareholders and of stakeholders, and must comply with the international and national best practices on corporate governance.

Listed companies of the Group companies are subject to the management model with the collegial supervisory body - the Supervisory Board (by including the independent member(s) and the shareholders' representatives, as well as, if necessary, and employee representative(s)), and with the collegial managing body – the Board of the Employees of the company.

*As at 31 December 2019, the Supervisory Board of Energijos Skirstymo Operatorius consisted of the following members (term of office till 29 March 2022):*

Full name	Participation in the capital of the Company and Group companies, %	Term of office	Place of employment
Darius Maikštėnas Chairman	-	From 30/03/2018 to 29/03/2022	Ignitis Group, Chairman of the Board, CEO
Darius Kašauskas Member	-	From 30/03/2018 to 29/03/2022	Ignitis Group, member of the Board Finance and Treasury Director
Kęstutis Betingis Independent member	-	From 28/05/2018 to 29/03/2022	Betingio ir Ragaišio Lawyer Firm, lawyer
Žaneta Kovaliova Independent member	-	From 15/10/2019 to 29/03/2022	UP Consulting Group Ltd, CEO
Dalia Jakutavičė Employee representative, Member	-	From 15/10/2019 to 29/03/2022	Deputy Chairwoman of the Lithuanian Energy Workers' Trade Union Federation

On 6 August 2019, Energijos Skirstymo Operatorius received a letter from the Company informing that, that, subject to the opinion of the Company's Supervisory Board, of the Company, Dalia Jakutavičė and Žaneta Kovaliova have been nominated for the positions of the member of Supervisory Board of Energijos Skirstymo Operatorius. The Extraordinary General Meeting of Shareholders of the Company held on 15 October 2019 elected Ms. Žaneta Kovaliova and Ms. Dalia Jakutavičė as the members of the Supervisory board of Energijos Skirstymo Operatorius.

*As at 31 December 2019, the Board of Energijos Skirstymo Operatorius consisted of the following members (term of office till 26 December 2022):*

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

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

*As at 31 December 2019, the Supervisory Board of Ignitis Gamyba, consisted of the following members (term of office until 25 March 2022):*

Full name	Participation in the capital of the Company and Group companies, %	Term of office	Place of employment
Dominykas Tučkus Chairman	-	From 26/03/2018 to 25/03/2022	Ignitis Group, member of the Board, Infrastructure and Development Director
Živilė Skibarkienė Member	-	From 26/03/2018 to 25/03/2022	Ignitis Group, member of the Board, Organisational Development Director
Edvardas Jatautas Independent member	-	From 26/07/2019 to 25/03/2022	Profectus Novus UAB owner, Chairman of the Board; Addendum Group Inc., founder, President; Addendum Solutions UAB founder, member of the Board. Lithuanian American Business Association in Los Angeles, member of the Board SIA Addendum LV founder, member of the Board. OU Addendum EE founder, member of the Board.

On 12 March, 2019, *Ignitis gamyba* (former *Lietuvos energijos gamyba*) received a letter from the Company (former *Lietuvos Energija*) informing that after the approval of the Company's Supervisory Board, Rimgaudas Kalvaitis has been nominated for the position of the member of the Board of the company and CEO. Accordingly, on the same day Mr Kalvaitis submitted his request to resign from his current position as a member of the Supervisory Board of the Company. He is out of these duties from 27 March, 2019. On 27 March 2019 Mr. Edvardas Jatautas has been elected as an independent member of the Supervisory board of *Ignitis gamyba* until the end of the term of office.

*As at 31 December 2019, the Board of Ignitis gamyba, consisted of the following members (term of office until 2 April 2022):*

Full name	Participation in the capital of the Company and Group companies, %	Term of office	Place of employment
Rimgaudas Kalvaitis Chairman	-	From 27/03/2019 to 02/04/2022	Ignitis Gamyba, CEO
Darius Kucinas Member	-	From 03/04/2018 to 02/04/2022	Ignitis Gamyba, Director of Production
Mindaugas Kvekšas Member	-	From 03/04/2018 to 02/04/2022	Ignitis Gamyba, Director of Finance and Administration

The Board and the Supervisory Board of *Ignitis Gamyba* (former *Lietuvos Energijos Gamyba*) received the notice of Eglė Čiužaitė regarding her resignation from the office of CEO and thus on 7 January 2019 decided to remove Ms Čiužaitė from the office of the company's CEO from 21 January 2019. Ms 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 CEO of the Company from 22 January 2019. On 27 March, 2019 the Board of the Company has elected Rimgaudas Kalvaitis as Chief Executive Officer of the Company.

# Material events of the Company

## During the reporting period (2019)

<b>31 December</b>	<b>Regarding the decision of the Court</b>
<b>31 December</b>	Reporting dates of Ignitis Group in 2020
<b>31 December</b>	Preliminary financial results of UAB Ignitis Grupė for 11 months of 2019
<b>20 December</b>	Regarding completed reorganisation of Verslo aptarnavimo centras, UAB and Ignitis grupės paslaugų centras, UAB
<b>4 December</b>	Regarding the decisions adopted at the General meetings of shareholders of subsidiaries and the intention to make an official tender offer
<b>4 December</b>	Regarding the working group, initiated by the Ministry of Finance of the Republic of Lithuania, the authority implementing the rights of the sole shareholder of UAB Ignitis grupė
<b>29 November</b>	Preliminary financial results of UAB Ignitis Grupė for 10 months of 2019
<b>20 November</b>	The results of Ignitis Group in Q3 2019: revenue growth was driven by increased volumes of wholesale trading in Poland, profit of wind farms portfolio doubled
<b>19 November</b>	Further explanation regarding the delisting of Ignitis Group's subsidiaries shares and the potential IPO
<b>13 November</b>	Regarding the formation of a working group, initiated by the Ministry of Finance of the Republic of Lithuania, the authority implementing the rights of the sole shareholder of UAB Ignitis grupė
<b>11 November</b>	Regarding the initiation of the process of delisting of shares of UAB Ignitis grupė subsidiaries AB Ignitis Gamyba and AB Energijos skirstymo operatorius from trading on the regulated market
<b>29 October</b>	CORRECTION: Reporting dates of Ignitis Group in 2019
<b>25 October</b>	Regarding the termination of conditional share sale-purchase agreement and the end of negotiations
<b>21 October</b>	Regarding the initiation of reorganisation of Verslo aptarnavimo centras, UAB and Ignitis grupės paslaugų centras, UAB
<b>30 September</b>	Preliminary financial results of UAB Ignitis Grupė for 8 months of 2019
<b>13 September</b>	Regarding the loan increase for UAB Ignitis Grupė
<b>6 September</b>	Regarding the registration of the Articles of Association of Lietuvos Energija, UAB
<b>6 September</b>	Preliminary financial data of Lietuvos Energija for 7 months of 2019
<b>5 September</b>	Results of Lietuvos Energija Group for the first half of 2019: adjusted EBITDA by 9,8 percent., Group's revenues abroad increased four times to EUR 175.7 million
<b>4 September</b>	CORRECTION: Reporting dates of Lietuvos Energija in 2019
<b>29 August</b>	CORRECTION: Reporting dates of Lietuvos Energija in 2019
<b>5 August</b>	Regarding change of the name of Lietuvos Energija, UAB
<b>31 July</b>	Preliminary financial data of Lietuvos Energija for 6 months of 2019
<b>1 July</b>	Regarding the Investor's Letter of Lietuvos Energija
<b>28 June</b>	Preliminary financial data of Lietuvos Energija for 5 months of 2019
<b>31 May</b>	Correction: Lietuvos Energija UAB annual information for the year 2018
<b>31 May</b>	Lietuvos Energija retained BBB+ credit rating
<b>31 May</b>	Preliminary financial data of Lietuvos Energija for 4 months of 2019
<b>28 May</b>	Regarding the Acquisition of 100% of Pomerania Invall Sp. z o. o. Shares and Shareholder Claim Rights
<b>21 May</b>	Regarding the approval of the terms and conditions for the reorganisation of UAB Lietuvos energijos tiekimas and Energijos tiekimas UAB
<b>17 May</b>	Results of Lietuvos Energija Group in Q1 2019: adjusted EBITDA increased of due to the consequent investments in to the network and green generation
<b>6 May</b>	Correction: Reporting dates of Lietuvos Energija in 2019

<b>2 May</b>	Lietuvos Energija UAB annual information for the year 2018
<b>2 May</b>	Regarding the resolutions of the Ordinary General Meeting of the Shareholders of Lietuvos Energija, UAB
<b>24 April</b>	Regarding the new trademark applications
<b>17 April</b>	Lietuvos Energija Group holds an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019
<b>17 April</b>	Regarding Lietuvos Energija Board decisions
<b>12 April</b>	Lietuvos Energija Group will hold an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019
<b>8 April</b>	Correction: Reporting dates of Lietuvos Energija in 2019
<b>2 April</b>	Regarding the decision of AB Energijos Skirstymo Operatorius to refuse the appeal in court
<b>29 March</b>	Preliminary financial data of Lietuvos Energija for 2 months of 2019
<b>25 March</b>	Regarding the sale of 100 percent shares of UAB VĖJO VATAS, UAB VĖJO GŪSIS, UAB EURAKRAS, UAB VVP Investment
<b>12 March</b>	Regarding the Loan Agreement with UAB Lietuvos Energijos Tiekimas
<b>28 February</b>	Preliminary financial data of Lietuvos Energija for 1 month of 2019
<b>28 February</b>	Interim information of Lietuvos Energija UAB for the twelve-month period of 2018:
<b>1 February</b>	Regarding a New Member of Supervisory Board of Lietuvos Energija
<b>31 January</b>	Preliminary financial data of Lietuvos Energija for 12 months of 2018
<b>18 January</b>	Lietuvos Energija plans to reorganise UAB Lietuvos Energijos Tiekimas and Energijos Tiekimas UAB

## After the reporting period (2020)

<b>28 February</b>	<b>Regarding recommendation of the working group set up by the Ministry of Finance and the proposal to approve the actions authorizing to prepare for the initial public offering of shares of UAB Ignitis Grupė</b>
<b>25 February</b>	Regarding financing contracts for the Pomerania wind farm project
<b>31 January</b>	Correction: Preliminary financial results of UAB Ignitis Grupė for 12 months of 2019
<b>31 January</b>	Preliminary financial results of UAB Ignitis Grupė for 12 months of 2019
<b>10 January</b>	Regarding the information submitted to the Bank of Lithuania about official tender circulars of subsidiaries shares
<b>8 January</b>	Regarding the decision to appeal the judgement
<b>6 January</b>	Regarding the decision to appeal the judgement