

CERTIFICATION STATEMENT

Referring to the provisions of the Article 13 of the Law on Securities of the Republic of Lithuania and the Rules of Disclosure of the Bank of Lithuania, we, the undersigned AB „Ignitis gamyba” Rimgaudas Kalvaitis, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration, and Dalia Motiejūnienė, Head of Accounting and consultation division of UAB „Ignitis grupės paslaugų centras”, hereby confirm that, to the best of our knowledge, AB „Ignitis gamyba” condensed Interim financial statements for six-month period ended 30 June 2020 are prepared according to International Accounting Standard 34 “Interim financial reporting” adopted by the European Union, give a true and fair view of AB „Ignitis gamyba” assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the six-month period includes a fair review of the activities business development as well as the condition of AB „Ignitis gamyba” and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer

Rimgaudas Kalvaitis

Finance and Administration Director

Mindaugas Kvekšas

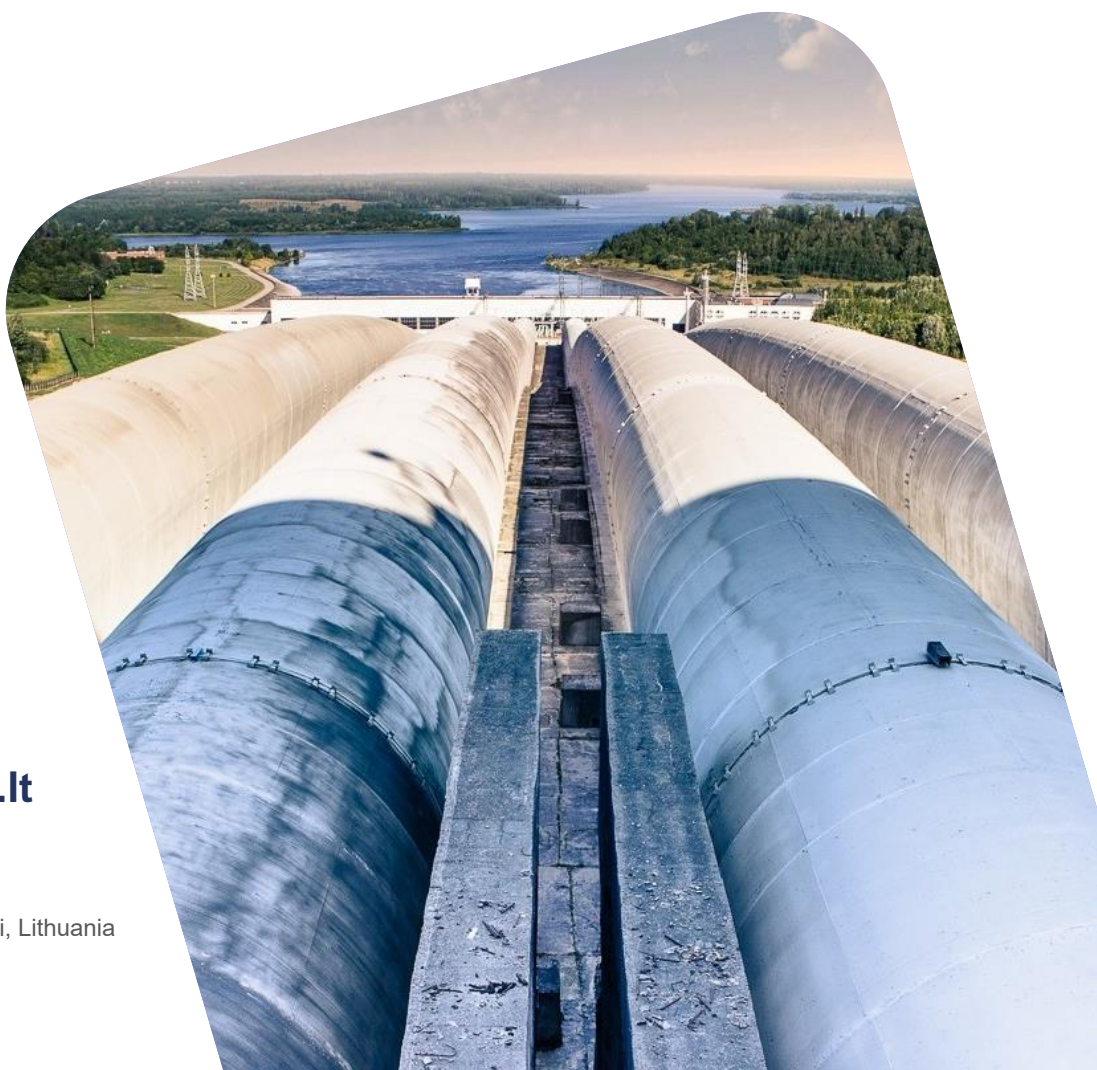
UAB „Ignitis grupės paslaugų centras”,
Head of Accounting and consultation division,
acting under Order No. IS-88-20 (signed 10/04/2020)

Dalia Motiejūnienė

2020

IGNITIS GAMYBA AB

COMPANY'S INTERIM REPORT AND INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020, PREPARED IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



www.ignitisingamyba.lt

Ignitis Gamyba AB
Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
E-mail gamyba@ignitis.lt
Company code 302648707

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Interim condensed financial statements of Ignitis Gamyba AB were approved on 26 August 2020 by the Chief Executive Officer, the Director of Finance and Administration, and the Head of the Business Accounting Consultations Unit of Ignitis grupės paslaugų centras UAB (acting under Order No IS-88-20 of 10/04/2020):

Rimgaudas Kalvaitis
Chief Executive Officer

Mindaugas Kvekšas
Director of Finance and Administration

Dalia Motiejūnienė
Head of the Business Accounting
Consultations Unit of Ignitis grupės
paslaugų centras UAB, acting under
Order No IS-88-20 of 10/04/2020



UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of „Ignitis gamyba“, AB

Opinion

We have audited the accompanying interim condensed financial statements of „Ignitis gamyba“, AB, (hereinafter the Company), which comprise the interim condensed statement of financial position as of 30 June 2020, the interim condensed statements of comprehensive income for three and six months periods then ended, the interim condensed statement of changes in equity for six months period then ended, the interim condensed statement of cash flows for six months period then ended, and notes to the interim condensed financial statements.

In our opinion, the accompanying interim condensed financial statements have been prepared, in all material respects, in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union (34th International Accounting Standard “Interim Financial Reporting”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the interim condensed financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on the audit of financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's Interim Report of six months period ended 30 June 2020 other than the interim condensed financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on interim condensed financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the interim condensed financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's Interim Report corresponds to the interim condensed financial statements for the same period and if the Company's Interim Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of interim condensed financial statements, in all material respects:

- The financial information included in the Company's Interim Report corresponds to the financial information included in the interim condensed financial statements for the for the same period then ended; and
- The Company's Interim Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the interim condensed financial statements

Management is responsible for the preparation and fair presentation of interim condensed financial statements in accordance with 34th International Accounting Standard “Interim Financial Reporting”, adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of interim condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the interim condensed financial statements

Our objectives are to obtain reasonable assurance about whether the interim condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this interim condensed financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the interim condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim condensed financial statements, including the disclosures, and whether the interim condensed financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The partner in charge of the audit resulting in this independent auditor's report is Inga Gudinaite.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

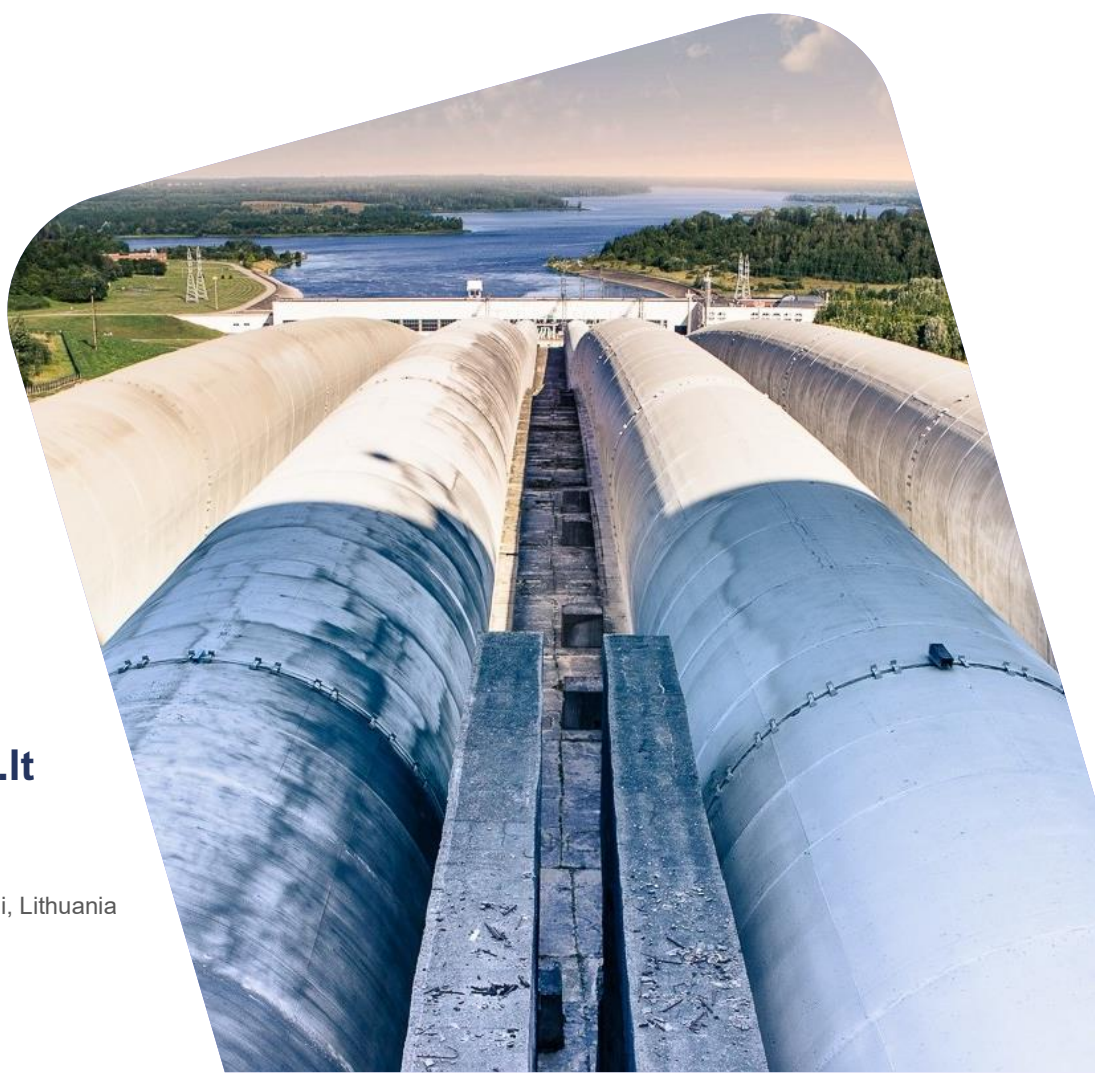
Inga Gudinaite
Auditor's licence
Nr. 000366

26 August 2020

2020

AB IGNITIS GAMYBA INTERIM REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020



www.ignitisingamyba.lt

AB Ignitis gamyba
Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
E-mail gamyba@ignitis.lt
Company code 302648707

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INTERIM REPORT

All amounts in thousands of euro unless otherwise stated

Reporting period covered by the Interim Report

The Interim Report provides information to the shareholders, creditors and other stakeholders of AB Ignitis gamyba (hereinafter “the Company”) about the Company’s operations for the period of January-June 2020.

Legal basis for the Interim Report

The Interim Report of AB Ignitis gamyba has been prepared by the Company’s Administration in accordance with the Lithuanian Law on Securities, the Lithuanian Law on Companies, the Rules for Disclosure of Information and the updated version of the Guidelines for Disclosure of Information approved by the Board of the Bank of Lithuania, the Lithuanian Government’s Resolution On the approval of the guidelines for ensuring transparency of operations of state-owned entities and other legal acts.

Individuals responsible for the information contained in the Annual Report

Position	Full name	Telephone
AB Ignitis gamyba, Chairman of the Board, CEO	Rimgaudas Kalvaitis	+370 618 37392
AB Ignitis gamyba, the Board member, Director of Finance and Administration	Mindaugas Kvekšas	+370 618 37392

Information on the availability of the report and the documents used in preparing the report, and on means of mass media in which the Company’s public reports are published

The report and the documents, on the basis of which it was prepared, are available at the head office of AB Ignitis gamyba (Elektrinės g. 21, Elektrėnai), on working days from Mondays through Thursdays from 7.30 a.m. To 4.30 p.m., and on Fridays from 7.30 a.m. to 3.15 p.m.

The report is also available on the Company’s website at www.ignitisgamyba.lt.

All public announcements, which are required to be published by the Company according to the effective legal acts of the Republic of Lithuania, are published on the Company’s website (www.ignitisgamyba.lt).

INTERIM REPORT

All amounts in thousands of euro unless otherwise stated

KEY OPERATING AND FINANCIAL INDICATORS OF THE COMPANY

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section "Financial Reports" ([link](#)) of the section "For Investors" of the Company's website.

		6 months of 2020	6 months of 2019	Change	
				+/-	%
KEY OPERATING INDICATORS					
Electricity generated	<i>TWh</i>	0.81	0.35	0.46	130.71
KEY FINANCIAL INDICATORS					
Revenue	<i>EUR thousand</i>	67,724	76,381	-8,657	-11.33
Costs for the purchase of electricity, fuel and related services	<i>EUR thousand</i>	27,900	21,613	6,287	29.09
Operating expenses ¹	<i>EUR thousand</i>	13,462	10,153	3,309	32.59
EBITDA ²	<i>EUR thousand</i>	26,362	42,170	-15,808	-37.49
EBITDA margin ³	%	38.9	55.2	-16,3 p. p.	
Adjusted EBITDA ⁴	<i>EUR thousand</i>	30,310	29,169	1,141	3.91
Adjusted EBITDA margin ⁵	%	44.8	46.0	-1,3 p. p.	
Net profit (loss)	<i>EUR thousand</i>	14,857	28,425	-13,568	-47.73
		6 months of 2020	6 months of 2019	Change	
				+/-	%
Total assets	<i>EUR thousand</i>	653,891	676,156	-22,265	-3.29
Equity	<i>EUR thousand</i>	392,256	416,658	-24,402	-5.86
Borrowings	<i>EUR thousand</i>	23,526	28,046	-4,520	-16.12
Net debt ⁶	<i>EUR thousand</i>	-56,589	-38,090	-18,499	48.57
Return on equity (ROE) ⁷	%	7.6	13.6	-6,1 p. p.	
Equity ratio ⁸	%	60.0	61.6	-1,6 p. p.	
Net debt/EBITDA for 12 months	%	-107.3	-45.2	-62,2 p. p.	
Net debt/Equity	%	-14.4	-9.1	-5,3 p. p.	
Assets turnover ratio ⁹	%	20.7	22.6	-1,9 p. p.	
Current liquidity ratio ¹⁰	%	358.4	481.3	-122,9 p. p.	

¹ Operating expenses, excluding costs of purchase of electricity and related services, costs of fuel used for production, depreciation and amortisation costs, impairment losses, revenues/expenses of revaluation of emission allowances, long-lived tangible assets write-down costs, and costs of stock sales.

² Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.

³ EBITDA/Revenue.

⁴ EBITDA result is reported after the adjustments made by the management, eliminating the impact of one-time factors, and by measuring the change in income (and, consequently, EBITDA) from regulated services provided by the Company, if income is recognized to the extent permitted under the NERC methodologies, volume of income, taking into account the amount of allowable return on investment and the actual costs of the services providing during the period. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company, without the occurrence of atypical, one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company's interim and annual reports.

⁵ Adjusted EBITDA/Revenue.

⁶ Financial debts – Cash and cash equivalents – Short-term investments and term deposits – Share of non-current other financial assets consisting of investments in debt securities.

⁷ Net profit (loss), restated annual value/Owner's equity at the end of the period.

⁸ Equity at the end of the period/Total assets at the end of the period.

⁹ Revenue, restated annual value/Total assets at the end of the period.

¹⁰ Short-term assets at the end of the period/short-term financial liabilities at the end of the period.

FOREWORD BY THE CHAIRMAN OF THE BOARD**Dear customers, shareholders, partners and colleagues,**

The first six months of 2020 will be long remembered, as we spent about half of this period in lockdown, protecting ourselves and others from a virus which is still dangerous and putting all the world at risk.

After being confronted with unexpected challenges, we probably had to focus more than ever on the Company's main strategic goal – to ensure the sound operation of the country's electricity system and electricity generation. Conscious of the danger, we took all reasonable preventive measures to protect our employees before the quarantine was announced in the country. Around 150 people are employed in the key positions of the production facilities, therefore, even before the quarantine, we evaluated the possibility of substitutability of critical functions and developed the employee allocation plan to serve different power plants, when necessary. To protect the employees, we restricted access to control rooms only to people working there, and crews are kept apart from each other. It is a positive sign that we managed to avoid in-house infection by coronavirus during quarantine and there was no need to use extreme scenarios to manage the situation. However, we are not going to relax, we need to be ready to reschedule our actions at any time in the event of a second wave of coronavirus in the country.

Despite the difficult times, the Company has shown impressive growth in electricity generation in the first 6 months of this year. Between January and June of 2020, the power plants managed by the Company produced and sold as much as 835 GWh of electricity, i.e. similar to the volume produced in 2019 on a full-year basis. Principally, such a result is the merit of efficient utilisation of the potential of Kruonis PSHP and intensive production of the combined cycle unit (CCU) in the Elektrėnai Complex. Due to the favourable market conditions for the efficient operation of the CCU, the generation capacity of this facility reached 336 GWh during I half of 2020 and was highest among all the capacities managed by the Company.

Key financial metrics of Ignitis gamyba grew in the first half of this year. Compared to the same period in 2019, the Company's from contracts with customers increased by 1.8% up to EUR 67.4 million. The Company's adjusted EBITDA increased by 3.9%.

Another important indicator is approx. 18 GWh of secondary power reserve services provided by Kruonis PSHP in January–June 2020, i.e. 2 times the volume reached in the same period in 2019.

In June, the Company went through a major testing: after the unexpected shut-down of two Riga cogeneration power plants and the failure of the electricity connection with Sweden NordBalt, most of the electricity demand in Lithuania was provided by the Combined Cycle Unit, Kaunas Hydro Power Plant and Kruonis pumped storage power plant, which ensured almost 73% the country's electricity demand. Due to the particularly difficult situation in the market, the importance of the Company's capacity and the Company's role as a reliable partner ensuring the security of the country's energy system became more pronounced. The Company ensures that even in the event of accidents or a sudden increase in electricity demand, the reserve capacity

of the power plants we operate would be activated without being noticed by Lithuanian businesses and citizens.

Thus, the Company performs a strategic function in ensuring the reliability of the country's energy system, which was evidenced by the visit of the President of Lithuania Gitanas Nausėda to Kruonis PSHP in the summer. During the meeting, the President got acquainted with the importance of this unique object for the reliability of the Lithuanian and regional electricity system, and expressed interest in the power plant's prospects and possible development plans.

In the field of green energy, one of the biggest news this half of the year was the opening of a 1 MW solar power plant which was installed by the Company in May. This power plant became the first remote solar park in the country, which marked the beginning of operation of the platform „Ignitis solar parks“ in practice, i.e. the opportunity given to all Lithuanian residents to generate electricity for their own apartments or houses in remote solar power plants. In addition, we are planning to expand this solar park in early autumn by opening a new 3 MW solar power plant in Obeniai. By finalising this project we will establish the largest solar power plant in the Baltic States.

The other projects also made significant progress in the first half of 2020. Already this summer, we have started the dismantling of two disused chimneys in the Elektrėnai Complex. This is a unique project, and in light of our knowledge, no demolition work has been carried out in the Baltic States at such a height so far. We plan to complete the dismantling of these chimneys by autumn 2021.

Another significant event of the reporting period is delisting of the Company's shares from the Main List of AB Nasdaq Vilnius on 30 June 2020. This is a significant stage in preparing for an initial public offering of Ignitis grupė. To this end, the buyout of shares from minority shareholders of the Company continued.

Looking to the second half of 2020, we will further pursue the work and projects started. When considering the possible development of Kruonis PSHP, we already had the results of the technological and socio-economic feasibility studies of the 5th hydro unit, which revealed the cost and benefit of the most attractive technological alternatives until 2050. We hope the final choice will be made soon, which will depend on the electricity market and the demand for system services in the country in the future. Another development project of Kruonis PSHP is the installation of a floating solar power plant in the upper basin. We expect finalise the first stage of this project in the II half of 2020 by installing an experimental 60 kW power plant.

Admittedly, we will continue to provide high-quality system services that are vital for the entire region, and implement innovative projects. In addition, we are closely involved in the ongoing discussions on the further development of the system services of the country's electricity system, and we are actively preparing for the challenges posed by power auctions. We are well aware that today we need to make decisions and take the steps that best meet the needs of the forthcoming synchronization with European networks. Most of all I want to wish us all is to stay healthy and protect each other.

Rimgaudas Kalvaitis

AB Ignitis gamyba, Chairman of the Board and CEO

INTERIM REPORT

All amounts in thousands of euro unless otherwise stated

MOST SIGNIFICANT EVENTS

During the reporting period

On 3 January 2020, District Court of Vilnius Region announced that it received the claim of the few minority shareholders of the Company asking to invalidate resolutions which were adopted at the Extraordinary General Meeting of Shareholders of the Company on 4 December 2019. The Court applied the temporary protection measures and suspended the resolutions of the Extraordinary General Meeting of Shareholders of the Company until final decision in this civil case becomes effective. The Company appealed against this order on 8 January 2020.

The field tests of operation of the tertiary active power reserve and isolated network were carried out successfully on 10 January 2020 in Elektrėnai Complex. The Company carried them out under the contractual obligations, having won the auction of the tertiary active power reserve, announced by the Lithuanian transmission system operator LITGRID (hereinafter "TSO") for 2020, and while providing service of operation of the isolated network.

The Company announced on 24 January 2020 that it had entered into the contract with the company "IMASD Energias SL" regarding establishment of a **new 3 MW solar power plant in Obeniai**, Elektrėnai Municipality. It is going to be the biggest solar power plant in the Baltic States.

The Company announced on 7 February 2020 that **disassembly works of two unused chimneys in Elektrėnai Complex will be performed** by the company that had won the competition of public procurement, "Vilniaus betono demontavimo technika". The value of the contract for disassembly of two chimneys is 1.89 million euros (excl. VAT). It is planned to finish the disassembly works of these chimneys until autumn 2021.

As the price of natural gas decreased, while repairing several power plants in the neighbouring countries and while forecasting smaller production of wind power plants, **the combined cycle unit (hereinafter "CCU") started generating electric energy in full capacity.**

In order to carry out the processes related to delisting of the Company's shares from the Stock Exchange and compulsory buyout of the shares smoothly, **Ignitis grupė entered into a peace agreement** with the Association of Investors that is representing minor shareholders of the Company on 17 March 2020.

The **meeting of the Company's Supervisory Board** passed resolutions on 18 March 2020 to approve the Company's annual report of 2019, set of audited annual financial statements of 2019, proposed profit/loss distribution of 2019, guidelines of remuneration of top-level managers of the group of companies UAB Ignitis grupė, and remuneration policy of UAB Ignitis grupė *in corpore* as the Company's remuneration policy, and to submit these comments to the Ordinary General Meeting of Shareholders of the Company that is held on 30 April 2020.

The Supervision Service of the Bank of Lithuania approved the non-competitive **official tender circular** of Ignitis grupė regarding the Company's shares on 30 March 2020. According to its conditions, the price paid by "Ignitis grupė" for one share is EUR 0,640.

On 3 April 2020 „Ignitis grupė“ **started buyout of the Company's shares.** The official proposal of Ignitis grupė to buy the Company's shares out was valid for 20 days, from 3 April until 22 April (inclusive).

The Company announced on 10 April 2020 that, Kruonis **PSHP starts implementing the procurement for building the experimental solar power plant floating on the water.** The building of 60 kW floating photovoltaic solar power plant in the upper basin of Kruonis PSHP.

29 April 2020, a **1 MW solar power plant was opened in Obeniai**, which started to generate electric energy to the customers of the world's first remote solar platform, Ignitis saulės parkai (Ignitis Solar Parks), which is available to all households in the country.

On 18 May 2020, **the mandatory buyout of shares of the Company has started.** All other shareholders of the Company had to sell their shares to the Ignitis grupė by 17 August.

In the morning on 9 June 2020, due to unexpected shut-down of two Riga cogeneration power plants and the failure of the electricity connection with Sweden NordBalt, **most of the electricity demand in Lithuania was provided** by the Kruonis pumped storage power plant, Combined Cycle Unit and Kaunas Hydro Power Plant, which ensured almost 73% the country's electricity demand.

On 22 June 2020, the Company **announced the results of the technological and socio-economic feasibility studies of the 5th hydro unit of Kruonis Pumped Storage Hydroelectric Power Plant (PSHP).** Based on the findings of the study, the implementation of each of the technological alternatives at Kruonis PSHP would bring long-term benefits to society, and, in terms of net discounted socio-economic benefits, the best results are demonstrated by alternatives to a 110 MW new synchronous unit or a 225 MW new asynchronous unit with benefits in excess of EUR 150 million.

On 30 June 2020, the Company's **shares were delisted from the Main List of AB Nasdaq Vilnius** in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Company held on 4 December 2019.

After the reporting period

On 13 July 2020, Gitanas Nausėda, President of Lithuania, visited Kruonis Pumped Storage Hydroelectric Power Plant (PSHP). During the visit, the President was introduced to the importance of Kruonis PSHP for the reliability of the Lithuanian and regional electricity system. After getting acquainted with the activities of Kruonis PSHP, the President assured that the reserve of this power plant will not be used for the needs of Astravas NPP.

On 25 July 2020 and 1–2 August 2020, internal tests of electricity system recovery after a total accident and test of the operation of a part of the isolated Lithuanian energy system were successfully carried out in the power plants of the Company.

Further details on the events above and other events significant to the Company are given in other sections of this report and are available on the Company's website www.ignitisingamyba.lt.

INTERIM REPORT

All amounts in thousands of euro unless otherwise stated

ANALYSIS OF PERFORMANCE AND FINANCIAL INDICATORS

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section "Financial Reports" ([link](#)) of the section "For Investors" of the Company's website.

		6 months of 2020	6 months of 2019	6 month of 2018	6 month of 2017 ¹	6 month of 2016 ¹
FINANCIAL INDICATORS						
Revenue from contracts with customers:	<i>EUR thousand</i>	67,408	66,241	63,287	63,306	69,148
Other income	<i>EUR thousand</i>	316	10,140	330	466	20,176
EBITDA ²	<i>EUR thousand</i>	26,362	42,170	29,589	27,084	21,655
Adjusted EBITDA ³	<i>EUR thousand</i>	30,310	29,169	27,126	27,084	21,655
Operating profit	<i>EUR thousand</i>	17,879	33,618	28,488	10,328	23,037
Net profit (loss) for the reporting period	<i>EUR thousand</i>	14,857	28,425	23,607	10,283	17,794
Profit before tax	<i>EUR thousand</i>	17,724	33,576	28,339	9,966	22,790
Cash flows from/used in operating activities:	<i>EUR thousand</i>	44,415	33,619	28,898	26,543	40,014
Borrowings	<i>EUR thousand</i>	23,526	28,046	46,882	59,857	137,069
RATIOS						
Obligations/Equity		0.67	0.62	0.69	1.07	1.33
Financial debts/Equity		0.06	0.07	0.12	0.17	0.38
Financial debts/Asset		0.04	0.04	0.07	0.08	0.16
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA)/(interest costs + loans repaid in the reporting period) ⁴		10.65	3.97	3.33	0.37	2.31
PROFITABILITY RATIOS						
Operating profit margin	%	26.40	44.01	44.78	16.20	25.79
Profit before tax margin	%	26.17	43.96	44.55	15.63	25.51
Net profit margin	%	21.94	37.21	37.11	16.12	19.92
Return on equity	%	7.58	13.64	12.34	5.82	9.87
Return on assets	%	4.54	8.41	7.29	2.81	4.23
Return On Capital Employed (ROCE)	%	7.15	12.78	10.99	4.98	7.15
Earnings per share	<i>(EUR)</i>	0.023	0.044	0.036	0.016	0.028
P/E (share price/earnings)		13.96	6.04	7.96	19.36	10.9

¹ Comparative indicators were not recalculated.

² Earnings before tax + interest costs – interest income – dividends received + depreciation & amortisation + non-current & current asset impairment losses + ETL reappraisal (costs)/income + write-down costs + result of selling a part of a business.

³ EBITDA result is reported after the adjustments made by the management, eliminating the impact of one-time factors, and by measuring the change in income (and, consequently, EBITDA) from regulated services provided by the Company, if income is recognized to the extent permitted under the NERC methodologies, volume of income, taking into account the amount of allowable return on investment and the actual costs of the services providing during the period. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company, without the occurrence of atypical, one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company's interim and annual reports.

⁴ Re-financed loans were not included in the calculation of the ratio.

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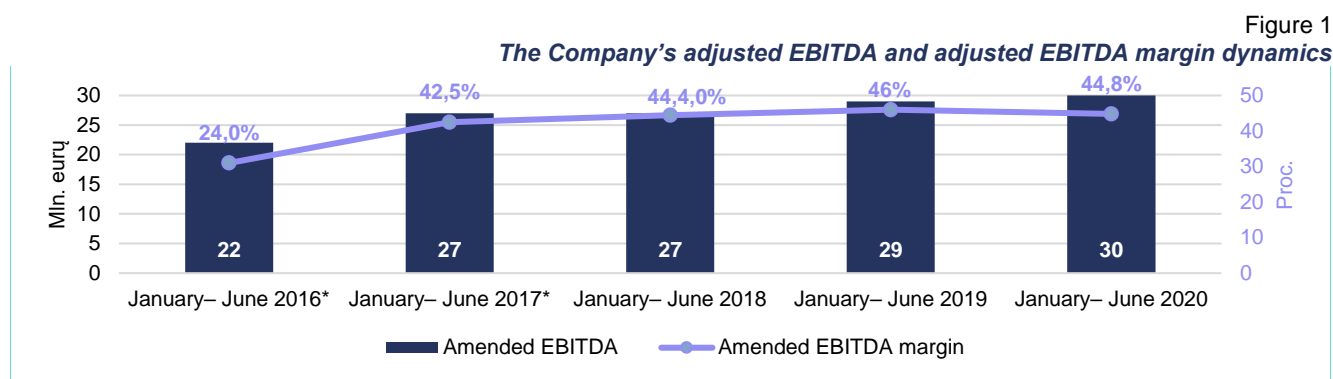
All amounts in thousands of euro unless otherwise stated

Between January and June of 2020, the Company's adjusted EBITDA increased by 3.9 percent, in comparison with the same period in 2019. This can also be seen in the chart showing the dynamics of EBITDA in January–June 2016–2020, provided below (see Figure 1).

Other profitability indicators of the Company (operating profit margin, margin of profit before tax, net profit margin) in January–June 2020 were also lower if compared to the same period in January–June 2019. Between January and June of 2020, operating profit before tax and net profit decreased mainly due to compensation received for the

projects carried out in previous years which respectively increased indicators in 2019.

Between January and June of 2020, compared to the same period 2019, the Company's adjusted EBITDA grew due to the efficient use and higher production capacity of the Kruonis Pumped Storage Power Plant and the Elektrėnai Complex, which offset the lower production at the Kaunas HPP and the one-off effect of fuel oil and scrap metal sales in 2019, which improved the results.



* Comparative indicators were not recalculated.

Statement of financial position

Liabilities of the Company to financial institutions were equal to EUR 23.5 million (as of 30 June 2020) and consisted of the liabilities under the long-term loan agreements.

Statement of comprehensive income

Revenue

The Company's revenue from contracts with customers amounted to EUR 67.4 million in January–June 2020. The major part of the revenue is the income from electricity trading and power reserve services, balancing and regulation electricity, as well as from the sale of heat energy. The Company's income decreased by 11.3%, in comparison with January–June 2019. This was mainly due to the one-off factors on the performance in 2019: sales of fuel oil and compensation for projects carried out in previous periods.

Operating income from the regulated services of the Company in January–December 2020, i. e. electricity and heat energy generation in the Elektrėnai Complex, and power reserve services provided by the Elektrėnai Complex and the Kruonis PSHP accounted for 39.4% of the total revenue of the Company (48.2% in January–December 2019).

Expenses

In January–June 2020, the Company incurred the costs of EUR 49.8 million (EUR 50.2 million, if we exclude the Emission Trading Systems reappraisal income/costs). The major part of the Company's costs (EUR 27.9 million or 55.6%) was related to the purchase of electricity and related services, as well as the purchase of fuel for electricity generation. Such costs accounted for 50.8% of costs, or EUR 21.6 million in January–June 2019. The Company's depreciation and amortization costs amounted to EUR 8.8

million in January–June 2020 (EUR 9.1 million in January–June 2019).

Operation and maintenance costs amounted to EUR 13.5 million in January–June 2020 and were EUR 3.3 million higher in comparison with January–June 2019, mainly due to the effect of reversal of doubtful debts.

Profit

Company's adjusted EBITDA increased by EUR 1.1 million in January–June 2020, in comparison with the same period in 2019, and the Company's adjusted EBITDA margin amounted to 44.8% in January–June 2020 (46.0% in January–June 2019).

The Company earned EUR 17.7 million of profit before tax, and the net profit amounted to EUR 14.9 million in January–June 2020. The Company earned EUR 28.4 million of net profit in January–June 2019.

Statement of cash flows

Net cash flows from operating activities amounted to EUR 44.4 million in January–June 2020. Meanwhile, in January–June 2019, net cash flows from operating activities amounted to EUR 33.6 million.

In January–June of both 2020 and 2019 cash flows from financing activities of the Company were negative and amounted to EUR 38.8 million and EUR 17.1 million, respectively.

Investments in non-current assets

Company's investments in non-current tangible and intangible assets amounted to EUR 1.1 million in January–June 2020, and EUR 0.3 million in January–June 2019.

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Overview of activities of the Company's power plants

The Company brings together the state-owned electricity generating facilities, namely, the reserve power plant and the combined cycle unit at the Elektrėnai Complex, Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP), Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP) and Vilnius thermal power plant No 3 (Vilnius TE-3) which was taken over from UAB Ignitis grupė from 31 March 2018. The Company's main objective is to contribute to ensuring the country's energy security by consolidating production capacity.

The biofuel boiler house built in the Elektrėnai Complex enables the Company to produce heat energy to satisfy the needs of Elektrėnai town and Kietaviškės greenhouses, and the needs of its own.

The trading in electricity produced by the Company is conducted under the agreement by UAB Gamybos optimizavimas.

The Company provides balancing services, as well as system services for secondary, tertiary reserve and isolated operation services to the Lithuanian transmission system operator LITGRID AB (the TSO).

The secondary active power reserve is provided by two hydro-units of Kruonis PSHP. The profitability of the commercial activities by means of the two remaining units of Kruonis PSHP and the production volumes will heavily rely on the market conditions, i.e. difference in the prices of electricity in peak and non-peak periods.

In 2020, the tertiary reserve in the scope of 475 MW is guaranteed by units 7 and 8 powered by partial capacity. The

periodical short-term technological tests of equipment are planned in the Elektrėnai Complex.

The services ensuring isolated operation of the power system in 2020 are provided by CCU and Unit 8 in the Elektrėnai Complex. Under favourable market conditions, the combined cycle unit (CCU) generates electricity to sell on the exchange.





The production volumes of Kaunas A. Brazauskas HPP in 2020 are heavily dependent on the Neman yield. The power plant is affected a lot by seasonality, i.e. the major part of electricity is produced at times of spring flood, whereas the smallest part of electricity is produced in cold winter and hot summer. The intention is to make best use of the flexible production in the power plant during those hours when the highest price is reached in the power exchange.

Vilnius TE-3 is not expected to produce energy in 2020 due to testing carried out in the plant.

The Company sets availability goals for the power plants. Plants are considered available when they produce electricity or are fully prepared for production. It is planned that the average annual availability indicators in 2020 will be at least 95.0% for the CCU, 96.8% for Unit 7 and 8, 92.4% for Kruonis PSHP, and 96.2% for Kaunas HPP. The efforts will also be put for the power plants to participate reliably in isolated network tests based on the TSO's pre-scheduled testing programme.

The most significant changes during the reporting period are material change in the scope of CCU's activities and the decision to test TE-3.

Figure 2
Overview of activities of the Company's power plants

Elektrėnai Complex Reserve power plant and combined cycle unit	Kruonis Pumped Storage Hydroelectric Plant	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	Vilnius Third Combined Heat and Power Plant
			
<p>Capacity – 1055 MW*</p> <p>The power plant assures tertiary and strategic reserves to ensure safe electricity supply and the reliability of the energy system.</p> <p>Units 1–6 of the reserve power plant were dismantled (units 1–4 with total capacity of 150 MW, and units 5 and 6 – 300 MW each).</p>	<p>Kruonis PSHP is intended for the balancing of electricity generation and consumption, as well as for the prevention of emergency incidents within the power system and elimination of consequences thereof.</p> <p>Kruonis PSHP secures the entire emergency reserve required for the Lithuanian energy system in the scope of 400 MW.</p>	<p>Capacity – 100.8 MW</p> <p>Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.</p> <p>Depending on natural conditions, the plant produces green energy and provides system services.</p> <p>Kaunas HPP contributes to the balancing of electricity generation and</p>	<p>Installed electricity capacity – 360 MW Installed heat capacity – 603 MW</p> <p>The operations of the power plant were discontinued with effect from 31 December 2015.</p>

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In 2020, the combined cycle unit (455 MW) provides services ensuring isolated operation of the power system and carries out commercial production of electricity. In 2020, units 7 and 8 of the reserve power plant provide tertiary reserve service. Unit 8, powered by partial capacity, provides service of operation of the isolated network.

Heat is produced in steam and biofuel boiler houses.

consumption, and levels out the power system. It is one of the power plants in the Lithuanian energy system that can start an autonomous operation in case of the total system failure.

* The above-mentioned power plant capacity applies from 1 January 2016, i.e. upon decommissioning of units 5 and 6.

Electricity generation and ancillary services' indicators for January-June 2020

In January–June 2020, the Company generated electricity and thermal energy, provided tertiary and secondary active power reserve service and isolated operation of the power system services in Elektrėnai complex, secondary active power reserve service in Kruonis PSHP and other system services (a more detailed description can be found in the Company's annual reports).

The Company has permissions of unlimited duration to produce electricity. Between January – June of 2020, the amount of electricity generated in the Company's power plants increased by 130.5%, compared to January – June in 2019 (see Figure 3). In total, 0.835 TWh of electricity produced at the power plants controlled by the Company was sold in January–June 2020 (January–June 2019: 0.362 TWh).

In **Kaunas A. Brazauskas HPP**, production conditions were aggravated by the fact that the beginning of 2020 the climate was a relatively dry. At the beginning of the year, there was almost no snow, so there was no major flooding, and in the spring and early summer, production was limited by the reduced flow of the Nemunas. During January–June 2020, Kaunas HPP produced 19% less electricity if compared to January–June 2019 (0.172 TWh in January–June 2019 and 0.140 TWh in January–June 2020).

Efficient use of **Kruonis PSHP** resulted in 93, 2% higher sales in January–June 2020 – 0.326 TWh (January–June 2019 – 0.169 TWh).

Between January and June of 2020, the Company sold 0.031 TWh and purchased 0.012 TWh of regulation electricity (the service necessary to balance the surplus/shortage of electricity in the system). The respective

amounts for January–June 2019 had been 0.028 TWh and 0.010 TWh.

Another ancillary service provided by Kruonis PSHP is the secondary power reserve, i.e. the power of facilities or hydro-units maintained by the producer activated in less than 15 minutes. Between January and June of 2020, this service was used 116 times. Between January and June of 2019, this service was activated 52 times to secure the supply of electricity. The TSO usually activates this reserve (for which two units (400 MW) of Kruonis PSHP are assigned in 2020) when there is a need to compensate a sudden drop in electricity transmitted to Lithuania or to satisfy an unexpected increase in demand in the country. Another important indicator is approx. 0.018 TWh of secondary power reserve services sold by the Company in January–June 2020, i.e. 2 times the volume reached in the same period in 2019.

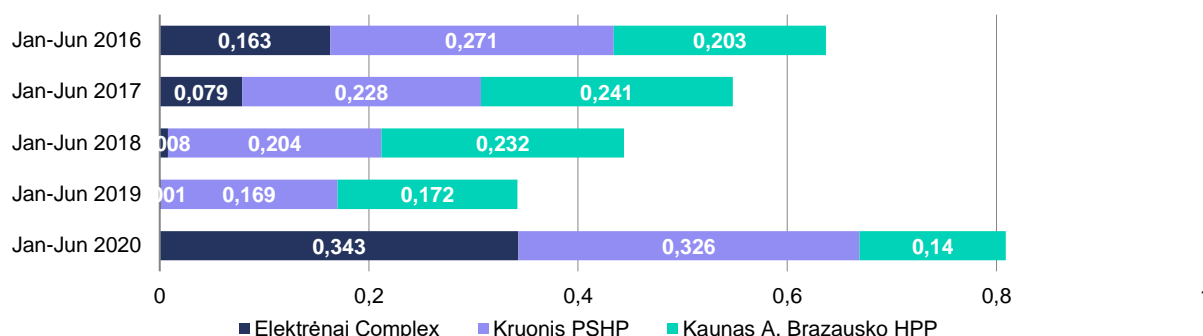
In **Elektrėnai Complex**, 0.343 TWh of electricity produced in January–June 2020 – as much as 3490.6% more than in January–June 2019 (0.010 TWh). In 2020, the tertiary active power reserve is ensured by the most effective unit of Elektrėnai Complex – the combined cycle unit. By providing this service, the combined cycle unit can produce all its power for commercial purposes, if favourable market conditions persist.

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Figure 3

Electricity produced at power plants controlled by the Company and electricity sold (TWh)



FACTORS AFFECTING THE COMPANY'S FINANCIAL INDICATORS

Business environment

The main customers of the Company are TSO (receiving all system services), the National Energy Regulatory Council (representing the interests of consumers as the Company provides regulated services), Nord Pool (NP) exchange participants (receiving electricity generation services), UAB Elektrėnų komunalinis ūkis and UAB Kietaviškių gausa (receiving heat energy services).

No changes took place in the Company's business environment in January-June 2020 that would have had a significant influence on the Company's results.

The Company operates in Lithuania, but as it sells electricity via the exchange, it also participates in the regional market of Nordic countries.

The quarantine that started in Lithuania during the reporting period to slow down the spread of COVID-19 virus did not have any significant impact on the Company's operations and performance.

The Company has a COVID 19 situation management team, which constantly monitors and analyses the situation and the latest information, changes in external factors and their impact on the Company, and makes additional decisions and adjusts action plans as needed.

In order to protect employees from the COVID-19 virus and to ensure the continuity of their activities, the Company has taken additional preventive measures. The employees of the Company, who can perform their functions remotely, worked from home. Other employees were provided with additional personal protection and personal hygiene measures, actions to ensure their substitutability were prepared and implemented to ensure in particular the continuous generation of electricity and safeguarding of the stability of the electricity system.

Company's strategy

The Company is operating in accordance with the Company's Strategy revised and updated in the end of 2018.

The main focus in the Strategy is on the principal activity of the Company – strategic power generation, as

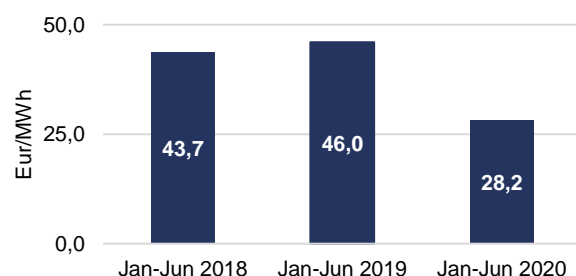
The COVID-19 pandemic is not yet over, but, prior to the date of this report, the Company's management has assessed the potential impact of key factors of COVID-19 on the Company's results and has not identified any threats to the Company's going concern.

In the first half of 2020, the average price of electricity in the Nord Pool's Lithuanian trading zone decreased compared to previous year (see Figure 4). Between January and June, the average price was 28.2 EUR/MWh, and was the lowest if compared to the figures of the last few years: In January–June 2019, the average price amounted to 46.0 EUR/MWh, January–June 2018 – 43.7 EUR/MWh, and January–June 2017 – 34.5 EUR/MWh (see Figure 4). This has a negative impact on the Company's performance as the produced energy will be sold at a higher price. On the other hand, an increase in difference between the peak and off-peak prices on the electricity exchange has a positive impact on the production at Kruonis PSHP.

Figure 4

Electricity prices as per Lithuania price area on NP electricity exchange

(source: Nord Pool)



The price of emission allowances in January–June 2020 (e.g. EUR 17.54 in March), decreased and became lower than in the same period in 2019, which had a negative impact on the Company's results.

a basis for achieving the growth objectives of the entire Ignitis grupė.

The main objective set for the Company is to contribute to successful synchronization of the Baltic States with the

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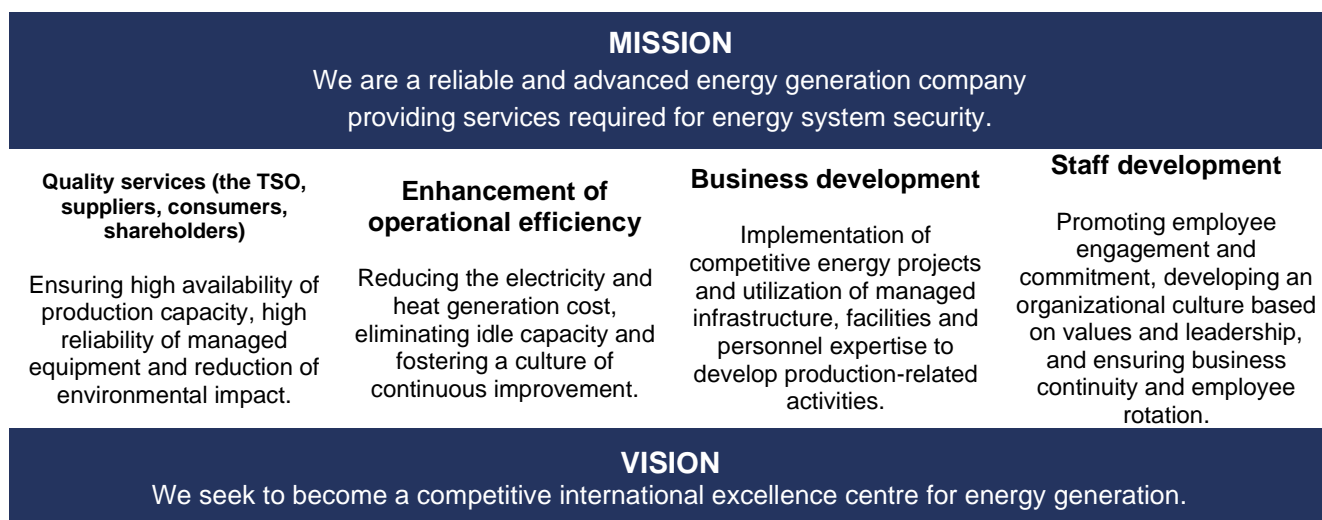
network system of continental Europe, to preserve capacities of reliable local electricity production and to develop new capacities in Lithuania. It is also foreseen in the strategy that while playing its major role, i.e. ensuring a reliable and effective strategic generation, the Company will contribute significantly to the implementation of Ignitis grupė strategy in the area of green generation and implantation of innovations. 10 strategic solutions are provided in the

Company's strategy-specific projects and operation areas planned for the period 2019–2030.

The document of the Company's Strategy for 2019-2030 is available on the Company's website ([link](#)).

In January-June 2019, there were no other manifestations of any **significant risks to the Company**, described in detail in the [Annual Report of 2019 \(link, page 24\)](#).

Figure 5
The Company's strategic directions for 2019–2030



Achievement of the Company's objectives in 2020

In 2020, the Company seeks to satisfy the shareholders' expectations and to ensure profitable activities of the Company (objective 1) and to ensure effective control of expenses (objective 2) and revenue from external services (objective 3). As every year, ensuring reliable operation of power plants (objective 4), employee safety (objective 5) and improving employee experience (objective 6) is important. A

new objective of strategic production direction for 2020 – implementation of preparation for auctions of production capacity.

There were no factors in January-June 2020 to indicate that the Company's goals will not be achieved.

Research projects

For the purpose of implementing a technologically and economically feasible investment policy, the Company conducts long-term strategic planning helping to identify the directions of development for the Company and the investments required for replacement or modernisation of technological equipment.

The following investments of higher value are conducted or planned by the Company:

- Installation of unit 5 at Kruonis PSHP (if market conditions appear to be favourable)
- Installation of solar power plant (3 MW) in at the Obeniai site (Stage II)
- Dismantling of chimneys 1 and 2 in Elektrėnai
- Fuel management
- Major repair of the second unit of Kruonis PSHP
- Reconstruction of integrated distribution facilities for own use of 6 and 10 kV in Kruonis PSHP

The following projects were under implementation in January-June of 2020, which resulted in major changes and achievements:

Installation of hydro unit 5 at Kruonis PSHP

The Company is assessing the possibilities for the expansion of Kruonis PSHP with the installation of the fifth hydro unit. The results of the analysis show that under current market conditions the existing 900 MW capacity is sufficient for the operation of the power plant, but its expansion is important for assuring sufficient electricity capacity and competitive power system in Lithuania in future.

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

Kruonis PSHP Development Project was added to the EU list of Projects of Common Interest (PCI) in 2017, and that opened the possibility to apply for EU support under the Connecting Europe Facility (CEF). In January 2018, the EC approved of a partial funding of studies on the power plant's poles site and infrastructure. These studies were finalised in September 2019 by confirming that the condition of the

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infrastructure of Kruonis PSHP is suitable for further development: the poles of the Kruonis PSHP fifth pipeline area are in good condition and meet the requirements established in the design, and the geology of Kruonis has not changed.

The technological study of unit 5 of Kruonis PSHP was finalised in January 2020, during which the most technologically attractive alternatives were evaluated. Following this, socio-economic evaluation of these alternatives was initiated. This study was completed in May 2020, and the results were obtained, enabling the Company to select the best technological solution for the unit that meets today's market conditions and changing needs in the context of network synchronization with continental Europe.

A comprehensive socio-economic study showed revealed the cost and benefit of the most attractive technological alternatives until 2050. Based on the findings of the study, the implementation of each of the technological alternatives at Kruonis PSHP would bring long-term benefits to society, and, in terms of net discounted socio-economic benefits, the best results are demonstrated by alternatives to a 110 MW new synchronous unit or a 225 MW new asynchronous unit with benefits in excess of EUR 150 million. Investments in the new unit would amount to about EUR 85 or 120 million, and construction would take from 4 to 5 years. The choice of one of these alternatives will depend on the electricity market and the demand for system services in the country in the future.

The project will be continued having resolved the issues relating to the projected demand for power reserve when operating in the isolated network during the preparation for synchronisation and after synchronisation as well as technical requirements established for the facility ensuring such a power reserve.

Study of solar power plant in the reservoir of Kruonis PSHP

In cooperation with scientists of Kaunas University of Technology (KTU), the Company plans to build an experimental solar power plant floating on the water.

In the first stage of the project, it is planned to build an experimental power plant of small capacity (approx. 60 kW) and to create an algorithm that would control independently the solar power plant and battery energy storage with regard to incessantly registered network and other physical parameters and working modes of units of Kruonis PSHP. Such system would allow the power plant to provide, for example, a reliable service of primary electricity reserve. These works are planned to be completed until the end of Q1 of 2022. EU funds were obtained to support this innovative idea.

Preparatory work on the installation of the pilot plant is ongoing. A bathymetry study of the upper basin of the Kruonis PSHP, and ice field movement measurements were carried out. A tender for the purchase of a 60 kW power plant has been launched, with a contract to be concluded in early August. The experimental power plant is planned to be installed in full capacity (60 kW) in the second half of 2020.

When the performance data on the experimental power plant are collected and evaluated, it will be possible to consider an opportunity to cover the whole reservoir by floating construction of solar modules. The floating solar power

station in Kruonis PSHP would be the first such power plant in this region and it would be distinguished by its technical solutions. It would be possible to utilize an area of over 300 ha of the upper basin of Kruonis PSPP. The construction of the power plant would adjust to the variable water level in the basin and would be resilient to waving and ice. The capacity of the solar power plant covering the reservoir of Kruonis PSHP could reach 200–250 MW. Such amount would increase the capacity of the solar power plants operating in Lithuania now by almost three times. The amount of electricity produced by this power plant per year would be sufficient to provide more than 120 thousand of households with electricity.

Installation of solar power plant (1 MW) in at the Obeniai site

On 1 October 2019, the company Ignitis launched the platform saulėsparkai.lt offering the first 1 MW solar park developed by the Company. This platform provides every resident of the country the opportunity to become a solar power plant owner and a remote generating customer. The development of solar power plant projects contributes to the implementation of the Company and the Group's strategy and objective of Lithuania's state to develop green energy while strengthening the national generation capacity. The solar power plant started generating electricity for customers in June 2020.

Installation of solar power plant (3 MW) in at the Obeniai site (Stage II)

The first phase of the saulėsparkai.lt platform attracted considerable interest from residents – the 1 MW solar park was booked in less than two days. The popularity of this project and the number of bookings on the platform showed that the number of customers wishing to become a generating consumer in Lithuania was high, therefore, the decision was made to expand the first solar power plant with a total capacity of 4 MW. In January, the Company had entered into the contract with the company "IMASD Energias SL" regarding establishment of a new 3 MW solar power plant in Obeniai, Elektrėnai Municipality, on the same site where the first solar power plant is installed.

The solar power plant of 3 MW installation works to be completed in the autumn of 2020. All the solar power plant's construction and commissioning works will be carried out by the contractor.

Dismantling of chimneys 1 and 2 in Elektrėnai Complex

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

The contract with the contractor was concluded in the beginning of 2020. The dismantling of the chimney with the height of 250 m will start in August 2020. The dismantling of

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the lower chimney with the height of 150 m will follow, which was used to emit smoke from units 1 and 4 that are currently fully dismantled.

Fuel arrangement in Elektrėnai Complex

In 2018, the Company adopted a decision to discontinue the use of reserve heavy fuel oil in the facilities of the Elektrėnai Complex. The need for the reserve fuel during cold seasons of the year will be assured by means of natural gas. As a result, the Company sold all remaining heavy fuel oil at the beginning of 2019. In order to prepare the site, fuel facilities' clearing was initiated in 2019 by arranging open sources of pollution. During the period of 2019–2021, the Company plans to dismantle the reinforcing units of the fuel oil tanks, the lashing pipes of fuel oil pumping stations and reinforced concrete structures, the cleaning of drainage pits of the receiving tanks, unloading track, drainage pits of receiving reinforcement troughs and the troughs and the dismantling of the unloading track.

In 2019, all the fuel arrangement works planned for this year were completed. Preparatory works of cleaning of the receiving tanks, unloading track and drainage pits of receiving reinforcement troughs were commenced in 2020 and scheduled for completion in 2021.

Reconstruction of the unit of Kruonis PSHP

Risk factors and their management

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

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

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

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

Aiming to ensure that risk management information and decisions correspond to recent developments and changes in the Company's activities, the Company's risk level is re-assessed each year during a specified time period and risk

The unit of Kruonis PSHP I has been in operation for up to 28 years of initial operation, therefore, in order to continue the successful operation of this facility, a decision was made to perform major repair of the unit by removing defects, which can only be treated during major repair of the unit. Procurement procedures for the project are planned for the second half of 2020, with work to be completed in 2021. Identical major repair works were carried out for the second hydro unit in 2018–2019, thus extending its life time for at least 15 years.

Reconstruction of integrated distribution facilities for own use of 6 and 10 kV in Kruonis PSHP

The existing integrated distribution facilities for own use in Kruonis PSHP were put into operation in period from 1985 to 1990. They are aimed at ensuring a reliable and high-quality electricity supply to the technological equipment of hydro units: pumping stations, compressors, heating, ventilation, fire systems, oil facilities, etc. The decision to reconstruct these facilities was adopted to ensure reliable operation of the power plant and to save the maintenance costs of the existing equipment. A contract is scheduled to be signed in the IV quarter of 2020, with works to be completed in stages by III quarter of 2022.

management actions are established. In addition, the Company monitors new risk factors on a quarterly basis and defines additional actions, if needed.

In order to effectively manage risks arising from its activities, the Company applies the three lines of defence principle by establishing a clear segregation of duties for risk management and control between the Company's management and supervisory bodies, structural departments or functions. This model is discussed in detail in the Company's annual report of 2019 ([link](#)). It also contains in depth discussion of the areas identified in the Company's risk assessment for 2019, in which the Company concentrates and coordinates the main risk management measures and initiatives, and provides a list of the most important risk factors and management policies.

In 2019, the risk factors related to Market Developments and Competitiveness and Regulation and Compliance have manifested in the following cases:

- Provision of the strategic reserve service has been halted since the start of 2019. It is highly likely there will not be any demand for this type of reserve service until the creation of the new power market mechanisms.
- The European Commission has launched an investigation to assess if the EU State aid rules were followed when using a strategic reserve instrument which allocates proceeds of public interest services (hereinafter "the SPI") to the Company. The Company is actively participating in the process and providing all the necessary information.

In January-June 2020, there were no other manifestations of any significant risks to the Company described in detail in the annual report of 2019 ([link](#), page 24).

INFORMATION ON THE COMPANY'S ISSUED CAPITAL AND SECURITIES

Structure of issued capital and securities in issue

The authorised share capital of the Company amounted to EUR 187,920,762.41 as at the end of the reporting period (30 June 2020) and it was divided into 648,002,629 ordinary registered shares with par value of EUR 0.29 each. All the shares have been fully paid.

All the shares of the Company belong to the same class of ordinary registered shares and they grant equal rights to their holders (shareholders).

The Extraordinary General Meeting of Shareholders of the Company, which was held on 4 December 2019, adopted the decision to delist all the Company's shares from trading on the Nasdaq Vilnius Stock Exchange. The meeting also adopted a decision to approve the Company's shareholder UAB Ignitis grupė as a person who will make a formal offer to buy out the shares of the Company.

The formal offer was implemented in the period from 3 April 2020 to 22 April of 2020. As from 18 May 2020, the mandatory buyout of shares of the Company has started. All other shareholders of the Company had to sell their shares to the Ignitis grupė by 17 August.

On 30 June 2020, the Company's shares were delisted from the Main List of AB Nasdaq Vilnius in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Company held on 4 December 2019.

The Company neither acquired, nor transferred its own shares during the reporting period. The Company had not acquired its own shares.

Structure of the issued share capital (as of 30 June 2020)

Class of shares	Number of shares, units	Par value, EUR	Total par value, EUR	% of issued capital
Ordinary registered shares	648,002,629	0.29	187,920,762.41	100.00

The Company's share price and turnover dynamics

Statistics on trade in the Company's shares

	6 months of 2016	6 months of 2017	6 months of 2018	6 months of 2019	6 months of 2020	
Last trading session price, EUR	0.611	0.627	0.58	0.53	0.68	
Maximum price, EUR	0.713	0.655	0.64	0.565	0.700	
Minimum price, EUR	0.611	0.600	0.54	0.505	0.585	
Average price, EUR	0.649	0.627	0.698	0.536	0.646	
Turnover, shares	268,263	439,408	538,428	231,203	999,500	
Turnover, EUR MLN	0.17	0.28	0.32	0.12	0.65	
Capitalisation, EUR MLN	Company	388.04	389.20	375.84	343.44	414.72
	Baltic Main List	4,712.59	5,223.61	6,047.81	5,422.56	5,798.2

Figure 6
The Company's share price and turnover dynamics during the reporting period

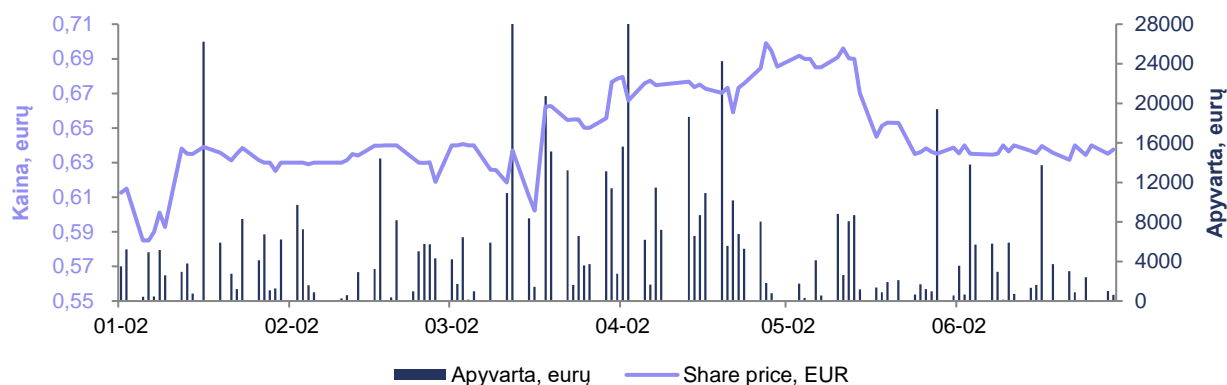
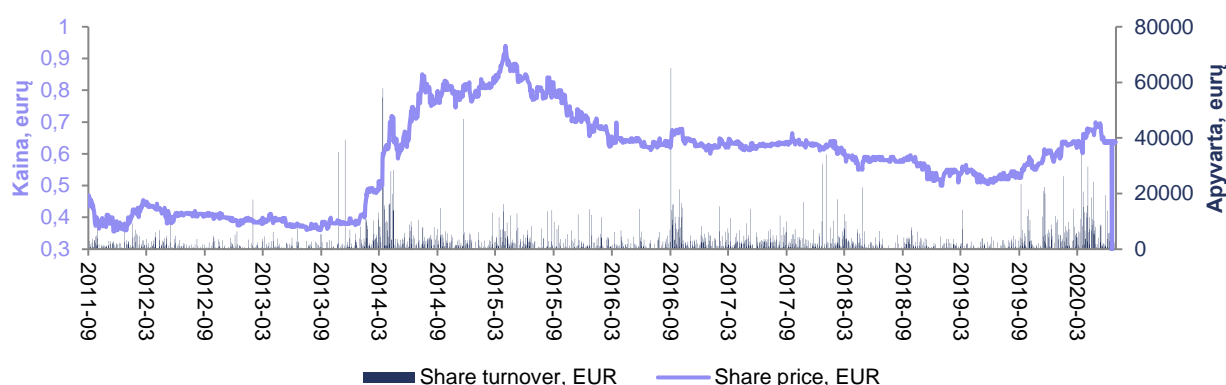


Figure 7
The Company's share price and turnover dynamics between the trading start date and end of the reporting period



Shareholder structure

As of 31 December 2019, the Company had 5.845 shareholders in total.

At the end of 30 June 2020, on the record date of the rights of shareholders during the General Meeting of Shareholders of the Company, the Company had in total 5.465 shareholders.

Shareholders holding more than 5% of the Company's shares (as of 30 June 2020)

Shareholder's name	Class of shares	Number of shares, units	% of issued capital	% of shares with voting rights
AB Ignitis grupė Company code – 301844044 Žvejų st. 14, LT-09310 Vilnius	Ordinary registered shares	631,454,602	97.45*	97.45
Other shareholders	Ordinary registered shares	16,548,027	2.55	2.55
TOTAL	Ordinary registered shares	648,002,629	100	100

* In the period from 3 April 2020 to 22 April 2020, the Company non-competitive official tender regarding the Company's shares, after the end of which the number of the Company's shares held by UAB Ignitis grupė increased from 627,327,769 to 631,454,602, and the previous share of the issued capital increased by 96.82 to 97.45%. The number of shares held by other shareholders decreased to 16,548,027, and the share of the authorized capital to 2.55%.

Rights of the shareholders, shareholders with special control rights and description of these rights

All shareholders of the Company have equal property and non-property rights as laid down in the legislation, other legal acts, and the Articles of Association of the Company. The management bodies of the Company create suitable

conditions for implementing the rights of shareholders of the Company.

None of the shareholders of the Company had special control rights.

Restrictions on voting rights

There were no restrictions on voting rights.

Information on agreement with intermediary of public trading in securities

AB SEB bankas is authorised to keep and manage the Company's securities accounts. AB SEB bankas contact details: Gedimino ave. 12, LT-01103 Vilnius, Tel. 1528 or +370 5 268 2800.

Dividend policy and dividends

Dividend policy

The **dividend policy**, approved in 2016 by the Lietuvos Energija (now – Ignitis grupė) group companies, applies to the Company. According to this policy, appropriation of profit for the payment of dividends to the Group companies for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. Each company should appropriate between 60% and 85% of its net profit for the payment of dividends, depending on the ratio of return on equity at the end of the reporting period.

The Group companies are not obliged to distribute dividends only when they incur net loss. Additionally, the Group companies will not pay any dividends when their financial debts at the end of the reporting period are equal to or exceed four times EBITDA amount for the last twelve months as from the end of the reporting period. Dividends will not be paid if the Group company's equity (after the payment of dividends) becomes lower than the sum of its issued capital, legal reserve, revaluation reserve and reserve for acquisition of own shares, and also if a company becomes insolvent or would become insolvent upon payment of dividends. The Group companies will also be able not to pay dividends if their ratio of financial debts to equity becomes equal to or exceeds 1.0.

CORPORATE SOCIAL RESPONSIBILITY

The Company's social responsibility activities are based on its values and are a manifestation of its attitude toward its operations, inclusion of social, environmental and transparency principles in its internal business processes, and in its relations with stakeholders.

Being engaged in its activities in a responsible manner, the Company follows the Social Responsibility Policy approved by Ignitis grupė and applicable to the Group as a whole ([link](#)).

This document defines general responsible policies and provisions under which the business culture and practice of the socially responsible and sustainable group of companies is being developed.

Restrictions on transfer of securities

To the best of the Company's knowledge, there were no arrangements among the shareholders of the Company that could result in restriction of transfer of securities and/or voting rights.

The dividend policy of the Group, which also applies to the Company, is published on the Company's website under the section „[For Investors](#)“.

Payment of dividends

On 30 April 2020, the Ordinary General Meeting of Shareholders of the Company approved the distribution of the Company's profit or loss of 2019. The plan is to pay EUR 36,288,147 in dividends for the six-month period ended on 31 December 2019. EUR 0.056 in dividends per share is paid for this period. Dividends will be paid to individuals, who were shareholders of the Company at the end of the 10th working day following the decision on the payment of dividends adopted by the Extraordinary General Meeting of Shareholders, i.e. at the end of the working day of 15 May 2020.

The dividends were also paid on the basis of the decision of the Extraordinary General Meeting of Shareholders of the Company held on 27 September 2019, whereby they decided on the allocation of dividends to the shareholders of the Company for a period shorter than the financial year. Dividends of EUR 0.029 per share (EUR 18,792,076 in total) were allocated for the six-month period ended on 30 June 2019.

The Company's net profit from continuing operations for January–June 2019 was EUR 42.792 million, and accordingly the dividends paid for 2019/net profit indicator was 1.28.

All the Group companies, including Ignitis gamyba, comply with the ten Global Compacts principles which define corporate responsibility in the areas of human rights, employees' rights, environmental protection and anti-corruption, as well as seek to reduce the impact of their activities to environment, community and other businesses. Moreover, by joint efforts Lietuvos Energija tackles economic, social and environmental challenges, and contributes to the development of society and growth of economy.

The Company demonstrates willingness and invites the to participate in free-of-charge excursions at its objects: CCU, Kruonis PSHP and Kaunas HPP. In this way, the Company contributes to increasing awareness of the public, especially

the younger generation, about the energy. In 2020, due to the outbreak of COVID 19 pandemic and the introduction of quarantine in the country, no tours were organised during the reporting period. Tours are planned to be opened up when the risk decreases.

The Company's employees are encouraged to share their experiences with the public. On the occasion of this year's Energy Day, an initiative was held during which the Group's employees participated in virtual meetings with students of different schools across Lithuania, who were provided with information about the energy profession and energy efficiency, and renewable energy resources.

Environment

In its activities, the Company seeks to protect the environment, contribute to more sustainable use of natural resources, and implement modern, efficient and environmentally safe technologies in production activities.

The Company follows the requirements of environmental legislation and norms, as well as professionally apply preventive measures that reduce the negative impact on the environment. The most important environmental protection issues include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that the water level fluctuations in the Kaunas Lagoon and the Nemunas River downstream the Kaunas A. Brazauskas HPP are within the permissible limits etc.

The Company fulfils all the relevant environmental requirements and undertakes, on its initiative, construction of new facilities and modernization of the old ones so that the impact of operations on the environment is minimized.

Environmental management standard

The Company complies with environmental management standard ISO 14001. A globally recognized certificate indicates that Company follows the most important requirements for identifying, monitoring, managing, and improving environmental aspects. The certificate is valid for the products and services provided by the power plants of Ignitis gamyba in Elektrėnai, Kruonis and Kaunas. This

means that the strict global environmental requirements are fulfilled by all the power plant operations: the electricity and thermal energy generation and the operation of the power, heat, turbine, natural gas, oil and petroleum product facilities at the Elektrėnai Complex, electricity generation and supply, operation of facilities and power reserving at the Kruonis PSHP, and the electricity generation and supply as well as operation of facilities at the Kaunas HPP. Vilnius TPP-3 is not in operation at the moment, but will be used in the future for the generation of heat and electricity, if required. In December 2019, SGS Klaipėda UAB performed the re-certification audit of the management system implemented under the international standard ISO 14001:2015 with no any discrepancies identified, and the standard was re-certified until 30 December 2022.

The requirements for the monitoring and protection of the air, surface water, ground water and soil specified in the Integrated Pollution Prevention and Control Permits are fulfilled.

In May 2019, the Kruonis PSHP underwent major overhaul of domestic wastewater treatment plant and upgraded aeration system. This will help to treat wastewater more efficiently. In September 2019, the CCU underwent an annual inspection of its automated emission monitoring system with no irregularities identified.

Waste sorting

Assorted waste bins and special containers for old batteries and minor electronic equipment have been erected at the Company's divisions in Elektrėnai, Kruonis and Kaunas as well as at the offices in Vilnius. A modern waste sorting yard at Elektrėnai Complex enables to sort many types of waste. Hazardous and non-hazardous waste resulting from the Company's operations are transferred to waste management companies. Waste of ferrous and non-ferrous metals is transferred to scrap collectors at a market price.

In January–June 2020, at the power plants of the Company 72 t of hazardous waste and app.2867 t of non-hazardous waste were transferred, and almost 1,819 t of ferrous metals were sold. App. 44 t of household waste were collected.

COMPANY AND ITS MANAGEMENT BODIES

Information on the Company and contacts

Name	AB Ignitis gamyba
Legal form	Public company; private legal person with limited civil liability
Registration date and place	20 July 2011, Register of Legal Persons of the Republic of Lithuania
Company code	302648707
Address of the registered office:	Elektrinės st. 21, LT-26108, Elektrėnai
Telephone	+370 618 37392
Fax:	(8 5) 278 2906
E-mail:	gamyba@ignitis.lt
Website:	www.ignitisgamyba.lt

The Company's main business activity

The Company's business objective is effective energy generation and supply in contribution to assurance of energy security. The Company's business object is energy generation and supply, as well as trade in electricity. The Company may engage in other activities that are not in conflict with its objectives and laws of the Republic of Lithuania.

The Company operates the following power generation facilities:

- Elektrėnai Complex with a reserve power plant (the former Lietuvos Elektrinė) and a combined cycle unit (CCU),
- Kruonis Pumped Storage Hydroelectric Plant,
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant
- Vilnius Third Combined Heat and Power Plant (since March 31, 2018).

The Company's geographic market is Lithuania. Its electricity is traded on the Nordic exchange Nord Pool.

Information on the Company's branches and representative offices

The Company has no branches or representative offices.

Subsidiaries and associates

The Company belongs to Ignitis grupė, a state-owned group of companies, which is one of the biggest group of energy companies in the Baltic countries. The group's parent company UAB Ignitis grupė holds 97.45% of the Company's shares (based on data of 30 June 2020).

As at the date of reporting, the Company had no subsidiaries. The Company was able to exert significant influence over UAB Verslo aptarnavimo centras (until 2 January 2020, after this date this company was reorganized by merging it with Ignitis grupės paslaugų centras) and Ignitis grupės paslaugų centras UAB. UAB Geoterma is being liquidated due to bankruptcy (see table below).

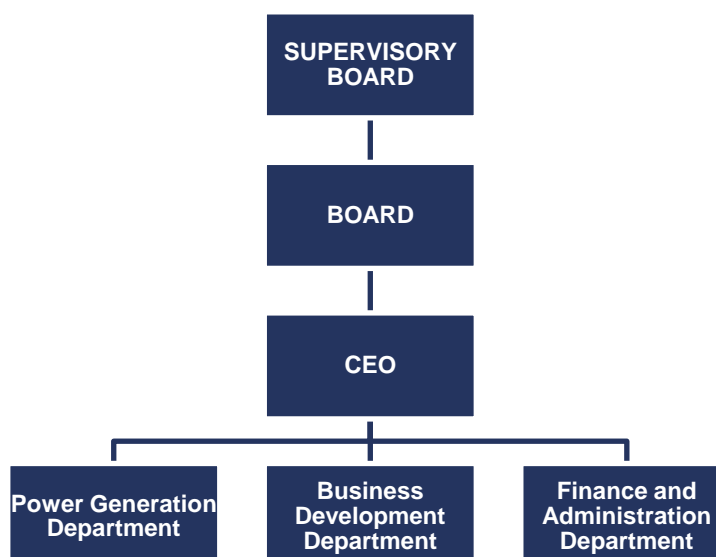
	UAB Ignitis grupės paslaugų centras	UAB Verslo aptarnavimo centras	Undergoing liquidation due to insolvency UAB Geoterma
Address	A. Juozapavičius st. 13, Vilnius	P. Lukšio st. 5B, Vilnius	Lypkių st. 17, Klaipėda
Date of registration:	4 December 2013	30 July 2014	1 March 1996
Company code	303200016	303359627	123540818
Contacts	(8 5) 278 2272, gpc@ignitis.lt	(8 5) 259 4400, vac@ignitis.lt	(8 46) 326 163, info@geoterma.lt
Website	www.ignitisgrupe.lt	www.ignitisgrupe.lt	www.geoterma.lt
Ownership interest	21.45 proc.**	15%	23.44%
Main business activity	Provision of information technology and telecommunication services to energy companies.	Organization and execution of public procurement, provision of accounting, labour relations administration, customer service, human resources administration, legal services, operational efficiency consulting and training.	Geothermal heating plant.

* Following completion of the reorganization proceedings of UAB Ignitis grupės paslaugų centras and UAB Verslo aptarnavimo centras, UAB Verslo aptarnavimo centras was removed from the Register of Legal Entities on 2 January 2020. After the reorganization, UAB Ignitis grupės paslaugų centras continues its activities and provides services.

** Before completion of the reorganization proceedings of UAB Ignitis grupės paslaugų centras and UAB Verslo aptarnavimo centras, i.e. until 2 January 2020, the Company owned 20.26% of UAB Ignitis grupės paslaugų centras shares.

Information on related party transactions

Information on related party transactions is available in the notes to the Annual Financial Statements of January–March 2020.

Management structure of the Company (as of 30 June 2020)

Information about the Company's management bodies

Based on the Articles of Association effective at 30 June 2020, the management bodies of the Company are the following:

- the General Meeting of Shareholders;
- the Supervisory Board;
- the Board;
- the Managing Director – the Chief Executive Officer.

The Articles of Association of the Company are available on the Company's website under section „[Company Management](#)“. During the reporting period, no new version of the Company's Articles of Association was registered. On 30 June 2020, the Extraordinary General Meeting of

Shareholders decided to amend the Company's Articles of Association. The amended Company's Articles of Association were registered with the Register of Legal Entities after the end of the reporting period, i.e. on 29 July 2020. The procedure for the formation of the Company's management bodies has not been changed. There were also no changes in the Company's management bodies during the reporting period.

The Companies comply with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius Information on compliance with this Code of Governance is provided for in the Company's annual reports.

The General Meeting of Shareholders

Six General Meetings of Shareholders of the Company were held from 1 January 2020 and until the day of publication of this report:

On 30 April 2020, the Ordinary General Meeting of Shareholders of the Company adopted the decisions to approve the Annual Report of the Company for the year 2019 and audited Annual Financial Statements of the Company for the year 2019, and to allocate the profit the Company for the year 2019. The dividends are to be paid

for the six-month period ended 31 December, 2019. The Company's remuneration policy has also been approved.

On 30 June 2020, the Extraordinary General Meeting of Shareholders approved new version of the Company's Articles of Association.

Information on voting results of the Company's shareholders during the above-mentioned and previous General Meetings of Shareholders is available on the Company's website under „[For Investors](#)“.

The Company's Supervisory Board

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

The expected end of term of office of the current Supervisory Board of the Company is 25 March 2022.

Overall 4 meetings of the Company's Supervisory Board were held during the reporting period, and all of them were

attended by all members of the Company's Supervisory Board.

More details about the members of the Company's Supervisory Board are available in the table below. Description of their education and professional experience is available on the Company's website under section [Company Management](#).

Members of the Supervisory Board (during the reporting period)

 <p>Dominykas Tučkus Member, Chairman of the Supervisory board</p> <p>Term of office 26 March 2018 – 25 March 2022</p> <p>Number of shares held at the Company –</p> <p>Ownership interest in other companies (>5%) –</p>	<p>Participation in other companies and organisations</p> <ul style="list-style-type: none"> • AB Ignitis grupė (company code 301844044, Žvejų st. 14, 09310 Vilnius), Member of the Board, Director for Infrastructure and Development • Ignitis UAB (company code 303383884, Žvejų st. 14, 09310 Vilnius), Member of the Supervisory Board • UAB Vilniaus kogeneracinė jėgainė (company code 303782367, Žvejų st. 14, 09310 Vilnius), Member of the Board • Ignitis Renewables UAB (company code 304988904, P. Lukšio st. 5B, 08221 Vilnius), Member of the Board • KŪB Smart Energy Fund powered by Ignitis grupė (company code 304596351, Antakalnio st. 17, 10312 Vilnius), Member of the Advisory Committee. 	<p>Education</p> <ul style="list-style-type: none"> • L. Bocconi University (Italy), Master's degree in Finance; • L. Bocconi University (Italy), Bachelor's degree in Business Management and Administration
 <p>Živilė Skibarkienė Member</p> <p>Term of office 26 March 2018 – 25 March 2022</p> <p>Number of shares held at the Company –</p> <p>Ownership interest in other companies (>5%) –</p>	<p>Participation in other companies and organisations</p> <ul style="list-style-type: none"> • UAB Ignitis grupė (company code 301844044, Žvejų st. 14, 09310 Vilnius), Member of the Board and Director of Organizational Development. • UAB Verslo aptarnavimo centras (company code 303359627, Lukšio g. 5B, 08221 Vilnius), Chairwoman of the Board (until 01/01/2020) • UAB Ignitis grupės paslaugų centras (company code 303200016, A. Juozapavičius st. 13, 09311 Vilnius), Member of the Board • UAB Elektroninių mokėjimų agentūra (company code 136031358, Žvejų st. 14, 09310, Vilnius, Lithuania), Member of the Board 	<p>Education</p> <ul style="list-style-type: none"> • Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; • Vilnius University, Faculty of Law, Master's degree in Law.
 <p>Edvardas Jatautas Independent member</p> <p>Term of office 26 July 2019 – 25 March 2022</p> <p>Number of shares held at the Company –</p>	<p>Participation in other companies and organisations</p> <ul style="list-style-type: none"> • UAB Profectus Novus (company code 302500459, Konstitucijos ave. 21C, 08130 Vilnius) owner, Member of the Board. • Addendum Group Inc. (company code 46-2547117, 13955 Tahiti Way #354, Los Angeles, 90292, California, USA) , founder, President. • UAB Addendum Solutions (company code 302312642, Konstitucijos ave. 21C, 08130 Vilnius) founder, Member of the Board. • Lithuanian American Business Association in Los Angeles, Member of the Board. • SIA Addendum LV (company code 40203222589, Rīga, Ludzas iela 42 k-1 - 20, 	<p>Education</p> <ul style="list-style-type: none"> • Vilnius Gediminas Technical University, Master's degree in Engineering Informatics; • ISM University of Management and Economics, Head of Master's Study module; • Harvard Business School,

Ownership interest in other companies (>5%)	LV-1003, Latvia) founder, Member of the Board.	Head of Master's Study module.
-	<ul style="list-style-type: none"> OU Addendum EE (company code 10903252, A.H.Tammsaare tee 47, 11316 Tallinn, Estonia) founder, Member of the Board. 	

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

Based on Articles 20 and 24 of the Company's Articles of Association, at least 1/3 (one third) of members of the Supervisory Board must be independent members. Remuneration for work at the Supervisory Board can be paid only to the independent members of the Supervisory Board and upon the decision of the General Meeting of Shareholders.

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 in accordance with the requirements set forth in the relevant legal acts and based on the best corporate governance practices.

E. Jatautas received a monthly remuneration of EUR 433 (before taxes) for the activities carried out in the Supervisory Board.

The Company's Board

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


The expected end of term of office of the current Board is 2 April 2022.

Overall 9 meetings of the Board were held in during the reporting period, all were attended by all members of the Board.


More details about the members of the Company's Board are available in the table below. Description of their education and professional experience is available on the Company's website under section [Company Management](#).

Members of the Board (during the reporting period)

 <p>Rimgaudas Kalvaitis Chairman of the Board, CEO</p>	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
	<ul style="list-style-type: none"> Lietuvos energijos paramos fondas (company code 303416124, Žvejų st. 14, 09310 Vilnius), Member of the Board Vilniaus sostinės Lions klubas (company code 193538827, A. Juozapavičius st. 3, Vilnius), Member of the Board 	<ul style="list-style-type: none"> Vilnius University, Faculty of Physics, Master's degree. Vilnius University, Faculty of Physics, Postgraduate Studies in Solid State Electronics. 	1,815
	Term of office		
	From 27 March 2019 to 2 April 2022		
	Number of shares held at the Company		
-			
Ownership interest in other companies (>5%)			
-			

 <p>Darius Kucinas Member of the Board, Director of Power Generation</p>	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
	-	<ul style="list-style-type: none"> Kaunas University of Technology, Department of Electrical Engineering and Automation, Bachelor's Degree in Electrical Power Engineering. 	1,300
	Term of office		
	From 3 April 2018		

to 2 April 2022			
Number of shares held at the Company			
–			
Ownership interest in other companies (>5%)			
–			

 <p>Mindaugas Kvekšas Board member Director of Finance and Administration</p>	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
	<ul style="list-style-type: none"> UAB Verslo Aptarnavimo Centras (company code 303359627, P. Lukšio st. 5B, 08221 Vilnius), Member of the Board (until 01/01/2020). UAB Ignitis grupės paslaugų centras (company code 303200016, A. Juozapavičius st. 13, 09311 Vilnius), Member of the Board. 	<ul style="list-style-type: none"> Stockholm School of Economics in Riga, Bachelor's Degree in Economics and Business Administration. 	1,300
	Term of office		
	From 3 April 2018 to 2 April 2022		
	Number of shares held at the Company		
	–		
Ownership interest in other companies (>5%)			
–			

The Company's Management

The General Manager acts as a single-person management body of the Company. The General Manager organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his/her own discretion, except for the cases stipulated in the Articles of Association and legal acts. The powers of the General Manager, the procedure of his/her election and removal are established by laws, other legal acts and the Company's Articles of Association.

Information on payments made to the Chief Executive Officer and Chief Financier (during the reporting period)

	Average fixed monthly remuneration (before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)
To the CEO Rimgaudas Kalvaitis	6,701	810
To the Chief Financier*	–	–

* on 1 December 2014, the accounting function was transferred from the Company to UAB Verslo aptarnavimo centras (on 2 January 2020 the company was reorganised by merging UAB Verslo aptarnavimo centras to UAB Ignitis grupės paslaugų centras), therefore, there are no employees and senior executives performing the accounting function in the Company. UAB Ignitis grupės paslaugų centras performs a complete set of accounting services for the Company, starting with the recording of the source documents into the accounting software and ending with the preparation of the financial statements.

The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During the reporting period, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

Information about the Committees

The committees of the Supervisory Board of Ignitis grupė are formed in the Lietuvos Energija group of companies. They have the competence to submit conclusions, opinions and suggestions to the Supervisory Board of Ignitis grupė. The committee must have at least three members, where at least one member has to be a member of the Supervisory Board and at least one member has to be independent. The members of the committees are elected for the period of

four years. The activities of the committees apply to Ignitis grupė and its directly and indirectly controlled subsidiaries, including the Company, as well as other legal persons with different legal status, over which Ignitis grupė directly or indirectly may have significant influence.

The following committees of the Supervisory Board are operating in Ignitis gamyba:

- **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 of companies, and about incentive issues to the Supervisory Board, as well as for the evaluation of performance of the Board and its members and submission of appropriate opinion. The committee's functions also cover formation of common remuneration policy in the group of companies, determination of the size and composition of remuneration, incentive principles, etc.

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

At the end of the reporting period, the committees of Risk management and business ethics supervision, Audit and Nomination and remuneration were operating in *Ignitis grupė*. The functions of the committees are described in more detail in the Company's annual reports.

Members of the Risk Management and Business Ethics Supervision Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Andrius Pranckevičius Chairman	–	From April 2018 to April 2022	AB Linas Agro Group, Deputy Chief Executive Officer, Member of the Board; PF Kekava, Chief Executive Officer and Chairman of the Board;
Darius Daubaras Independent member	–	From April 2018 to April 2022	Saudi Aramco (petroleum and natural gas company), Finance and Project Development Department
Šarūnas Rameikis Independent member	–	From April 2018 to April 2022	R.Mištauto ir T.Milickio Law Firm „Konsus“, Lawyer

The term of office of the incumbent Risk Management and Business Ethics Supervision Committee will last until 19 April 2022. Overall 9 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Members of the Audit Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Irena Petruškevičienė Chairwoman Independent member	–	From October 2017 October 2021	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. AB Lietuvos geležinkeliai, Member of Audit Committee; UAB MAXIMA GRUPĖ, Chairman of Audit Committee.
Danielius Merkinas Independent member	–	From October 2017 October 2021	UAB NNL Termo, CEO, Chairman of the Board; UAB NNT LT, CEO, Chairman of the Board; UAB Nordnet, Head of Commerce, Chairman of the Board; UAB Mercado prekyba, CEO; UAB Litcargo, Chairman of the Board; AB Lietuvos paštas, Member of the Board
Aušra Vičkačkienė Member	–	From October 2017 October 2021	Lithuanian Ministry of Finance, Asset Management Department, Director
Ingrida Muckutė Member	–	May 2018– October 2021	The Ministry of Finance of the Republic of Lithuania, Head of Reporting, Audit, Property Valuation and Insolvency Management Division
Šarūnas Radavičius Independent member	–	May 2018– October 2021	

The term of office of the current Audit Committee will last until 21 October 2021. Overall 9 meetings of the Audit Committee were held during the reporting period.

Members of the Nomination and Remuneration Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Daiva Lubinskaitė-Trainauskienė Chairwoman Independent member	–	From September 2017 to September 2021	UAB Thermo Fisher Scientific Baltics, Director of Personnel; Association of Personnel Management Professionals (PVOA), the Member of the Board
Aušra Vičkačkienė Member	–	September 2017–September 2021	Lithuanian Ministry of Finance, Asset Management Department, Director
Daiva Kamarauskienė Member	–	March 2019–September 2021	Budget Department of the Ministry of Finance, Director
Lėda Turai Petrauskienė Independent member	–	From March 2018 September 2021	L-CON Global UAB, leadership training partner, shareholder

The term of office of the current Audit Committee will last until 12 September 2021. Overall 5 meetings of the Nomination and Remuneration Committee were held during the reporting period.

Employees of the Company

As at 30 June 2020, the Company had 354 employees (including those on child care leave). At the beginning of the reporting period, there were 359 employees in the Company. The Company's head-count changed due to retirement of a number of employees or termination of employment with the Company for other reasons.

Men account for 88% and women – 12% of the Company's employees. Most of the Company's employees are aged between 37 and 56 years with a ten-year or longer record of service at the Company.

These are highly qualified and experienced specialists who form the foundation at the production units of the Company, where knowledge and expertise of employees are highly valued. Employees of this age accounted for 55.6% of all employees of the Company. About 30% of the Company's employees are aged between 57 and 76 years. Average age of the employees of the Company is 49 years, average experience at the Company approx. 20 years.

Remuneration and performance management

Based on the Company's remuneration system, employees receive a fixed pay, which is determined on the basis of the level of job position, which in turn depends upon the functions and complexity of tasks fulfilled, responsibilities undertaken and the level of decision-making, as well as upon the employee's professional qualification. The variable component of the remuneration is paid for measurable performance results, i.e. with respect to each position for the achievement of set objectives.

The Company's employees may receive additional monetary benefits, such as one-off extra pay for additional work load, for exceptional performance results and added value for the Company, participation in the priority projects, innovative ideas or suggestions for improvement and their implementation. The latter also includes social care, material support, additional paid holidays, and additional benefits to employees, such as health insurance or pension

65% of Company's employees were specialists and middle-level managers, 34% were workers, and 1% were top level managers (management in total – 10%).

53% of the Company's employees have higher education, 37% – secondary and vocational education, and 8% – higher education. About 88% of people are employed in production divisions, about 12% – in support divisions.

The Company has created opportunities for people of different age and having different experience to successfully find employment and work. After the I half of 2020, men account for 88% and women – 12% of the Company's employees. There are more men working in the Company because of specifics of its activities – women choose technological positions and related professions less frequently. One woman was a member of the Company's Supervisory Board – Živilė Skibarkienė, Member of the Supervisory Board.

accumulation financed by the employer. Additional non-monetary benefits and value created to employees include training financed by the Company, various events organised for the Company's employees and their children, medical aid station services, vaccination of employees against seasonal diseases, incentives for the best employees, etc.

The purpose of employee performance management system is to ensure that the goals of employees match those of the Company and to direct the efforts of employees towards their achievement. The process starts with a quarterly 360° study, which helps assess the general and leadership competences of management and specialists. The quarterly performance assessment meetings are organised between management and employees, during which management member and employee assess the progress in terms of achievement of the set goals, agree on further goals and on competences that need improvement (on the basis of

INTERIM REPORT

All amounts in thousands of euro unless otherwise stated

assessments of competences), and on the specific future employee development measures, as well as career expectations.

Breakdown of headcount by category of employees and average work pay are given in the table below. The work pay

Breakdown of headcount by category of employees and average work pay (in the reporting period)

	Breakdown of headcount by category of employees	Average remuneration, EUR	Average AVP*, EUR
Head of the company	1	6,701	810
Top level executives	3	5,701	879
Mid-level managers	29	3,431	333
Experts, specialists	202	2,074	131
Workers	119	1,436	94
Total	354	2,021	145

* This column represents payment of annual variable part (AVP) The Company's workers receive variable pay on a monthly basis, whereas employees of other categories receive variable pay on a quarterly or annual basis.

Career opportunities

Turnover of employees is quite low at the Company – less than 3.7%. When there occurs a vacancy, vacancy announcements are published for all the positions. Potential candidates are firstly selected by internal recruitment procedures. When no potential candidates are available for the vacant position at the Company or Ignitis grupė companies, the recruitment process is continued outside the

Company. Search for employees on the basis of internal rotation principle during 2020 resulted in promotion of 5 employees of the Company (vertical career). As a result of improvement of career opportunities for employees and encouragement of their mobility between the Group companies, 1 employee moved to other group company.

Organisational culture, development of competences, professional training

In view of the identified performance goals, competence assessments and need for further improvement, the Company provides opportunities for its employees to engage consistently in their personal growth by developing their professional, soft and management skills. By the means of professional training, the employees refresh their knowledge required to fulfil their job duties and obtain the

necessary certificates of professional qualification and attestations. By attending various seminars, internal training courses and external conferences employees learn about the latest developments, innovations and best practices in their respective fields of work. In January–June 2020, 138 employees of the Company attended trainings.

Collective agreement, trade unions

There are four trade unions at the Company, which are joined by 216 employees of the Company.

The Company has a collective agreement, which ensures a more favourable package of social benefits for the Company's employees compared to that prescribed by the Lithuanian Labour Code. Based on the collective agreement, the Company's employees are paid allowances in the event

of accident, illness, death of close family members, also additional benefits in the event of birth of child or families raising many children, also provides additional paid leave in the event of birth of child, marriage, death of a close relative and in other cases. As from 2018, a new joint package of additional benefits for the entire group of Ignitis grupė came into force.

MATERIAL EVENTS AT THE COMPANY

Significant arrangements

The Company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the Company's control situation.

There were no arrangements between the Company and the members of its management bodies or its employees that would provide for payment of termination benefits in the event of their resignation or dismissal without a valid reason or in the event of termination of their employment as a result of changes in the Company's control situation.

Detrimental transactions

INTERIM REPORT

All amounts in thousands of euro unless otherwise stated

No detrimental transactions were concluded during the reporting period on behalf of the Company (transactions that are not consistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders etc.), which had or potentially may have a negative impact on the Company's performance and/or results of operation, nor were any transactions concluded resulting in conflict of interests between the responsibilities of the Company's management, majority shareholders or other related parties against the Company and their own private interests and/or other responsibilities.

Notifications on materials events during the reporting period

3 January 2020	On adopted Resolution of the Court
8 January 2020	Regarding the decision to appeal the judgement
10 January 2020	Regarding the information submitted to the Bank of Lithuania about official tender circular
31 January 2020	Ignitis gamyba preliminary financial results for 12 months of 2019
27 February 2020	Correction: Reporting
27 February 2020	The Court upheld the decision to apply the temporary protection measures
28 February 2020	Interim information of Ignitis gamyba for the twelve-month period of 2019: improved financial results
28 February 2020	Ignitis gamyba preliminary financial results for the 1st month of 2020
05 March 2020	Correction: Reporting
10 March 2020	Ignitis gamyba audited financial information for the year 2019
17 March 2020	Ignitis grupė and minority shareholders of its subsidiary AB Ignitis gamyba reached a settlement
17 March 2020	Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of AB Ignitis gamyba
18 March 2020	Regarding the resolutions of the Supervisory Board of AB Ignitis gamyba
19 March 2020	Courts approved waiver of claims of minority shareholders of Ignitis gamyba
31 March 2020	Regarding approval of the official tender offer circular of Ignitis gamyba shares
31 March 2020	Ignitis gamyba preliminary financial results for the 2 months of 2020
2 April 2020	The start of the official tender offer for shares of Ignitis gamyba
6 April 2020	Regarding the opinion on the announced official tender offer of the board of AB Ignitis gamyba
30 April 2020	Regarding the resolutions of Ordinary General Meeting of AB Ignitis gamyba Shareholders
30 April 2020	Regarding the Annual Information of 2019 of AB Ignitis gamyba
30 April 2020	Report of UAB Ignitis grupė on the implementation of the tender offer for shares of AB Ignitis gamyba
30 April 2020	Results of Ignitis gamyba for January-March 2020: increased production volumes and preparation for important projects
5 May 2020	The Bank of Lithuania approved the price at which Ignitis grupė will offer the buy-out of Ignitis gamyba shares
18 May 2020	Regarding the beginning of the process of mandatory buyout of shares of AB Ignitis gamyba
19 May 2020	Regarding the request submitted by AB Ignitis gamyba to delist the shares from trading on the Nasdaq Vilnius Stock Exchange
21 May 2020	Regarding decision to delist the shares of AB Ignitis gamyba from the Nasdaq Vilnius Stock Exchange
29 May 2020	Ignitis gamyba preliminary financial results for 4 months of 2020
8 June 2020	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of AB Ignitis gamyba
30 June 2020	Regarding the resolutions of Extraordinary General Meeting of Shareholders of AB Ignitis gamyba
30 June 2020	Ignitis gamyba preliminary financial results for 5 months of 2020

Notifications on materials events after the end of the reporting period

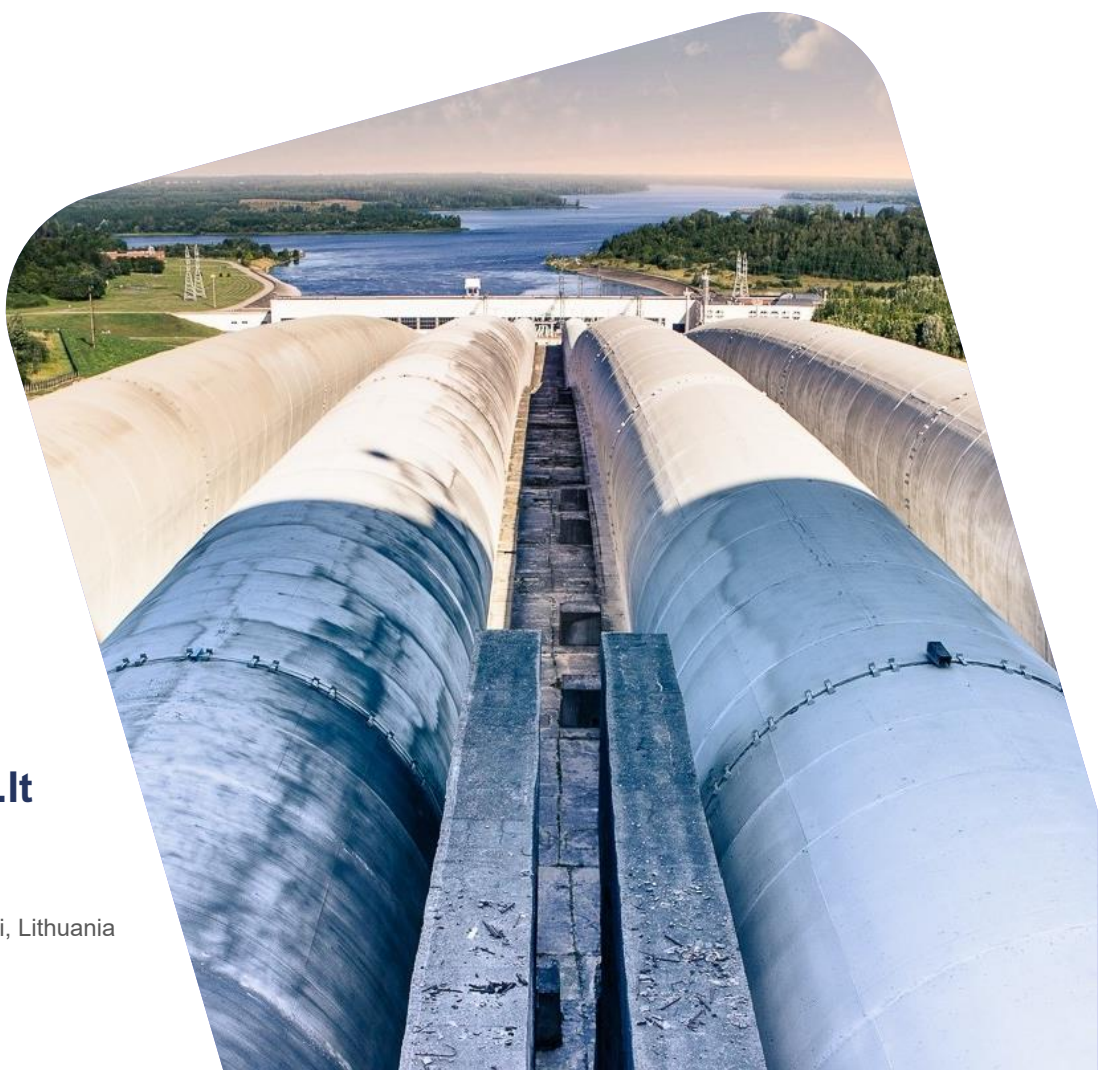
31 July 2020	Ignitis gamyba preliminary financial results for 6 months of 2020
10 August 2020	Regarding resignation of Ignitis Gamyba AB Board member

2020

IGNITIS GAMYBA AB

COMPANY'S INTERIM CONDENSED FINANCIAL STATEMENTS

COMPANY'S INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020, PREPARED IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



www.ignitisingamyba.lt

Ignitis Gamyba AB
Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
E-mail gamyba@ignitis.lt
Company code 302648707

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

30 June 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	As at 30/06/2020	As at 31/12/2019
ASSETS			
Non-current assets			
Intangible assets	4	57,975	51,888
Property, plant and equipment	5	438,660	450,261
Investments in associates	7	2,768	1,980
Other non-current assets		5,087	5,087
Investment property	6	3,423	3,818
Other financial assets		384	628
Right-of-use assets	8	5,551	6,029
Total non-current assets		513,848	519,691
Current assets			
Inventories		1,099	1,298
Prepayments	9	3,742	15,584
Receivables under contracts with customers	10	13,421	15,845
Other financial assets	11	8,552	17,222
Loans granted	12	32,953	49,971
Cash and cash equivalents		80,115	58,501
Total current assets		139,882	158,421
TOTAL ASSETS		653,730	678,112
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	187,921	187,921
Share premium		89,975	89,975
Legal reserve		17,519	15,379
Revaluation reserve		23,887	20,554
Retained earnings		72,954	96,224
Total equity		392,256	410,053
Non-current liabilities			
Borrowings	15	19,109	21,317
Lease liabilities	16	5,483	5,559
Grants	17	163,917	166,722
Provisions	18	8,708	9,681
Other non-current payables and liabilities		452	542
Deferred tax liabilities		24,894	24,834
Total non-current liabilities		222,563	228,655
Current liabilities			
Borrowings	15	4,417	4,417
Lease liabilities	16	146	186
Trade payables		9,648	17,978
Contract liabilities		131	41
Income tax payable		2,204	5,458
Provisions	18	13,055	7,209
Other payables and liabilities		9,310	4,115
Total current liabilities		38,911	39,404
Total liabilities		261,474	268,059
TOTAL EQUITY AND LIABILITIES		653,730	678,112

The accompanying notes are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
June 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	H1 2020	H1 2019
Revenue and other income			
Revenue from contracts with customers	19	67,408	66,241
Other income	20	316	10,140
		67,724	76,381
Operating expenses			
Purchases of electricity or related services		(10,603)	(9,554)
Gas, biofuel and heavy fuel expenses	24	(17,297)	(12,059)
Cost of inventories sold		-	(2,445)
Depreciation and amortisation	4,5,8,17	(8,787)	(9,121)
Payroll and related expenses		(4,857)	(4,427)
Repair and maintenance expenses		(2,037)	(2,626)
Emission allowance revaluation and utilisation (expenses)/income		(2,479)	(432)
Inventory write-down (allowance)/reversal		26	(8)
(Impairment) reversal of property, plant and equipment		(115)	(294)
Other expenses	25	(3,696)	(1,797)
Operating expenses, total		(49,845)	(42,763)
OPERATING PROFIT		17,879	33,618
Finance income/(expenses):			
Finance income		109	140
Whereof: interest income		98	138
Finance (expenses)		(277)	(348)
		(168)	(208)
Share of results of associates		13	166
PROFIT BEFORE TAX		17,724	33,576
Income tax and deferred tax expenses		(2,867)	(5,151)
NET PROFIT FOR THE YEAR		14,857	28,425
Other comprehensive income (loss) that will not be reclassified to profit or loss		3,634	2,902
Revaluation of emission allowances*		3,634	2,902
COMPREHENSIVE INCOME FOR THE YEAR		18,491	31,327
Basic and diluted earnings per share (EUR)		0.023	0.044
Weighted average number of shares**		648,002,629	648,002,629

* The market price of the emission allowances on 30/06/2019 was EUR 26.24 per unit; on 31/12/2019 – EUR 24.93 per unit; on 30/06/2020 – EUR 26.90 per unit. The market price volatility is the main reason relating to the significant change in emission allowance revaluation effect.

** The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period, multiplied by a time-weighting factor. The time-weighting factor is the number of days that the specific shares are outstanding as a proportion of the total number of days in the period.

The accompanying notes are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Three-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	Q2 2020	Q2 2019
Revenue and other income			
Revenue from contracts with customers	19	35,622	30,259
Other income	20	147	634
		35,769	30,893
Operating expenses			
Purchases of electricity or related services		(5,814)	(4,287)
Gas, biofuel and heavy fuel expenses	24	(10,032)	(5,334)
Depreciation and amortisation	4,5,8,17	(4,407)	(4,477)
Payroll and related expenses		(2,450)	(2,286)
Repair and maintenance expenses		(1,213)	(975)
Emission allowance revaluation and release (expenses)/income		(145)	(434)
Inventory write-down (allowance)/reversal		12	(16)
(Impairment) reversal of property, plant and equipment		(126)	(106)
Other expenses	25	(2,040)	(757)
Operating expenses, total		(26,215)	(18,672)
OPERATING PROFIT		9,554	12,221
Finance income/(expenses):			
Finance income		107	74
Whereof: interest income		102	72
Finance (expenses)		(137)	(177)
		(30)	(103)
Share of results of associates		(82)	78
PROFIT BEFORE TAX		9,442	12,196
Income tax and deferred tax expenses		(1,906)	(2,399)
NET PROFIT FOR THE YEAR		7,536	9,797
Other comprehensive income (loss) that will not be reclassified to retained earnings (loss)			
Revaluation of emission allowances*		14,855	8,200
COMPREHENSIVE INCOME FOR THE YEAR		22,391	17,997
Basic and diluted earnings per share (EUR)		0.012	0.015
Weighted average number of shares**		648,002,629	648,002,629

* The market price of the emission allowances on 31/03/2019 was EUR 21.45 per unit; on 30/06/2019 was EUR 26.24 per unit; on 31/03/2020 – EUR 17.54 per unit; on 30/06/2020 – EUR 26.90 per unit. The market price volatility is the main reason relating to the significant change in emission allowance revaluation effect.

** The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period, multiplied by a time-weighting factor. The time-weighting factor is the number of days that the specific shares are outstanding as a proportion of the total number of days in the period.

The accompanying notes are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the Six-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	Issued capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity Total
Balance as at 1 January 2019		187,921	89,975	20,659	13,897	74,184	386,636
Correction of error		-	-	-	-	5,175	5,175
Restated balance as at 1 January 2019		187,921	89,975	20,659	13,897	79,359	391,811
Revaluation of emission allowances*		-	-	2,902	-	-	2,902
Net profit for the reporting period		-	-	-	-	28,425	28,425
Total comprehensive income for the period		-	-	2,902	-	28,425	31,327
Legal reserve		-	-	-	1,482	(1,482)	-
Emission allowances utilised		-	-	(812)	-	812	-
Depreciation of revaluation reserve		-	-	(7)	-	7	-
Dividends	14	-	-	-	-	(6,480)	(6,480)
Balance as at 30 June 2019		187,921	89,975	22,742	15,379	100,641	416,658
Balance as at 1 January 2020		187,921	89,975	20,554	15,379	96,224	410,053
Revaluation of emission allowances*		-	-	3,634	-	-	3,634
Net profit for the reporting period		-	-	-	-	14,857	14,857
Total comprehensive income for the period		-	-	3,634	-	14,857	18,491
Legal reserve		-	-	-	2,140	(2,140)	-
Emission allowances utilised		-	-	(294)	-	294	-
Depreciation of revaluation reserve		-	-	(7)	-	7	-
Dividends	14	-	-	-	-	(36,288)	(36,288)
Balance at 30 June 2020		187,921	89,975	23,887	17,519	72,954	392,256

* The market price of the emission allowances on 30/06/2019 was EUR 26.24 per unit; on 31/12/2019 – EUR 24.93 per unit; on 30/06/2020 – EUR 26.90 per unit. The market price volatility is the main reason relating to the significant change in emission allowance revaluation effect.

The accompanying notes are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the Six-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	H1 2020	H1 2019
Net profit		14,857	28,425
Adjustments of non-cash expenses (income) and other adjustments			
Depreciation and amortisation expenses	4,5,8	12,971	13,308
Loss from impairment of property, plant and equipment	5.6	116	450
Impairment (reversal) of property, plant and equipment accounted for at revaluated amount	5	-	(96)
Impairment (reversal) of inventory		(26)	8
Expenses/(income) of revaluation of emission allowances		(367)	247
Other impairment reversals		(37)	(1,117)
Share of (profit) of associates	7	(13)	(166)
Income tax expense		2,155	4,843
Change in deferred income tax liability		712	308
Depreciation of grants	17	(4,184)	(4,187)
(Decrease)/increase in provisions		4,722	(130)
(Gain) loss on disposal/write-off of non-current assets (other than financial assets)		5	16
Elimination of results of financing and investing activities:			
- Interest income		(195)	(140)
- Interest expenses		277	342
- Other finance (income)/costs		86	6
Working capital adjustment:			
(Increase) decrease in trade receivables and other accounts receivable		11,375	(2,524)
(Increase) decrease in inventories and prepayments		11,974	(932)
Increase/(decrease) in payables and contract liabilities		(4,608)	(5,327)
Income tax (paid)		(5,405)	285
Net cash flows from/used in operating activities		44,415	33,619
Cash flows from/used in investing activities			
(Purchase) of property, plant and equipment and intangible assets		(410)	(691)
Disposal of property, plant and equipment and intangible assets		7	214
Short-term loans recovered (granted)		17,018	(21)
Income from Investments in associates	7	(934)	-
Grants received		13	-
Sale of a part of business*		-	2,000
Interest received		110	140
Dividends received		159	83
Net cash flows from/used in investing activities		15,963	1,725
Cash flows from/used in financing activities			
Repayments of borrowings		(2,208)	(10,093)
Lease payments		(103)	(172)
Interest payments		(165)	(348)
Dividends (paid)	14	(36,288)	(6,480)
Net cash flows from/(used in) financing activities		(38,764)	(17,093)
Net increase/(decrease) in cash and cash equivalents		21,614	18,251
Cash and cash equivalents at the beginning of the period		58,501	47,885
Cash and cash equivalents at the end of the period		80,115	66,136

* Amounts paid under the wholesale electricity trade business agreement concluded on 12 October 2015 with Energijos Tiekimas UAB.

The accompanying notes are an integral part of these interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

1 General information

Ignitis Gamyba AB is a public limited liability company registered in the Republic of Lithuania. Ignitis Gamyba AB (hereinafter – the Company) is a limited liability profit-oriented entity registered with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company was registered on 20 July 2011. The company code 302648707, VAT payer's code LT100006256115. The Company has been founded for an indefinite period. The Company's registered office address is Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania.

With effect from 1 September 2011, the shares of Ignitis Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius AB took the decision under the request of the Company to delist all the shares of the Company from the Main List. 30 June 2020 is the last day of trading on the Nasdaq Vilnius AB Stock Exchange.

As at 30 June 2020 and 31 December 2019, the Company did not hold its own shares.

During 2020 and 2019, the Company was engaged in electricity generation and electricity trading activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

The Company has permits of indefinite term to engage in electricity generation activities at the Reserve Power Plant and the Combined Cycle Unit (hereinafter collectively referred to as the Elektrėnai Complex), at Kaunas Algirdas Brazauskas Hydro Power Plant and at Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Reserve Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Energy Regulatory Council (hereinafter "the NERC"), Ignitis Gamyba AB obtained the licence of an independent electricity supplier.

On 27 August 2019, the Extraordinary General Meeting of Shareholders decided to rename Lietuvos Energijos Gamyba AB to Ignitis Gamyba AB.

As at 30 June 2020 and 31 December 2019, the Company had no subsidiaries.

As at 30 June 2020 and 31 December 2019, the Company's shareholder structure was as follows:

	As at 30 June 2020		As at 31 December 2019	
	Number of shares held	Ownership	Number of shares held	Ownership
Ignitis grupė AB	631,454,602	97.45	627,372,769	96.82
Other shareholders	16,548,027	2.55	20,629,860	3.18
Total	648,002,629	100.00	648,002,629	100.00

As at 30 June 2020 and 31 December 2019, Ignitis grupė AB was the parent of the Company. Ignitis grupė AB is wholly owned by the State of Lithuania, represented by the Ministry of Finance of the Republic of Lithuania.

As at 30 June 2020, the Company had 354 employees (31 December 2019: 356).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

2 Summary of significant accounting policies

2.1 Basis of preparation of interim condensed financial statements

The Company's interim condensed financial statements for the six-month period and for the three-month period ended on 30 June 2020 (hereinafter the "condensed financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, Interim Reporting).

These interim condensed financial statements do not include all the information and disclosures required to prepare annual financial statements, therefore these interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

These interim condensed financial statements are presented in thousands of euros (thousand EUR). The functional and presentation currency of the Company is euro. The Company's financial year coincides with a calendar year.

2.2 New standards, amendments and interpretations

The accounting policies applied in the preparation of these interim condensed financial statements are consistent with those applied in the Company's annual financial statements for the year ended 31 December 2019, except for the new standards which entered into force on 1 January 2020.

In preparing these interim financial statements, the Company did not adopt new standards, amendments and interpretations, the effective date of which is later than 1 January 2020. The following amendments to the standards that became effective on 1 January 2020 did not affect these interim condensed financial statements of the Company.

(a) Adoption of new and/or amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

*Amendments to References to the Conceptual Framework in IFRS Standards
(Issued on 29 March 2018 with effective date of 1 January 2020)*

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The IAS Board (IASB) has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its purpose is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The Amendments have been endorsed for use in the European Union. These Amendments had no impact on the Company's financial statements.

*The amendments to IFRS 3: Definition of a Business
(Issued on 22 October 2018 with effective date of 1 January 2020)*

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The Amendments have been endorsed for use in the European Union. These amendments had no impact on the financial statements of the Company, however, may affect future periods if the Company enters into business combinations.

*Amendments to IAS 1 and IAS 8: Definition of Material
(Issued on 31 October 2018 with effective date of 1 January 2020)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2020, with earlier adoption permitted. The amendments clarify the definition of 'material' and how it should be applied. New definition clarifies that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRSs. The Amendments have been endorsed for use in the European Union. These amendments had no impact on these financial statements, nor is there expected to be any impact on the Company in the future.

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For the Six-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

2.2 New standards, amendments and interpretations, adopted for application (continued)

*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
(Issued on 26 September 2019 with effective date of 1 January 2020)*

Amendments to IFRS 9, IAS 39 and IFRS 7 brings to a conclusion phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk free rate (RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. These Amendments had no impact on the Company's financial statements.

(b) New standards, amendments and interpretations issued but not yet effective

New standards, amendments and interpretations that are not yet effective in the reporting period beginning on or after 1 January 2020 and have not been early adopted when preparing these financial statements are presented below:

*Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture).
(Issued on 11 September 2014 without the date of entry into force)*

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board (hereinafter – the IASB) postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. According to the Company's management, adoption of the amendments will have no significant impact on the Company's financial statements.

*IFRS 17: Insurance Contracts (New)
(Issued on 18 May 2017 with effective date of 1 January 2023)*

IFRS 17 supersedes IFRS 4, which permits entities to continue to use current practices in accounting for insurance contracts. This made it difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a general principle-based standard that sets out accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. The Standard requires the recognition and measurement of classes of insurance contracts: (i) risk-adjusted present value of future cash flows (cash flows from the performance of the contract), which reflects all available information about cash flows from the contract that is consistent with market observable data by adding (if the value is a liability) or subtracting (if the value is an asset); (ii) the amount reflecting unearned profit (contracted service margin) from the group of contracts. Profits from a group of insurance contracts will be recognized by insurers for the duration of the insurance coverage and the moment they transfer the risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard has not yet been endorsed by the EU. This Standard will have no impact on the Company's financial position or performance as insurance services are not provided.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current
(Issued on 23 January 2020 with effective date of 1 January 2023)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for liabilities that could result in its settlement by the transfer of the entity's own equity instruments. The Company is currently assessing the impact of this amendment on its financial statements. These Amendments have not yet been endorsed for use in the European Union.

*Amendments to IFRS 3, IAS 16 and IFRS 37 and annual improvements: Narrow-Scope Amendments
(Issued on 14 May 2020 with effective date of 1 January 2022)*

The amendments clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- Amendments to IFRS 3, Business Combinations, update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, Property, Plant and Equipment, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to IFRS 1, IFRS 9, IAS 41 and the Illustrative Examples accompanying IFRS 16 Leases

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2.2 New standards, amendments and interpretations, adopted for application (continued)

These Amendments have not yet been endorsed for use in the European Union. The Company is currently assessing the impact of these amendments on its financial statements.

*The amendments to IFRS 16: COVID-19-Related Rent Concessions
(Issued on 28 May 2020 with effective date of 01 June 2020)*

These amendments provide lessees with an exemption from assessing whether a COVID-19-related rent concession/discount is a lease modification. The following amendments have been made:

- A lessee will not be required to assess whether a rent concession or discount is a lease modification.
- Lessees that apply this exemption will be required to account for rent concessions as if they were not lease modifications.
- Lessees that apply this exemption will be required to disclose that fact in their financial statements.
- The exemption will be required to apply retrospectively in accordance with IAS 8 without restating prior period figures. Instead, any difference arising on initial application of the amendment will be recognised in opening retained earnings.

These Amendments have not yet been endorsed for use in the European Union. According to the Company's management, adoption of the amendments will have no significant impact on the Company's financial statements.

*The amendments to IFRS 17: The effective date of IFRS 17 deferred by two years.
(Issued on 25 June 2020 with effective date of 1 January 2023)*

The amendments are intended to help insurance companies implement the standard and help them clarify their financial performance. The amendments are made in the following main areas of the standard:

- Deferral of the effective date of IFRS 17 and IFRS 9 for insurers by two years
- Scope of the standard
- Expected recovery of insurance acquisition cash flows from insurance contract renewals
- Contractual service margin relating to investment activities
- Applicability of the risk mitigation option for contracts with direct participation features
- Reinsurance contracts held — expected recovery of losses on underlying onerous contracts
- Simplified presentation of insurance contracts in the statement of financial position
- Additional transition reliefs

In addition to the above changes, the amendments also include several other (minor) amendments and editorial changes to IFRS 17. These Amendments have not yet been endorsed for use in the European Union. These Amendments will have no impact on the Company's financial position or performance as insurance services are not provided.

*The amendments to IFRS 4: Deferral of the effective date of IFRS 9 for insurers by two years
(Issued on 25 June 2020 with effective date of 1 January 2021)*

The amendments relate to the objective of aligning the effective dates of IFRS 9 and IFRS 17. IFRS 4 requires eligible insurers to apply IFRS 9. These standards will have to be applied by eligible insurers financial periods beginning on or after January 2023. These Amendments will have no impact on the Company's financial position or performance as insurance services are not provided.

3 Critical accounting estimates and estimation uncertainties

3.1 Impact of COVID-19 on critical accounting estimates, management judgements and estimation uncertainties

Preparing these interim condensed financial statements the significant management judgements regarding the application of the accounting policies and the main sources of estimation uncertainty were the same as used in preparing financial statements for the year ended 31 December 2019, except those accounting estimates the uncertainty of which is increased due to COVID-19 pandemic. Compared to the 2019 annual financial statements, with the exception of the impact of the COVID 19 pandemic, no other new areas have been identified where significant and complex judgements have to be made, or areas in which assumptions and accounting estimates are made that materially affect these interim condensed financial statements. The following key areas considered by the Company's management in assessing the impact of COVID-19 are presented below:

- *Going Concern*

When assessing the Company's ability to continue as a going concern, the management has taken into consideration the uncertainty arising from the COVID-19 outbreak at the time of reporting regarding the potential future impact on the Company's operations. The Company's management assessed the potential disruptions of cash flow, supply of services or goods, the attraction of sources of financing, the potential reduction in electricity consumption due to economic slowdown, the risk of COVID-19 infection of critical function personnel and the risk of delays in ongoing projects, using all the information available at the date of issue of these financial statements on the risks posed by COVID-19 in the future. The Company's management has not identified any threats to the Company's going concern. It is not possible to reasonably estimate the longer-term adverse effects of COVID-19 at the date of issue of the financial statements.

- *Management of the Company's liquidity risk*

The Company's available cash exceeds the Company's liabilities to financial institutions (non-current and current). The Company has granted loans to other Group companies through the Company's cash pool account. Short-term liquidity risk is managed by reducing the Company's

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borrowings through the cash pool account or by borrowing additionally through this account. The Company's net cash flows from operating activities during the first half of 2020 exceeded the budgeted level for 2020.

- *Risk management of COVID-19 infection of employees*

During the quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. All the conditions are in place for efficient teleworking without any disruptions in the performance of principal job. The Company's management pays special attention to the management of the risk of infection of the employees whose functions are to ensure the smooth operation of the equipment used for electricity generation in order to ensure the continuity of operations. These employees are provided with additional personal protection and personal hygiene measures, actions for employee rotation have been developed and implemented, the areas at equipment control points have been separated by partitions, etc. At the date of issue of these interim financial statements, the Company did not experience any problems with the functions performed by the employees due to COVID-19.

- *Residual value and useful life of assets: property, plant and equipment*

The management has reviewed the useful lives of non-current assets to assess whether they are consistent with the expected nature and purpose of these non-current assets, taking into account the potential impact of COVID 19 on those assets. The review of useful life was based on future outcomes and economic conditions that could result from a future COVID-19 pandemic. That review did not give any indication of disruptions in the use of property, plant and equipment either in the short or in the long term.

- *Expected credit losses: financial assets*

To measure expected credit losses of receivables, the Company uses the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for receivables during the period of validity of receivables and is adjusted with respect to future forecasts. The Company's management has assessed past events, current and future economic conditions as of the date of issue of these interim financial statements in determining the expected credit losses due to the impact of COVID-19. Given that the Electricity Transmission Operator and the Power Exchange are the main customers, the Company's management has determined that the future economic situation due to COVID-19 does not materially change the loss ratio matrix used to calculate the expected credit loss for the Company's financial assets as of 30 June 2020. Loss ratios used to calculate expected credit losses as of 30 June 2020 were consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

- *Assets recoverable value and determination of fair value of property, plant and equipment accounted for at revaluated amounts*

The management has reviewed the key assumptions used to determine the recoverable value of property, plant and equipment measured at cost. The management has not identified any significant circumstances related to COVID-19 that would require significant changes in the Company's budget for 2020, revision of the management's forecasts for 2021–2024, and adjustments to the pre-tax weighted average capital cost compared to those used in the preparation of the annual financial statements for the year 2019. In addition, no significant change in the return on investment is expected, nor significant changes in the legal framework and the scope of services provided are anticipated due to COVID-19, taking into account the most current information and long-term forecasts. In addition the management has not identified any circumstances, which could significantly change the fair value of property, plant and equipment measured using revaluation model. The last valuation of assets was performed on 31 December 2018 and according to management's assessment, assumptions used in assets' valuation report remain unchanged. Valuation was performed using comparative and expense (cost) methods. Valuation of land, buildings and structures was done using comparative method.

- *Classification of non-current and current part of loans granted and received*

Management has also reviewed the criteria for classifying loans and borrowings as non-current or current, and has not identified any circumstances that would require an adjustment to this classification.

- *General information on the impact of COVID-19 on the Company's operations*

In relation to the emergency situation and quarantine, the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping the people. In addition, the Government of the Republic of Lithuania took the decision (Protocol No 14) on 16 March 2020 to adopt a Plan for the economic stimulation and the implementation of measures directed to mitigate the spread of COVID-19 (hereinafter "the Plan"), which provides for measures to promote both personal and business income and liquidity, and to stimulate the economy. In the opinion of the management, the decision adopted by the Government of the Republic of Lithuania regarding the management of the threat of the COVID-19 outbreak and the implementation of the Plan had no significant impact on the Company's operations.

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4 Intangible assets

Dynamics of the Company's intangible assets during the period ended 30 June 2020 and 2019 provided below:

	Software	Emission allowances	Other intangible assets	Total
31 December 2018				
Acquisition cost	1,483	48,293	103	49,879
Accumulated amortisation	(1,179)	-	(103)	(1,282)
Net book value as at 31 December 2018	304	48,293	-	48,597
Period ended 30 June 2019				
Opening net book value	304	48,293	-	48,597
Additions	41	-	3	44
Decrease after transfer of an in-kind contribution	(214)	-	-	(214)
Grants received (Note 15)	-	4,131	-	4,131
Emission allowances utilised	-	(987)	-	(987)
Revaluation of emission allowances	-	3,090	-	3,090
Amortisation	(52)	-	-	(52)
Net book value as at 30 June 2019	79	54,527	3	54,609
31 December 2019				
Acquisition cost	695	51,805	126	52,626
Accumulated amortisation	(614)	-	(124)	(738)
Net book value as at 31 December 2019	81	51,805	2	51,888
Period ended 30 June 2020				
Opening net book value	81	51,805	2	51,888
Additions	5	-	-	5
Grant received	-	1,992	-	1,992
Emission allowances utilised (Note 16)	-	(385)	-	(385)
Revaluation of emission allowances	-	4,500	-	4,500
Amortisation	(25)	-	-	(25)
Net book value as at 30 June 2020	61	57,912	2	57,975
30 June 2020				
Acquisition cost	700	57,912	126	58,738
Accumulated amortisation	(639)	-	(124)	(763)
Net book value as at 30 June 2020	61	57,912	2	57,975

Acquired emission allowances are recognised at cost, and emission allowances obtained by the Company free of charge are recognised based on market (Stock Exchange) prices at the date of transfer of ownership to the Company. The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. Following the initial recognition, emission allowances (acquired at an acquisition cost and obtained free of charge) are remeasured at fair value based on the active market prices at the end of each reporting period. On revaluation of emission allowances, any increase in carrying amount, which is in excess of the acquisition cost, is added to the revaluation reserve within equity, whereas any decrease in carrying amount, which is excess of the previously accumulated amount in the reserve, is recognised through the statement of profit or loss and comprehensive income as current loss. Emission allowances acquired and emission allowances obtained free of charge are accounted for by the Company separately. Upon the realisation of emission allowances, the positive balance in the revaluation reserve is transferred directly within retained earnings.

During the Q2 of 2020 from 01/04/2020 to 30/06/2020, amortization expenses of Company's intangible assets were 13 EUR thousand. During the Q2 of 2019 from 01/04/2019 to 30/06/2019, amortization expenses of Company's intangible assets were 10 EUR thousand.

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5 Property, plant and equipment

Dynamics of the Company's property, plant, and equipment during the period ended 30 June 2020 and 2019 provided below:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro-Power Plant, Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other PP&E	Construction-in-progress	Total
31 December 2018												
Acquisition cost	1,845	666	3,581	210,852	383,882	387,278	3,841	148	49	172	1,538	993,852
Accumulated depreciation	-	(70)	(1,709)	(101,638)	(215,286)	(91,633)	(397)	(134)	(47)	(132)	-	(411,046)
Accumulated impairment	-	-	-	-	(106,312)	-	-	-	-	-	(223)	(106,535)
Net book value as at 31 December 2018	1,845	596	1,872	109,214	62,284	295,645	3,444	14	2	40	1,315	476,271
Period ended 30 June 2019												
Opening net book value	1,845	596	1,872	109,214	62,284	295,645	3,444	14	2	40	1,315	476,271
IFRS 16 adoption impact – reclassification from/to right-of-use asset	-	-	-	-	(446)	-	-	-	-	-	-	(446)
Additions	-	-	-	18	21	1	22	3	-	-	172	237
Revaluation of assets	-	-	-	-	96	-	-	-	-	-	-	96
Reversal of impairment	-	-	-	-	22	-	-	-	-	-	-	22
Impairment	-	-	-	-	(78)	-	-	-	-	-	-	(78)
Reclassifications between items	-	-	-	108	17	-	-	-	-	-	(125)	-
Reclassification from/to inventories	-	-	-	73	-	(3)	-	-	-	-	-	70
Depreciation	-	(7)	(48)	(3,121)	(2,289)	(7,369)	(265)	(2)	-	(6)	-	(13,107)
Net book value as at 30 June 2019	1,845	589	1,824	106,292	59,627	288,274	3,201	15	2	34	1,362	463,065
30 June 2019												
Acquisition cost	1,845	666	3,581	210,818	383,285	387,276	3,863	151	49	172	1,585	993,291
Accumulated depreciation	-	(77)	(1,757)	(104,526)	(217,381)	(99,002)	(662)	(136)	(47)	(138)	-	(446,920)
Accumulated impairment	-	-	-	-	(106,277)	-	-	-	-	-	(223)	(83,306)
Net book value as at 30 June 2019	1,845	589	1,824	106,292	59,627	288,274	3,201	15	2	34	1,362	463,065

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5 Property, plant and equipment (continued)

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro-Power Plant, Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other PP&E	Construction-in-progress	Total
31 December 2019												
Acquisition cost	1,845	596	1,871	210,729	383,377	387,395	3,886	151	48	172	1,611	991,681
Accumulated depreciation	-	(14)	(96)	(107,520)	(219,668)	(106,368)	(926)	(137)	(47)	(144)	-	(478,932)
Accumulated impairment	-	-	-	-	(106,277)	-	-	-	-	-	(223)	(62,488)
Net book value as at 31 December 2019	1,845	582	1,775	103,209	57,432	281,027	2,960	14	1	28	1,388	450,261
Period ended 30 June 2020												
Opening net book value	1,845	582	1,775	103,209	57,432	281,027	2,960	14	1	28	1,388	450,261
Additions	-	-	-	22	50	6	-	-	-	-	429	507
Disposals	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Write-offs	-	-	-	-	(11)	-	-	-	-	-	-	(11)
Reversal of impairment	-	-	-	-	22	-	-	-	-	-	-	22
Reclassifications between items	-	3	57	137	10	-	-	(2)	-	(1)	(204)	-
Reclassification from/to inventories	-	-	-	108	3	(14)	-	-	-	(4)	-	93
Reclassification from/to right of use asset	-	-	-	-	356	-	-	-	-	-	-	356
Reclassification from/to investment property	-	-	(57)	-	-	-	313	-	-	-	-	256
Depreciation	-	(7)	(48)	(2,888)	(2,204)	(7,370)	(299)	(2)	-	(5)	-	(12,823)
Net book value as at 30 June 2020	1,845	578	1,727	100,588	55,658	273,649	2,974	10	-	18	1,613	438,660
30 June 2020												
Acquisition cost	1,845	599	1,871	210,989	384,118	387,386	4,199	149	47	167	1,836	993,206
Accumulated depreciation	-	(21)	(144)	(110,401)	(222,183)	(113,737)	(1,225)	(139)	(47)	(149)	-	(448,046)
Accumulated impairment	-	-	-	-	(106,277)	-	-	-	-	-	(223)	(106,500)
Net book value as at 30 June 2020	1,845	578	1,727	100,588	55,658	273,649	2,974	10	-	18	1,613	438,660

During the Q2 of 2020 from 01/04/2020 to 30/06/2020, depreciation expenses of Company's property, plant and equipment were 6,433 EUR thousand, from which the largest amount was 3,683 EUR thousand Combined Cycle Unit depreciation expenses. During the Q2 of 2019 from 01/04/2019 to 30/06/2019, depreciation expenses of Company's property, plant and equipment were 6,467 EUR thousand, from which the largest amount was 3,684 EUR thousand Combined Cycle Unit depreciation expenses.

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5 Property, plant and equipment (continued)

As at 30 June 2020, no independent valuation was performed for the Company's assets carried at revalued amount, because, in the opinion of the Company's management, the fair values of the assets did not differ significantly from their carrying amounts.

Assets carried at revalued amount are attributed to Level 3 in the fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Land	-	-	1,845	1,845
Buildings	-	-	578	578
Structures and equipment	-	-	1,727	1,727
Vehicles	-	-	10	10
Computer hardware, communication and other office equipment	-	-	18	18
Other PP&E	-	-	-	-
Carrying amount at 30 June 2020	-	-	4,178	4,178

Property, plant and equipment, which includes the classes of assets of hydro power plant, pumped storage power plant, combined cycle unit and reserve power plant, is accounted for at cost less accumulated depreciation and impairment. Other property, plant and equipment is measured at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses.

As at 30 June 2020, the outstanding capital expenditure commitments under the contracts amounted to approximately EUR 2,350 thousand (31 December 2019: EUR 1,040 thousand).

As at 30 June 2020, the Company pledged to the banks property, plant and equipment with the carrying value of EUR 20,571 thousand at the reporting date (31 December 2019: EUR 21,032 thousand).

6 Investment property

Dynamics of the Company's investment property during the year ended 30 June 2020 and 2019 provided below:

	Buildings	Structures	Plant and equipment	Other property, plant and equipment	Total
Period ended 30 June 2019					
Opening net book value 1 January 2019	3,731	100	4	377	4,212
Decrease in fair value	(202)	(37)	(2)	(153)	(394)
Net book value as at 30 June 2019	3,529	63	2	224	3,818
Period ended 30 June 2020					
Opening net book value 1 January 2020	3,529	63	2	224	3,818
Decrease in fair value	(138)	-	-	-	(138)
Reclassification from/to property, plant and equipment	(25)	(63)	55	(224)	(257)
Net book value as at 30 June 2020	3,366	-	57	-	3,423

Investment property is attributed to Level 2 of fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-	3,366	-	3,366
Structures and equipment	-	-	57	57
Carrying amount at 30 June 2020	-	3,366	57	3,423

The property portfolio consisting of real estate and movable property of Vilnius Thermal Power Plant No 3 was subject to valuation. Valuation was carried out by independent property appraiser APUS TURTAS UAB. Fair value of the investment property amounted to EUR 3,366 as at 16 June 2020 (valuation date). Based on the judgement of the management, no significant changes in market conditions were observed and the fair value of the investment property as at 30 June 2020 remained similar to the value set by the appraiser.

The valuation of movable property was based on cost method, which was chosen on the basis that the property being valued has special purpose and has no analogous comparative transactions. The valuers have chosen the most conservative, transparent and easily verifiable asset valuation method, as in this case the method has the most objectively verifiable data and the price determined by this method is the least doubtful. The cost of restoration of assets has been determined using a calculation model for the creation of the property being valued, since the appraisers have all data about total acquisition costs of property being valued. Appraiser determined the value of physical depreciation of the property being valued. The calculations are indexed using the consumer annual price index.

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6 Investment property (continued)

Real estate valuation was done by applying a comparative method using information about past transactions. To determine the base of comparable transactions, valuers have taken into consideration the type, purpose, location and physical characteristics of the property. To determine market value of real estate, valuator applied weightings to adjust base of comparable transactions. Locality weightings (Approved by the Order No VE-670 of the Director of the State Enterprise Centre of Registers on 27 December 2019 'Regarding Mass Valuation of Real Estate 2019 Data And Locality Weightings In Accordance With 1 January 2020 Approval of Asset Purpose and Locations'), physical condition weightings and area weightings were applied.

7 Investments in associates

As at 30 June 2020 and 2019, the Company's investments in associates were as follows:

Company	Registered office address	Company's ownership interest 30/06/2020	Company's ownership interest 31/12/2019	Principal activities
Geoterma UAB, bankrupt	Lypkių st. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
Ignitis Grupės Paslaugų Centras UAB (former Technologijų ir Inovacijų Centras UAB)*	Juozapavičiaus st. 13, Vilnius, Lithuania	21.45%	22.23%	Information technology services, public procurement, accounting and employment relations administration services
Verslo Aptarnavimo Centras UAB (reorganised)*	-	-	15.00%	-

* As from 1 January 2020, the Company's associates Ignitis Grupė Paslaugų Centras UAB and Verslo Aptarnavimo Centras UAB were reorganized by merging Ignitis Grupė Paslaugų Centras UAB with Verslo Aptarnavimo Centras UAB, which ceased its activities without the liquidation procedure. The assets, rights and obligations of Verslo Aptarnavimo Centras UAB were transferred to the company Ignitis Grupės Paslaugų Centras UAB, the Company and the shareholders of the reorganised company, except for Ignitis Grupės Paslaugų Centras UAB, received in return the shares of Ignitis Grupės Paslaugų Centras UAB for no consideration, and accordingly, the issued capital of Ignitis Grupės Paslaugų Centras UAB was increased.

In the Q2 of 2020, an associate's issued capital has been increased as follows:

Associate	Issue date	Number of newly issued shares*	Nominal value per share, EUR	Total issue price, EUR thousand	Amount paid up, EUR thousand	Date of amendment to Articles of Association
Ignitis Grupės Paslaugų Centras UAB	04/06/2020	3,221,452	0.29	934	934	14/07/2020
Total:				934	934	

* Newly issued shares attributable to the Company

The Company accounts for investments into associates using the equity method.

2020	Carrying amount as at 31/12/2019	(Decrease) increase in value	The Company's share of results of operations	Dividends received	Carrying amount as at 30/06/2020
Geoterma UAB, bankrupt	-	-	-	-	-
Ignitis Grupės Paslaugų Centras UAB	1,980	934	13	(159)	2,768
Total	1,980	934	13	(159)	2,768

2019	Carrying amount as at 31/12/2018	(Decrease) increase in value	The Company's share of results of operations	Dividends received	Carrying amount as at 06/30/2019
Geoterma UAB, bankrupt	-	-	-	-	-
Ignitis Grupės Paslaugų Centras UAB	1,446	260	62	(65)	1,703
Verslo Aptarnavimo Centras UAB	142	-	104	(18)	228
Total	1,588	260	166	(83)	1,931

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8 Right-of-use assets

Dynamics of the Company's right-of-use assets as at 30 June 2020 and 2019 provided below:

	Land	Buildings	Vehicles	Total
Period ended 30 June 2019				
Opening net book value	-	-	-	-
IFRS 16 adoption impact – reclassification from/to property, plant and equipment	-	-	446	446
Additions:	5,220	157	522	5,899
Whereof: recognition as right-of-use asset as at 01/01/2019	5,220	157	449	5,826
Whereof: lease contracts signed from 01/01/2019 to 30/06/2019.	-	-	73	73
Write-offs and disposals	-	-	(16)	(16)
Depreciation	(36)	(20)	(93)	(149)
Net book value as at 30 June 2019	5,184	137	859	6,180
31 December 2019				
Acquisition cost	5,265	156	1,152	6,573
Accumulated depreciation	(65)	(39)	(440)	(544)
Net book value as at 31 December 2019	5,200	117	712	6,029
Period ended 30 June 2020				
Opening net book value	5,200	117	712	6,029
Additions	-	112	-	112
Write-offs and disposals	-	(111)	-	(111)
Reclassification from/to property, plant and equipment	-	-	(356)	(356)
Depreciation	(37)	(19)	(67)	(123)
Net book value as at 30 June 2020	5,163	99	289	5,551
30 June 2020				
Acquisition cost	5,265	112	434	5,811
Accumulated depreciation	(102)	(13)	(145)	(260)
Net book value as at 30 June 2020	5,163	99	289	5,551

The Company's lease expenses are recognised in the statement of profit or loss and other comprehensive income as follows:

	Q2		1H	
	2020	2019	2020	2019
Depreciation	53	92	123	149
Interest charges	54	57	109	112
Current lease expenses (other expenses)	3	8	6	10
Low-value lease expenses (other expenses)	-	-	1	1
Lease expenses, total:	110	157	230	272

9 Prepayments

In December of 2019 the Company made a 12 million EUR payment to natural gas exchange's (Get Baltic) account for future gas purchases. During the first half of 2020 the payment was netted with natural gas purchases from the exchange.

10 Receivables under contracts with customers

The Company's trade receivables under contracts with customers comprised receivables from customers for goods sold and services rendered:

	As at 30/06/2020	As at 31/12/2019
Receivables for electricity	13,351	15,304
Receivables for sale of heat	67	545
Other Receivables under contracts with customers	4	-
Total	13,422	15,849
Less: Expected credit losses	(1)	(4)
Carrying amount	13,421	15,845

As at 30 June 2020 and 31 December 2019, the fair value of trade receivables approximated their carrying amount. The fair value of trade receivables is attributed to Level 3 in the fair value hierarchy.

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11 Other financial assets

The Company's other current financial assets comprised the following:

	As at 30/06/2020	As at 31/12/2019
Accrued revenue related to the capacity reserve and PSO services*	7,523	15,566
VAT receivable from the state budget	633	858
Receivable excise on heavy fuel	35	35
Other receivables	734	1,170
Total	8,925	17,629
Less: Expected credit losses	(373)	(407)
Closing book value	8,552	17,222

*The change during the first half of 2020 was due to invoice issued to Litgrid for system restoration service in 2019 (EUR 4,6 million) according to 31/12/2018 agreement with Litgrid under which payment to the Company for the service was postponed until 2020. Remaining residual change is due to adjustment of receivable amounts from Litgrid for systematic services provided by the Company in 2018.

12 Loans granted

The Company entered into cash pool agreement, under which the Company has granted short-term loans of Eur 32,953 thousand to Ignitis grupė AB Group companies as at 30 June 2020 (31 December 2019: EUR 49,971 thousand). These loans are subject to market interest rate with the maturity for up to one year (short-term). The purpose of the agreement is effective management of the cash balances at the level of Ignitis grupė AB.

13 Issued capital

As at 30 June 2020 and 31 December 2019, issued capital of the Company amounted to EUR 187,920,762 and it was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

As at 30 June 2020 and 31 December 2019, the Company's shareholder structure was as follows:

Shareholders	Issued capital as at 30/06/2020		Issued capital as at 31/12/2019	
	(EUR)	%	(EUR)	%
Ignitis grupė AB	183,121,835	97.45	181,938,103	96.82
Other shareholders	4,798,927	2.55	5,982,659	3.18
Total	187,920,762	100.00	187,920,762	100.00

Ignitis grupė AB is wholly owned (100%) by the State of Lithuania, represented by the Lithuanian Ministry of Finance.

14 Dividends per share

Approved dividends per share are provided below:

	As at 30/06/2020	As at 30/06/2019
Dividends (thousand EUR)	36,288	6,480
Weighted average number of shares (units)	648,002,629	648,002,629
Dividends per share (EUR)	0.056	0.01

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 12 April 2019, a decision was made to pay out dividends of EUR 0.01 per share for January–June 2018, amounting to EUR 6,480 thousand in total.

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 27 September 2019, a decision was made to pay out dividends of EUR 0.029 per share for January–June 2019, amounting to EUR 18,792 thousand in total.

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 30 April 2020, a decision was made to pay out dividends of EUR 0.056 per share for July–December 2019, amounting to EUR 36,288 thousand in total.

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15 Borrowings

The Company's borrowings by maturity grouping are as follows:

	As at 30/06/2020	As at 31/12/2019
Non-current loans		
Loan from Luminor Bank AB, in EUR, to be repaid by 31 March 2027	7,049	7,662
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	12,060	13,655
Total non-current loans	19,109	21,317
Current borrowings and current portion of non-current borrowings		
Loan from Luminor Bank AB, in EUR, to be repaid by 31 March 2027	1,226	1,226
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	3,191	3,191
Total current loans and current portion of non-current loans	4,417	4,417

To secure the repayment of loans, the Company pledged its property, plant and equipment (Note 5).

16 Lease liabilities

The Company's lease liabilities and their dynamics:

	As at 30/06/2020	As at 31/12/2019
Opening book value at the beginning of the calendar year	5,745	172
Recognition of lease liabilities under IFRS 16	-	4,808
Lease contracts concluded	-	1,086
Termination of lease (write-off of debt and accrued interest)	(117)	-
Interest charges	107	195
Lease payments (principal portion and interest)	(106)	(516)
Closing carrying amount	5,629	5,745
Non-current lease liabilities	5,483	5,559
Current lease liabilities	146	186

The Company's future payments under leases were as follows:

	As at 30/06/2020	As at 31/12/2019
Minimum payments		
Within one year	359	402
Two to five years	1,159	1,228
After five years	15,260	15,374
Total	16,778	17,004
Future finance costs		
Within one year	(213)	(216)
Two to five years	(850)	(852)
After five years	(10,086)	(10,191)
Total	(11,149)	(11,259)
Carrying amount	5,629	5,745

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17 Grants

The balance of grants includes grants received to finance the acquisition of assets. During the six-month period ended 30 June 2020, movement of grants was as follows:

	Asset-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
Balance as at 1 January 2019	26,152	141,308	3,579	171,039
Grants received	-	-	4,131	4,131
Depreciation of immovable property, plant and equipment	(213)	(3,974)	-	(4,187)
Grant for emission allowances utilised	-	-	(42)	(42)
Balance as at 30 June 2019	25,939	137,334	7,668	170,941
Balance as at 1 January 2020	25,729	133,376	7,617	166,722
Grants received	13	-	1,992	2,005
Depreciation of immovable property, plant and equipment	(210)	(3,974)	-	(4,184)
Grant for emission allowances utilised	-	-	(626)	(626)
EU funds used	16	(16)	-	-
Balance as at 30 June 2020	25,548	129,386	8,983	163,917

During H1 2020, the Company's asset-related grants decreased by EUR 4,184 thousand (H1 2019: EUR 4,187 thousand), during the Q2 of 2020 from 01/04/2020 to 30/06/2020 decrease was EUR 2,092 thousand (2019 Q2 from 01/04/2019 to 30/06/2019 – EUR 2,092 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of profit or loss and other comprehensive income.

18 Provisions

As at 30 June 2020 and 31 December 2019, the Company's provisions consisted of the following:

	30/06/2020	31/12/2019
Non-current provisions	8,708	9,681
Current provisions	13,055	7,209
Total amount of provisions	21,763	16,890

Movement of provisions as at 30 June 2020 and 31 December 2019 was as follows:

	Emission allowance liabilities*	Provision for PSO	Provision for capacity reserves and system services**	Dismantling works***	Provisions for pension benefits	Other provisions	Total
1 January 2019	894	7,554	-	1,573	528	71	10,620
Increase during the period	478	-	12,718	1,431	99	-	14,726
Utilised during the period	(987)	(7,554)	-	-	(1)	(7)	(8,549)
Revaluation of utilised emission allowances	93	-	-	-	-	-	93
31 December 2019	478	-	12,718	3,004	626	64	16,890
1 January 2020	478	-	12,718	3,004	626	64	16,890
Increase during the period	3,472	-	4,620	339	120	-	8,551
Utilised during the period	(385)	-	(2,511)	(111)	-	(4)	(3,011)
Emission allowances utilised	-	-	-	-	-	-	-
Revaluation of utilised emission allowances	(90)	-	-	-	-	-	(90)
Increase/decrease due to change in actuarial assumptions	-	-	-	(577)	-	-	(577)
30 June 2020	3,475	-	14,827	2,655	746	60	21,763

*In the statement of profit or loss and other comprehensive income, expenses of provisions for emissions were reported net of used government grants.

** Increased due to factually lower than set by NERC expenses incurred in providing regulated services, while decreased due to covered amounts from regulatory services provision for prior periods.

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18 Provisions (continued)

***As at 30 June 2020, a liability was recognized in relation to the dismantling of units 5 and 6 and chimneys at the Elektrėnai Complex. The gross amount of the liability was equal to EUR 2,655 thousand, whereof: non-current liabilities accounted for EUR 700 thousand, and current liabilities accounted for EUR 1,955 thousand.

The dismantling of units 5, 6 and chimneys was initiated mainly due health and safety reasons. The Company publicly announced its intention to carry out the works by launching a public call for tender. The dismantling of units 5 and 6 is underway, preparatory work for the chimney dismantling project is carried out, however, one contract has not yet been signed due to legal disputes with a procurement participant. For the above reasons, the Company has an irrevocable obligation, therefore, provisions were recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

As at 31 December 2019, a liability was recognized in relation to the dismantling of units 5 and 6 and chimneys at the Elektrėnai Complex. The gross amount of the liability was equal to EUR 3,004 thousand, whereof: non-current liabilities accounted for EUR 1,610 thousand, and current liabilities accounted for EUR 1,394 thousand.

19 Revenue from contracts with customers

Revenue recognised from contracts with customers:

	Q2		H1	
	2020	2019	2020	2019
Revenue from sale of electricity*	22.242	12.846	39.957	23.854
Income from capacity reserve services	5.919	10.693	12.251	22.209
Other system services	6.006	5.784	12.236	11.989
Revenue from supply of thermal energy	539	577	1.867	2.652
Sale of inventory	10	292	10	4.291
Other operating income	906	67	1.087	1.246
Total revenue	35.622	30.259	67.408	66.241

*During the H1 of 2020 total amount of sales of electricity includes loss incurred on derivative (SWAP) contract fair value decrease by EUR 1,353 thousand, during the Q2 of 2020 from 01/04/2020 to 30/06/2020 the loss amounted to EUR 3,320 thousand. The derivative contract includes sale of electricity.

All revenue from agreements concluded with customers is calculated with regard to the price of the transaction as defined in the agreement. The Company usually receives payments immediately after rendering respective services. In rare cases, the terms of delayed payment might be agreed upon, however, any delay of payments cannot exceed 12 months, and therefore, the transaction price is not adjusted in view of the financing impact on revenue recognition. The Company earns its operating income from sale of services to Lithuanian companies or electricity on the power exchange Nord Pool, however, trading takes place in the Lithuanian trading zone, therefore the Company's management considers these sales as trading on the local market of Lithuania.

20 Other income

Period ending on 30 June 2020 and 2019, the Company's other income consisted of the following:

	Q2		H1	
	2020	2019	2020	2019
Property rental income	116	150	250	318
Other income*	31	79	60	9.394
Gain on disposal of property, plant and equipment	-	-	6	-
Sanctions	-	405	-	428
Total	147	634	316	10.140

* On 11 February 2019, the Ministry of Finance of the Republic of Lithuania transferred to the Company the 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 (Lithuanian Power Plant) (the rights and obligations of which were taken over by the Company) in 2005–2009 entitled Installation of low pressure NOx burners and burner's management system with installations and interlocks for heating control and protection against explosion. This compensation was awarded to the Republic of Lithuania by the court of the Great Britain.

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21 Segment reporting

The Company's management analyses the Company's operations by separating them into regulated activities and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, balancing and regulation, capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, electricity production at Kaunas Algirdas Brazauskas Hydro Power Plant and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Total revenue of segments is generated from external customers. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses. Items in the statement of financial position are not further refined into segments.

The primary performance measure is adjusted EBITDA, which is calculated based on data presented in the financial statements prepared in accordance with IFRS as adjusted for selected items which are not defined under IFRS.

Information on the Company's segments for H1 2020 is presented below:

2020	Regulated activities	Commercial activities	Total
Revenue from sale of electricity	341	39,616	39,957
Income from capacity reserve services	12,251	-	12,251
Other system services	12,236	-	12,236
Revenue from supply of thermal energy	1,867	-	1,867
Sale of inventory	-	10	10
Other operating income	-	1,087	1,087
Other income	-	316	316
Total revenue of segments	26,695	41,029	67,724
Purchases of electricity, gas for trade and related services, gas and heavy fuel oil	(10,048)	(21,255)	(31,303)
Operating expenses	(6,512)	(3,547)	(10,059)
EBITDA*	10,135	16,227	26,362
Management's adjustments			
Change in market value of derivatives**	-	3,948	3,948
Adjusted EBITDA***	10,135	20,175	30,310
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(6,447)	(2,340)	(8,787)
Increase (decrease) in value of non-current and other assets	-	(52)	(52)
Non-current assets write-off	-	(11)	(11)
Revaluation of emission allowances and provisions	-	367	367
Operating profit	3,688	14,191	17,879
Finance income			109
Finance (expenses)			(277)
Share of results of associates			13
Profit before tax			17,724

* EBITDA - Profit/(loss) before tax + finance expenses – finance income – dividends received + depreciation and amortisation expenses + impairment loss – reversal of impairment + revenue/expenses of revaluation of emission allowances + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment

** The management's adjustment consists of the elimination of changes in the value of two derivatives (swaps) that were concluded with Ignitis UAB on 26 March 2020. The transactions include the sale of electricity and the purchase of natural gas.

*** Adjusted EBITDA – EBITDA + management's adjustments

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21 Segment reporting (continued)

Information on the Company's segments for H1 2019 is presented below:

2019	Regulated activities	Commercial activities	Total
Revenue from sale of electricity	624	23,230	23,854
Income from capacity reserve services	21,583	626	22,209
Other system services	11,989	-	11,989
Revenue from supply of thermal energy	2,652	-	2,652
Sale of inventory	-	4,291	4,291
Other operating income	-	1,246	1,246
Other income	-	10,140	10,140
Total revenue of segments	36,848	39,533	76,381
Purchases of electricity, gas for trade and related services, gas and heavy fuel oil	(13,264)	(10,979)	(24,243)
Operating expenses	(6,150)	(3,818)	(9,968)
EBITDA*	17,434	24,736	42,170
Management's adjustments	(3,725)	(9,276)	(13,001)
Compensation from the Ministry of Finances**	-	(9,276)	(9,276)
Management's adjustments related to permissible profit from regulated activities***	(3,725)	-	(3,725)
Adjusted EBITDA****	13,709	15,460	29,169
Other adjustments	(6,785)	(1,767)	(8,552)
Depreciation and amortisation expenses of non-current assets	(6,785)	(2,336)	(9,121)
Increase (decrease) in value of non-current and other assets	-	816	816
Revaluation of emission allowances and provisions	-	(247)	(247)
Operating profit	10,649	22,969	33,618
Finance income	-	-	140
Finance (expenses)	-	-	(348)
Share of results of associates	-	-	166
Profit before tax			33,576

* EBITDA - Profit/(loss) before tax + finance expenses – finance income – dividends received + depreciation and amortisation expenses + impairment loss – reversal of impairment + revenue/expenses of revaluation of emission allowances + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment

Management's adjustments used in calculating adjusted EBITDA** are related to compensation for the indemnification of potentially inflicted damage by Alstom Power Ltd in 2005–2009.

*** Adjustments made by the management reflect changes in revenue (and, consequently, EBITDA) from the Company's regulated activities if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. Based on the judgement of the management, adjusted EBITDA is a more accurate reflection of results allowing to better compare the results obtained in different periods, as it reflects the Company's actual results of reporting period, eliminating the effect of mismatches between the costs, forecasted by NERC for current periods (for calculation of prices for regulated services) and actual costs and eliminating the difference between the allowable and actual return on investments for the periods, which may have a positive or negative effect on the results of the current year.

**** Adjusted EBITDA – EBITDA + management's adjustments

22 Related party transactions

The Company's transactions with related parties conducted during H1 2020 and balances arising on these transactions as at 30 June 2020 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Loans granted	Purchases	Sales
	As at 30/06/2020	As at 30/06/2020	As at 30/06/2020	2020, H1	2020, H1
Associates of the Company	202	139	-	798	5
Group companies of Ignitis grupė	5,919	70	32,954	10,713	4,130
Parent company Ignitis grupė AB	646	-	-	243	-
State-controlled EPSO G UAB Group companies	3,056	12,008	-	23,375	79,441
Impairment	-	(124)	-	-	-
Total	9,823	12,093	32,954	35,129	83,576

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 7,595 thousand during H1 2020; EUR 6,975 thousand during H1 2019) and sales (EUR 57,462 thousand during H1 2020; EUR 53,296 thousand during H1 2019) of electricity produced by wind farms as reported in the tables on the related-party transactions cover the total amount of the transactions in the Company's sales revenue.

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22 Related party transactions (continued)

The Company's transactions with related parties conducted during H1 2019 and balances arising on these transactions as at 31 December 2019 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Loans granted	Purchases	Sales
	As at 31/12/2019	As at 31/12/2019	As at 31/12/2019	H1 2019	H1 2019
Associates of the Company	207	124	429	672	5
Group companies of Ignitis grupė	2,438	909	49,542	7,521	203
Parent company Ignitis grupė AB	42	-	-	214	-
State-controlled EPSO G UAB Group companies	2,677	14,173	-	14,421	56,378
Impairment	-	(124)	-	-	-
Total	5,364	15,082	49,971	22,828	56,586

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

23 Compensation to key management personnel

In 2020 and 2019, key management personnel included the chief executive officer and the directors of services (including the acting directors of services).

	H1 2020	H1 2019
Employment-related payments (thousand EUR)	184	165
Whereof: Other significant payments to key management personnel (thousand EUR)	26	22
Number of key management personnel as at 30 December	4	4

24 Gas, biofuel and heavy fuel expenses

	Q2		H1	
	2020	2019	2020	2019
Gas purchases expenses	9,856	5,180	16,594	11,028
Biofuel expenses	176	154	703	1,031
Total	10,032	5,334	17,297	12,059

Gas expenses were higher due to significantly larger Elektrėnai Complex electricity generation during H1 of 2020.

25 Other expenses

	Q2		H1	
	2020	2019	2020	2019
Other expenses	1,151	661	1,826	1,102
Operating taxes	467	450	934	909
Business support and management services	349	310	685	597
Asset protection	94	106	169	179
Insurance	38	25	82	80
Audit	16	21	31	34
Lease	3	8	6	13
Impairment (reversal) of receivables	(78)	(824)	(37)	(1,117)
Total	2,040	757	3,696	1,797

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26 Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction under current market conditions in the main (or the most favourable) market independent on whether this price is directly observable or established using valuation techniques.

	Carrying amount		Fair value	
	Total	Level 1	Level 2	Level 3
Carrying amount at 31 December 2019				
Financial assets				
Receivables under contracts with customers	15,845	-	-	15,845
Other financial assets	17,850	-	-	17,850
Loans granted	49,971	-	-	49,971
Cash and cash equivalents	58,501	58,501	-	-
Financial assets, total	142,167	58,501	-	83,666
Financial liabilities				
Loans	(25,734)	-	-	(25,734)
Lease liabilities	(5,745)	-	-	(5,745)
Payables and liabilities	(17,978)	-	-	(17,978)
Total financial liabilities	(49,457)	-	-	(49,457)
Carrying amount at 30 June 2020				
Financial assets				
Receivables under contracts with customers	13,421	-	-	13,421
Other financial assets	9,097	-	-	9,097
Loans granted	32,953	-	-	32,953
Cash and cash equivalents	80,115	80,115	-	-
Financial assets, total	135,586	80,115	-	55,471
Financial liabilities				
Loans	(23,526)	-	-	(23,526)
Lease liabilities	(5,629)	-	-	(5,629)
Payables and liabilities	(9,648)	-	-	(9,648)
Total financial liabilities	(38,803)	-	-	(38,803)

Due to its short-term and stable variable interest rates on 30 June 2020 and 31 December 2019 the value of receivables under contracts with customers, other financial assets, loans granted, loan liabilities, lease liabilities, payables and liabilities approximated their carrying value attributable to Level 3 in the fair value hierarchy.

27 Contingent liabilities and assets

Based on a press release of the European Commission, the Company informs that on 3 September 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service proceeds to the Company in the context of a strategic reserve measure. The Company's management is not aware of any circumstances that could result in potential significant liabilities for the Company in this respect.

Guarantees issued and received

On 20 December 2019, Ignitis grupė AB entered into a Guarantee Agreement with the Company, by which it irrevocably and unconditionally guaranteed for the payment for the default of Gamybos Optimizavimas UAB in the amount of EUR 5,000 thousand. The Guarantee Agreement came into force on 1 January 2020.

As at 30 June 2020, no other guarantees were granted or received by the Company to/from other entities.

Litigations

On 16 May 2019, the plaintiff JUMPS UAB brought an action before the Vilnius regional court with a view to obtaining a declaration that the plaintiff cannot be, or should be, subject to excessive damages under the contract for the sale of property. The amount of the claim is EUR 392,854. On 1 January 2019, per court decision the case was dropped. On 26 November 2019 an appeal was received from JUMPS UAB. Court date has not been set yet by the court of appeal. In the Company's view, the claim is unfounded and the penalties are properly imposed under the penalty clause in the contract with the plaintiff.

On 3 January 2020, the minority shareholders of Ignitis Gamyba AB brought an action seeking to invalidate resolutions which were adopted at the Extraordinary General Meeting of Shareholders of the Company on 4 December 2019 to delist the Company's shares from the Nasdaq Vilnius Stock Exchange. The Court applied the temporary protection measures and suspended the delisting of shares of Ignitis Gamyba AB.

On 17 March 2020, the parent company Ignitis grupė AB signed a settlement agreement with Investors' Association that represents minority shareholders of Ignitis Gamyba AB. On 18 March 2020, District Court of Vilnius Region issued the resolution upholding the minority shareholders' statements regarding the waiver of their claims and closed the civil proceedings. The Company's shares were withdrawn from trading in a regulated market from 01/07/2020 (last trading day of shares on Nasdaq Vilnius stock exchange was on 30/06/2020) (refer also to Note 28).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the Six-Month Period Ended 30 June 2020

All amounts are in EUR thousand unless otherwise stated

27 Contingent liabilities and assets (continued)

There were no other significant changes in litigations as from 31 December 2019.

Tax audits

The Tax Authorities may at any time during 3 successive years after the end of the reporting tax year inspect the Company's books and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

28 Subsequent events

From 01/07/2020 the Company's shares were withdrawn from trading in a regulated market (the last trading day of shares on Nasdaq Vilnius stock exchange was on 30/06/2020).

The mandatory buyout of shares of Ignitis Gamyba AB has started on 18 May 2020. The Company's shareholders must sell their shares to Ignitis grupė AB within 90 calendar days. The last day when the shares can be sold under the mandatory buyout is 17 August 2020. That means that the shareholders of the Company will be able to sell shares through the Nasdaq Vilnius Stock Exchange by this date, regardless of the fact that the Company's shares will be already delisted.

On 3 August 2020, Vilnius regional court informed that it received the claim of Ignitis Gamyba AB shareholder V. Martikonis in which the following is requested:

- Determine the correct price of one redeemable ordinary share of Ignitis gamyba AB, which has to be paid by Ignitis grupė AB to V. Martikonis for shares redeemed from him.
- Appoint expertise in order to determine a fair price of Ignitis gamyba AB share.

According to the Company's assesment, this claim does not have any impact over Ignitis gamyba AB withdrawal procces of shares from trading on a regulated market, which ended on 1 July 2020 and ongoing mandatory sale of Ignitis Gamyba AB shares.

There were no other significant events after 30 June 2020 and until the date of approval of the financial statements.
