



UAB "IGNITIS GRUPĖ"

(incorporated with limited liability under the laws of the Republic of Lithuania)

EUR 1,500,000,000

Euro Medium Term Note Programme

UAB "Ignitis grupė" (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 1,500,000,000 in aggregate principal amount of notes (the "**Notes**") as described in this Base Prospectus (the "**Base Prospectus**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), as a base prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to Notes issued under the Programme described in this Base Prospectus. This Base Prospectus constitutes a prospectus for the purposes of Article 8 of the Prospectus Regulation.

This Base Prospectus is valid for a period of twelve months after the date hereof. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Applications have also been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the official list (the "**Official List**") and to trading on the regulated market (the "**Regulated Market**") of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer (which may include the Nasdaq Vilnius Stock Exchange, a regulated market for the purposes of MiFID II). Application has been made for a certificate of approval under Article 25 of the Prospectus Regulation to be issued by the CSSF to the competent authority in the Republic of Lithuania.

The CSSF has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of any Notes that are the subject of this Base Prospectus. In accordance with Article 6(4) of the Luxembourg act dated 16 July 2019 on prospectuses for securities (the "**Luxembourg Law on Prospectus**"), by approving this Base Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not make any representation in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer. Investors should make their own assessment as to the suitability of investing in such Notes. This Base Prospectus is valid for a period of twelve months from the date of approval.

The Issuer has been assigned a long-term senior unsecured rating of BBB+ (negative outlook) by S&P Global Ratings Europe Limited ("**Standard & Poor's**") but the Programme has not been separately rated. Standard & Poor's is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche (as defined herein) of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Issuer.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

Arrangers

BNP PARIBAS

CITIGROUP

J.P. MORGAN

Dealers

BNP PARIBAS

CITIGROUP

J.P. MORGAN

LUMINOR

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IMPORTANT NOTICES

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect its import.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as supplemented by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

Other Relevant Information

This Base Prospectus must be read and construed together with any supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Unauthorised Information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Dealer) in connection with the issue or offering of any Notes. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on Distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Programme Limit

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 1,500,000,000 and for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Use of Proceeds

None of the Dealers will verify or monitor the proposed use of proceeds of Notes issued under the Programme.

Certain Definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. In addition, unless otherwise defined in this Base Prospectus, capitalised terms shall have the meanings given to them in the section headed "*Glossary*".

Rounding

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Websites

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Information Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

Ratings

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Notice to Investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

IMPORTANT – EUROPEAN ECONOMIC AREA AND UNITED KINGDOM RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area or the United Kingdom may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under E.U. Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

BENCHMARKS REGULATION

Interest payable under the Floating Rate Notes may be calculated on the basis of the reference rates LIBOR or EURIBOR (each as defined herein), which are benchmarks for the purposes of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"): see "*Risk Factors—6.4 The regulation and reform of benchmarks may adversely affect the value of Notes linked to such benchmarks*".

LIBOR is provided by ICE Benchmark Administration Limited and EURIBOR is provided by the European Money Markets Institute. As at the date hereof, both ICE Benchmark Administration Limited and the European Money Markets Institute appear in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**").

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe," "estimate," "anticipate," "expect," "forecast," "foresee," "aim," "intend," "may," "plan," "project," "seek," "should," "will," "would" or, in each case, similar expressions or the negative thereof, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. They appear in a number of places throughout this Base Prospectus and include statements regarding the Group's or the Issuer's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Issuer cautions prospective investors that forward-looking statements are not guarantees of future performance and that the actual results of the Group's operations, including its financial condition and liquidity, and the development of the Group's industry may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the Group's industry are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause these differences include, but are not limited to:

- a decrease in demand for electricity and gas;
- the Group's strategy, outlook and growth prospects;
- the Group's ability to expand its business and generation capacity;
- fluctuations in electricity generated by the Group's power plants;
- changes in government regulation and expectations as to future governmental policies and actions;
- unanticipated increases in costs of resources;
- fluctuations in interest rates and other market conditions, including foreign currency exchange rates;
- the Group's ability to generate cash flow and to finance its capital expenditure needs;
- any decision by the Government of the Republic of Lithuania (the "**Government**") to undertake a full privatisation of the Issuer;
- diverse political, economic, legal, tax and other conditions affecting the markets in which the Group operates;
- competition in the markets in which the Group operates and its ability to compete in such markets;
- costs, liabilities and penalties the Group may incur in connection with litigation;
- other risks and factors discussed in this Base Prospectus including those under the heading "*Risk Factors*"; and
- other factors that are unforeseen or beyond the Group's control.

Although the Issuer believes the expectations reflected in any forward-looking statement are reasonable, the Issuer cannot give any assurance that they will materialise or prove to be correct.

The Issuer urges prospective investors to read "*Risk Factors*", "*Description of the Group*" and "*Regulation*" for a more complete discussion of the factors that could affect the Issuer's future performance, its industry and related regulation thereof. In light of these risks, uncertainties and assumptions, the events described or suggested by the forward-looking statements in this Base Prospectus may not occur.

These forward looking statements speak only as of the date on which the statements were made. Except as required by law or applicable stock exchange rules or regulations, the Issuer undertakes no obligation to update or revise publicly any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Certain information contained in this Base Prospectus was derived from various public sources, including information published by the National Commission for Energy Control and Prices and the United Nations Framework Convention on Climate Change. Where information has been sourced from a third party, the source has been identified, the information has been accurately reproduced and (as far as the Issuer is aware and is able to ascertain from information published by that third party) no facts have been omitted which could render the reproduced information inaccurate or misleading.

The Issuer believes that the market and industry information contained in this Base Prospectus provides fair and adequate estimates of the size of the Group's market and fairly reflects the Group's competitive position within that market. However, the Group's internal company surveys and management estimates have not been verified by any independent expert, and the Issuer cannot give any assurance that a third party using different methods to assemble, analyse or calculate market data would obtain or generate the same results.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Issuer believes that these industry publications, surveys and forecasts are reliable but the Issuer has not independently verified them and cannot guarantee their accuracy or completeness. Further, the information presented in this Base Prospectus has been derived from several sources, as there is no single industry report or other source that covers all of the areas in which the Group conducts its operations.

GENERAL DESCRIPTION OF THE PROGRAMME

The following information is derived from, and should be read in conjunction with, the full text of this Base Prospectus. You should read the whole document and not just rely on the overview information, which should be read as an introduction to this Base Prospectus. Any decision to invest in Notes issued under the Programme should be based on consideration of this Base Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview.

- Issuer:**..... UAB "Ignitis grupė"
- Programme Limit:** Up to EUR 1,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
- Risk Factors:** Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.
- Arrangers:** BNP Paribas, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited and J.P. Morgan Securities plc
- Dealers:** BNP Paribas, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, J.P. Morgan Securities plc and Luminor Bank AS and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
- Fiscal Agent:**..... Citibank N.A., London Branch
- Registrar:**..... Citigroup Global Markets Europe AG
- Paying Agents and Transfer Agents:** Citibank N.A., London Branch
- Final Terms or Drawdown Prospectus:** Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and relevant Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.
- Listing and Trading:**... Applications have been made for Notes issued under the programme to be admitted during the period of twelve months after the date hereof to listing on the Official List and to trading on the Regulated Market of the Luxembourg Stock Exchange and the Nasdaq Vilnius Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. Application shall be made for a certificate of approval under Article 25 of the Prospectus Regulation to be issued by the CSSF to the competent authority in the Republic of Lithuania.
- Clearing Systems:** Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent and the relevant Dealer(s).
- Method of Issue:**..... The Notes will be issued in Series. Each Series may be issued in one or more Tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect

of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.

Forms of Notes: Notes may be issued in bearer form or in registered form.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in a new global note form (a "**Classic Global Note**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached.

Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).

Status: The Notes will constitute direct, general and (subject to Condition 5 (*Negative Pledge*)) unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Issue Price: Notes may be issued at any price on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Subject to compliance with all relevant laws, regulations and directives, the Notes will have a minimum maturity of one year.

According to the Luxembourg Law on Prospectus relating to prospectuses for securities, the CSSF is not competent to approve prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and which also comply with the definition of securities in the Luxembourg Act.

Redemption: Notes may be redeemable at par or such other Redemption Amount as may be specified

in the relevant Final Terms.

Optional Redemption (including Make-Whole Redemption):... The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.

If a Change of Control Put Option is specified in the relevant Final Terms, following the occurrence of a Change of Control, the Noteholders will be entitled to request the Issuer to redeem or, at the Issuer's option, procure the purchase of their Notes, as more fully set out in Condition 10(f) (*Redemption and Purchase – Change of Control Put Option*).

If specified in the relevant Final Terms, the Issuer will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date, at the Make-Whole Redemption Amount. See Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*).

Tax Redemption:..... Except as described in "*Optional Redemption (including Make-Whole Redemption)*" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase—Redemption for tax reasons*).

Interest:..... Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate ("**Fixed Rate Notes**") or a floating rate ("**Floating Rate Notes**") and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Denominations: No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or its equivalent in any other currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Negative Pledge:..... The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).

Cross Default:..... The Notes will have the benefit of a cross default provision, as described in Condition 14(c) (*Cross-default of the Issuer or Material Subsidiary*).

Taxation:..... All payments of principal and interest in respect of Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Lithuania or any political subdivision therein or authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law or required to be paid subject to Condition 13 (*Taxation*). In that event, the Issuer shall (subject as provided in Condition 13 (*Taxation*)) pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders after such withholding or by them had no such withholding or deduction been required, all as described in "*Terms and Conditions of the Notes—Taxation*". For further information, see "*Taxation—The Republic of Lithuania Taxation —Withholding Tax, Income Tax*".

The Issuer will pay additional amounts in respect of this withholding tax on interest so that Noteholders receive the full amount they would have received had there been no such withholding tax on interest. For so long as the Notes are held in global form, the Issuer will pay such additional amounts on the entire principal amount of the Notes represented by such Global Note.

Rating: Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the applicable Final Terms or Drawdown Prospectus. A rating is not a recommendation to buy, sell or hold securities and may be subject to

supervision, change or withdrawal at any time from the assigning rating agency.

Governing Law: English law.

Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the EEA and the United Kingdom (with respect to retail investors), the Republic of Lithuania, Japan, Hong Kong and Singapore see "*Subscription and Sale*" below.

Use of Proceeds: The Issuer will use the net proceeds from the issue of each Series of Notes:

- a. for its general corporate purposes; or
- b. to finance or refinance, in whole or part, Eligible Projects meeting the eligibility criteria set out in the Green Bond Framework, in which case the relevant Final Terms will indicate whether or not the Notes are intended to constitute Green Bonds (as defined herein) and will provide additional information in relation to the intended use of proceeds in respect of any Green Bonds.

See "*Use of Proceeds*" for more information.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in Notes issued under the Programme, prospective investors should carefully consider risk factors associated with any investment in any Notes, the business of the Issuer and the Group and the industry in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

The following should be used as guidance only but are the material risks that the Issuer believes to be the most relevant to an assessment by a prospective investor of whether to consider an investment in Notes issued under the Programme. Additional risks and uncertainties relating to the Issuer and the Group that are not currently known to the Issuer at the date of this Base Prospectus, or that it currently deems immaterial as at such date, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and/or the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in Notes issued under the Programme is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Base Prospectus. Please see "Forward-Looking Statements".

RISKS RELATING TO THE ISSUER AND THE GROUP

1. Legal and regulatory risks

1.1 The Group is subject to regulations in the Republic of Lithuania and other countries in which it operates, and these regulations are complex and subject to change.

The Group is subject to the laws of the Republic of Lithuania and other countries and jurisdictions including Latvia, Estonia, Poland, Finland and the European Union (the "E.U."), as well as the regulations of the regulatory agencies of the Republic of Lithuania and the other countries in which it operates, see "*Regulation*". These laws and regulations, particularly those of the Republic of Lithuania, affect many aspects of the Group's business and, in many respects, determine the manner in which the Group conducts its business and the fees it charges or obtains for its products and services, including in respect of electricity distribution, natural gas distribution, supply of electricity to household units and guaranteed electricity (B2B) and natural gas supply services. In particular, as an owner and operator of gas fired power plants, renewable energy facilities and electricity and gas distribution and heat generation businesses, and as a public supplier of electricity and a developer of combined electricity and heat generation plants in the Republic of Lithuania, the Group is subject to extensive governmental and other regulations in the Republic of Lithuania.

For the year ended 31 December 2019, 62.6 per cent. of the Group's revenue (compared to 49.2 per cent. in 2018) and 82.6 per cent. of the Group's adjusted EBITDA (compared to 87.7 per cent. in 2018) depended on regulated tariffs (including final electricity and natural gas prices). Such tariffs are reviewed and/or reset by the National Energy Regulation Council ("**NERC**") in the Republic of Lithuania every six months. However, the Group cannot give any assurance that new tariff mechanisms would be put in place or that regulated tariffs would be set at a level which would allow it to preserve its short-, medium- or long-term investment capacity, while ensuring a fair return on the capital invested in its distribution, generation and supply assets.

Accordingly, any new regulation or any changes in the existing regulations or requirements of the Government or regulatory authorities in the Republic of Lithuania or the other countries in which the Group operates, may require significant changes in its business in ways that it cannot predict. Any new regulations or requirements that cause the Group to restructure or otherwise change its business in any way and any changes in regulated tariffs, particularly those that may affect the Group's revenues from electricity or gas distribution, could have a material adverse effect on its business, results of operations and financial condition. In addition, it may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on its business, results of operations and financial condition.

In addition, the introduction of new regulations and requirements which impact on infrastructure projects directly or indirectly (via other institutions and publicly or privately owned companies) during the period between project initiation and delivery create a risk that the Group may need to change or upgrade the mechanisms or equipment involved and may lead to delays and/or increased costs which in turn may have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

For more information on the Group's disputes relating to the regulated tariffs, please see "*Description of the Group—Legal Proceedings*".

1.2 The Group is subject to the regulatory regime associated with the selection of tertiary power reserves and other related service providers in the Republic of Lithuania and these regimes are subject to change.

Historically, AB "Ignitis gamyba" ("**GEN**") has been one of the major providers of tertiary power reserve services to the transmission system operator ("**TSO**") in the Republic of Lithuania. These services are intended to ensure the reliable operation of the national electricity system and to restore the exhausted primary and secondary power reserves where necessary. The provision of these services by GEN contributed 3.6 per cent. of the Group's revenues and 6.7 per cent. of the Group's adjusted EBITDA for the year ended 31 December 2019 (compared to 4.1 per cent. and 7.5 per cent., respectively, in 2018).

At the end of 2019, the Ministry of Energy and the TSO introduced a new ancillary service in the Republic of Lithuania, the "isolated regime service" to enable the national electricity system in the Republic of Lithuania to operate without interconnection with other countries until 2025 (when it expects to be connected with Continental Europe). GEN will provide this service in 2020.

However, there are uncertainties as to whether GEN will continue to provide the isolated regime services or the tertiary power reserve services in the upcoming years, and whether GEN will successfully bid for, and be selected as the provider of such services in the future. If GEN is not selected as the provider of the above-mentioned services, this could have a material adverse effect on the Group's business, results of operations and financial condition.

1.3 State-aid notification risk.

The Group is subject to the E.U. state-aid rules which prohibit it from receiving any state or public aid which would distort or threaten to distort competition by favouring it or the production of certain goods unless the aid falls within one of the exemptions set out in the Treaty on the Functioning of the E.U. ("**TFEU**").

On 3 June 2019, the European Commission ("**Commission**") initiated proceedings pursuant to Art. 108(2) of the TFEU under case number SA.44725 (2019/NN) and SA. 45193 (2016/FC). The Commission commenced proceedings on the basis that payments to GEN for (i) mandatory electricity generation and (ii) holding strategic electricity power reserves during the period from 2013 to 2018 were in contravention of Article 107(3) of the TFEU and the Guidelines on State aid for Environmental Protection and Energy 2014-2020 ("**EEAG**"). The Ministry of Energy and GEN have provided their response to the claim to the Commission. If GEN's challenge to such proceedings is unsuccessful and such measures are recognised as inappropriate, GEN may be required to repay some or all of the payments received from such services.

On 28 October 2013, the Ministry of Energy notified the Commission of support measures for the construction and operation of a liquefied natural gas terminal (the "**LNG Terminal**") in the Klaipėda Seaport (SA.36740 (2013/NN) to AB Klaipėdos Nafta ("**KN**"). UAB LITGAS ("**LITGAS**"), as KN's subsidiary, was the beneficiary of these support measures. On 20 November 2013 the Commission adopted Decision C(2013) 7884 in which the support measures provided (the "**2013 Decision**"), were approved. On 3 October 2016, the Issuer acquired 33.3 per cent. of the shares of LITGAS from KN and became the sole shareholder of LITGAS. As a result of the acquisition, and subsequent merger of LITGAS with its subsidiary, UAB "Ignitis" ("**IGN**") (formerly known as, UAB "Lietuvos Energijos Tiekimas") on 1 January 2019, the benefit of the support measures approved by the Commission under the 2013 Decision transferred to IGN. On 28 July 2016, the Achemos Grupė UAB and Achema AB brought an action to the court against the 2013 Decision, which was dismissed in September 2019 (case number T-417/16). In November 2019, Achema AB appealed the dismissal (case number C-847/19) and such appeal is ongoing. See "*Description of the Group – Legal Proceedings*" for further information. If the appeal is successful and such measures are recognised as inappropriate, the Issuer may be required to repay some or all of the payments received from such tariffs.

On 9 July 2018 the Ministry of Energy notified to the Commission of amendments to the scheme, approved by the 2013 Decision. Under the amendments IGN was obliged to supply LNG to keep the LNG Terminal operational at all times and a supplement was set and approved by the NERC, to be collected from all users of natural gas (the "**LNG Supplement**"). The LNG Supplement was introduced for the benefit of IGN in order to enable its operations to be financed by all gas customers as remuneration for the performance of this service, deemed to be a "service of general economic interest". The notification submitted on 9 July 2018 (the "**2018 Notification**") covered: (i) state aid provided for the period from 2016 to 2019, which was notified late, and (ii) the period from 2019 to 2024.

The Commission made an assessment in relation to the 2018 Notification and on 31 October 2018, it adopted the Decision C(2018)7141 (the "**2018 Decision**") approving the state aid measures set out in the 2018 Notification on the grounds that such measures do not contravene Article 106(2) of the TFEU. On 4 July 2019, AB Achema and UAB Achema Gas Trade brought an action for the annulment of the 2018 Decision to the court. On 6 February 2020, IGN submitted an appeal in support of the Commission's decision. For further information, see "*Description of the Group – Legal Proceedings*".

As a result of such notifications, ongoing investigations and court proceedings, there is a risk that the services provided by the Group will be recognised as inappropriate by the competent courts of the E.U. (with or without the requirement for repayment of some or all revenues already received from the services provided). This could potentially lead to a material adverse effect on the Group's business, results of operations and financial condition.

1.4 The Group is also subject to the regulatory regime associated with the Commission approved designated supplier model that is subject to regular Government approval for scope and duration.

The Group through its subsidiary, IGN, performs designated supply obligations, including ensuring the LNG Terminal is operational at all times by providing baseload LNG deliveries (around four conventional LNG cargoes per year until 2024). To ensure the fulfilment of this obligation, IGN has a contract with Equinor, valid until 2024, to purchase the requisite annual LNG cargoes. IGN is receiving state aid for the price difference between the contracted price and the local market price as well as for technical losses that exceed the losses of other terminal users in addition to the financial costs of the long term contract guarantee. The Government has approved the volumes of the annual LNG deliveries for the uninterrupted operation of the LNG Terminal for the period between 2016-2020. This decision is expected to be renewed in IGN's favour for the following period (2021-2024). There is a risk that, if the Government considers the local market is able to ensure the uninterrupted operation of the LNG Terminal, the Government may decrease the annual volume of LNG deliveries provided by IGN as designated supplier or decide not to renew the duration of the designated supplier model from 2021 to 2024. If IGN's appointment is not renewed or extended for 2021-2024 or if the volumes of the deliveries decrease, IGN may face increased costs which could have a material adverse effect on the Group's business, results of operations and financial condition.

1.5 The Group is subject to the risks associated with E.U. regulation of energy market mechanisms, including the credit and cash settlement requirements for trading of commodities and financial instruments.

The Group, through its subsidiaries IGN, Ignitis Polska sp. Z o. o., Ignitis Latvia SIA and Ignitis Eesti OÜ, trades financial and physical products on wholesale electricity markets. E.U. regulations, such as the E.U. Regulation on Wholesale Energy Market Integrity and Transparency (the "REMIT"), MiFID II and the E.U. Regulation on European Market Infrastructure Regulation, require compliance with the wholesale commodity trading rules, including potential cash margining requirements. These regulations have significantly modified financial and commodity instrument rules based on rules of the European Federation of Energy Traders and of the International Swaps and Derivatives Association ("ISDA"). Changes to credit and cash settlement requirements require the Group to put-forward cash margining to cover mark-to-market of all the Group's wholesale forward sales of electricity used for hedging the electricity it has purchased for its supply portfolio in case of power price increases and in connection with its proprietary trading activities. Due to the amount of the Group's hedged volume and the volatility of power prices, such requirements could result in significant liquidity needs. As a result, failure of the Group to comply with such E.U. regulation of energy market mechanisms, including any changes to credit and cash settlement requirements for trading of commodities and financial derivative instruments, could have a material adverse effect on the Group's business, results of operations and financial condition.

1.6 The Group is subject to public procurement regulations, which are often difficult to interpret and apply.

In many areas of the Group's business, the Group is bound by the provisions of applicable public procurement laws. These provisions apply, *inter alia*, to the procedure for selecting the Group's suppliers, construction contractors and service providers. The provisions of these laws are often difficult to interpret and apply, and may, in particular, lead to a significant extension of the selection process. In addition, a contract concluded in breach of applicable public procurement laws may be declared null and void and penalties of up to 10 per cent. of the contract value may be imposed on a contracting authority or contracting entity. If the Group were found to be in breach of such a law, and the contract subject to the law was found to be null and void, the Group may have to pay penalties and there may be a resulting adverse effect on the Group's business, results of operations and financial condition.

1.7 The Group is subject to Anti-Money Laundering ("AML") laws and regulations and where it fails to comply, it could incur penalties, sanctions or suspension of activities.

UAB Elektroninių mokėjimų agentūra ("EMA"), which provides financial services, including services for collection of payment from the Group's customers, is subject to requirements regulating money laundering and terrorist financing prevention. Failure to adhere to such requirements might result in a fine of up to 10 per cent. of Group revenues and the suspension of EMA activities. EMA is exposed to risks from unintentional breach of such requirements by its employees, suppliers, sub-suppliers, energy customers, agents, joint venture partners or other third parties involved in its projects or activities. Any incidents of non-compliance with applicable laws and regulations by the employees, suppliers, agents or other third parties, may cause EMA or the Group to be subject to significant fines, prevent EMA or the Group from participating in certain projects or may lead to other consequences, including, but not limited to, the termination of existing contracts, in each case which could have a material adverse effect on the Group's reputation, business, results of operation and financial condition.

1.8 The Group is subject to a variety of litigation and regulatory proceedings and it cannot give any assurances as to their outcome.

In the ordinary course of the Group's business, it is subject to numerous civil, administrative and arbitration proceedings. See "*Description of the Group—Legal Proceedings*". Although the Group believes it has sufficient funds to cover all amounts payable by it in connection with such proceedings, it cannot give any assurance of this. The Group's failure to assess the likely outcome of any proceedings against it could have a material adverse effect on its business, results of operations and financial condition. The Group has not recorded provisions in respect of any legal,

regulatory or administrative proceedings to which it is a party or in which it may become a party.

The Group also has potential liability arising from injuries to, or deaths of, workers, including, in some cases, workers employed by its contractors. The Group's insurance, in particular with respect to GEN, AB "Energijos skirstymo operatorius" ("**ESO**") and UAB Energetikos paslaugų ir rangos organizacija ("**EPR**"), for health and safety claims or the relevant workers' compensation arrangements may not be adequate to meet the costs that may arise up on any future health and safety claims. Any failure by the Group to adequately cover these costs may have a material adverse effect on the Group's business, results of operations and financial condition.

1.9 Risks associated with the implementation of the Energy Efficiency Directive.

On 25 October 2012, the E.U. adopted Directive 2012/27/EU on Energy Efficiency (the "**Energy Efficiency Directive**"). The Energy Efficiency Directive establishes a common framework of measures for the promotion of energy efficiency within the E.U. in order to ensure the achievement of the E.U. 2020 target of a 20 per cent. improvement in energy efficiency.

In November 2016, the Republic of Lithuania adopted the requirements of the Energy Efficiency Directive by implementing the Law on Energy Efficiency. Pursuant to this law, ESO concluded two agreements with the Lithuanian Ministry of Energy under which ESO, by the end of 2020, is obliged to, inter alia, achieve energy savings of:

- 1636 GWh through an agreement on implementation of energy efficiency measures; and
- 1 per cent. of energy supplied during the last calendar year prior to the signing date of the agreement (15 November 2017 and 31 October 2019) through an agreement on educational and consulting measures.

There are no indications that ESO would not achieve the energy savings target. However, if ESO fails to achieve the required energy savings target, it may receive a warning or a fine of up to 5 per cent. of its annual revenue for violating the agreement on implementation of energy efficiency measures, and a warning or a fine of up to 3 per cent. of its gross annual income for violating the agreement on educational and consulting measures.

GEN and other Group companies engaged in energy supply activities have also entered into agreements on educational and consulting measures with the Lithuanian Ministry of Energy and are subject to the same terms as ESO outlined above.

Accordingly, the failure of the Group, ESO, GEN or any other Group company engaged in energy supply activities to implement the educational measures and achieve the required energy savings could have a material adverse effect on the Group's business, results of operations and financial condition.

2. Risks related to the Group's business activities, competition and strategy

2.1 Risks relating to the liberalisation and deregulation of electricity market in the Republic of Lithuania.

The Group is exposed to significant and increasing competition in the electricity market in the Republic of Lithuania. The electricity market is fully liberalised and, other than public supply (i.e. supply to household customers), fully deregulated in the Republic of Lithuania, see "*Description of the Group—The Group's Business Segments—Customers and Solutions – Supply of electricity – Public supply of electricity*". The liberalisation and partial deregulation of the electricity market in the Republic of Lithuania has created a more competitive environment with an increased number of market participants, which has reduced the Group's market share in the Republic of Lithuania, as well as affected its pricing. Given the ongoing development in this market, the increasing activity of energy sellers and a growing number of customers who change their energy supplier, the Group is exposed to the risk of losing existing electricity supply customers which as at 31 December 2019 amount to approximately 1.6 million and will result in decreased revenue.

On 7 May 2020, the Parliament of the Republic of Lithuania approved amendments to the Law on Electricity in relation to the gradual liberalisation and deregulation of the public supply of electricity to household customers in three phases (in 2021, 2022 and 2023, respectively). It is expected that the law will be finally promulgated by the end of May 2020. Under these amendments, the current electricity price regulation and tariff for household customers will be abolished and household customers will have to choose an independent electricity supplier. If household customers fail to choose a supplier within a predefined period, they will be automatically shifted to the guaranteed supply service performed by the electricity distribution system operator. Thus, the Group is exposed to the risk of losing existing household customers as a result of such customers selecting other independent electricity suppliers.

The Group cannot anticipate all of the various risks and opportunities that may arise from the ongoing deregulation of the Lithuanian energy market. The complete implementation of the deregulation process is intended to eliminate regulated retail tariffs, which is expected to further increase competition. The ongoing changes to the Lithuanian energy market could have a material adverse effect on the Group's business, results of operations and financial condition.

2.2 The Group may not successfully manage the risks associated with expanding its international operations and integrating newly acquired subsidiaries and it may face significant risks and liabilities or rating downgrades as a result of such acquisitions.

Since the Issuer was established, it has expanded its operations through mergers and acquisitions locally and internationally and continues to do so (please see "*Description of the Group—History and Development of the Group*" and "*Description of the Group—The Group's Strategy*"). The Group faces many risks inherent in expanding its operations, such as unexpected changes in regulatory requirements; default by the Group's partners; trade barriers, including import and export controls, tariffs, customs and duties; difficulties in staffing and managing foreign operations; increased competition in fully liberalised and deregulated foreign markets; existing incumbents; lack of brand recognition; longer payment cycles and problems in collecting accounts receivable; fluctuations in currency exchange rates; foreign exchange controls which restrict or prohibit repatriation of funds; technology export and import restrictions or prohibitions; and potentially adverse tax consequences. Any failure to manage the risks associated with expanding the Group's operations could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, although due diligence reviews are undertaken in relation to acquisitions, such reviews may not reveal all existing or potential risks and liabilities and the Group cannot give any assurance that its acquisitions are not or will not become subject to liabilities of which it is unaware. While warranties and indemnities are generally obtained where practical and appropriate, the Group cannot give any assurance that it would be able to enforce its contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of businesses or assets with risks or liabilities of which the Group was or may be unaware, or did not correctly assess or assume, or against which the Group did not obtain full legal protection, could have a material adverse effect on its business, results of operations and financial condition.

The Group cannot give any assurance that it will successfully integrate its previous acquisitions in an efficient and effective manner or that it will be able to identify, consummate and integrate future acquisitions. The Group's failure to integrate its acquisitions and to manage any of the risks and costs associated with such integration, could have a material adverse effect on its business, results of operations and financial condition.

In addition, any future acquisition of highly leveraged companies (and the funding of such acquisitions through debt finance) might result in worsening of the Group's financial condition and therefore, lead to rating downgrades in the future.

2.3 The Group is exposed to risks arising from its activities on the wholesale energy and financial markets.

The Group operates in the deregulated energy markets in Europe, including the Nord Pool Exchange, Nasdaq Commodities Exchange, TGE (Polish Power Exchange) and UAB GET Baltic ("**GET Baltic**"), through its trading activities, see "*Description of the Group—The Group's Business Segments—Customers and Solutions*". The Group plans to expand its trading and supply businesses by increasing the volume of energy derivative products that it trades and by increasing supply to Latvia and Finland as well as trading in Poland and potentially other foreign markets. As a result, the Group is exposed to price fluctuations in the wholesale energy markets, affecting the prices at which it can purchase electricity and gas. Any such fluctuations in the wholesale energy markets could have a material adverse effect on the Group's business, results of operations and financial condition. The Group is also exposed to interest rate risks by virtue of its incurrence of loans and borrowings with variable interest rates and, in the future, the expansion of its businesses in markets other than the Republic of Lithuania could also expose the Group to currency risks.

The Group seeks to hedge these risks by entering into fixed price bilateral contracts and futures contracts on commodity exchanges, over the counter commodity markets and swaps traded in over the counter financial markets. To the extent the Group is unable to hedge these risks, enters into hedging contracts that fail to address its exposure or incorrectly anticipate market movements, the Group may suffer significant losses which could have a material adverse effect on its business, results of operations and financial condition.

Additionally, any reduced access to the electricity wholesale markets could lead to a significant drop in trading volumes and revenue which could have a material adverse effect on the Group's business, results of operations and financial condition.

2.4 Risks from potential participation in capital intensive projects.

The Group may participate in extensive investment projects such as the development of co-generation plants in Vilnius and Kaunas, the modernisation and renewal of its distribution network, development of large-scale renewable energy projects, partnerships involving different structures and mergers and acquisitions. The Group may invest resources in due diligence and other types of consulting particularly in connection with a project's economical, legal or technical feasibility, however, the Group may have to cancel or withdraw from such projects. The Group's participation in, or withdrawal from, new, capital intensive, projects may increase the Group's exposure to operational and/or financial risk levels, which could have a material adverse effect on its business, results of operations and financial condition.

In addition, the development of energy infrastructure projects often also impacts on the local community resulting in claims or proceedings being brought in relation to such projects. Such claims or proceedings may cause project

delivery delays and may decrease the profitability of infrastructure projects which, in turn, may have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

The Group's operations are capital intensive because the production of energy and its distribution requires the construction of adequate infrastructure. Depending on the technology and type of infrastructure, from 5 per cent. to as much as 70 per cent. of the cost of construction is related to the purchase of materials, equipment and parts, the price of which depends on many factors beyond the Group's control. Any increase in the price of these materials, equipment or components translates into an increase in the cost of energy production and may decrease the profitability of proposed development projects and could also have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

2.5 Development of new energy technologies.

The Group is exposed to risks arising from its investment in the development in new business activities and energy technologies in which it has limited expertise, such as smart metering systems, Solar PV, offshore wind, energy storage solutions, energy saving financing solutions, solar power solutions, street lighting modernisation or charging station infrastructure for the development of electric vehicles.

Products offered and projects developed by the Group bear specific risks, including, *inter alia*, long-term capital commitments and capital intensity. Such long-term capital commitments are made based on assumptions about technological, legal, financial and economic environment. A failure to manage such risks, or any deviation from such assumptions may result in the Group making a loss on its investments and have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

2.6 Default or delay by any of the Group's counterparties (which include its partners, contractors, customers, subcontractors and suppliers) as well as by financial and insurance institutions may have an impact on its results of operations and financial condition.

The Group undertakes significant capital expenditures related to the modernisation, renewal and construction of its distribution assets and energy power plants. The Group faces the risk of potential default or delay by its counterparties (which include its partners, contractors, subcontractors and suppliers), especially in cases of financial hardship or bankruptcy. Any default by the Group's counterparties may affect the cost and completion of its projects, the quality of its work, the supply of certain critical products or services or expose it to reputational risk, business continuity risk and the loss of important contracts, as well as to substantial additional costs, particularly in cases where it would have to pay contractual penalties, find alternative counterparties or complete work itself, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's revenues are partly generated by sales to end-consumers or wholesale partners and state owned customers across the Republic of Lithuania and other Baltic markets as well as Finland and Poland. There is a risk that some of the Group's key counterparties, end-consumers or suppliers could default on or dispute their contractual obligations with the Group, which could have a material adverse effect on its business, results of operations and financial condition. The credit quality of the Group's counterparties may deteriorate during adverse economic conditions, which may threaten the results of its hedging strategy, which in turn could have a material adverse effect on its business, results of operations and financial condition.

2.7 Future privatisation of the Issuer may result in a credit downgrade or may affect the Group's ability to repay debt, which could have a material adverse effect on its results of operations and financial condition.

The Republic of Lithuania, through the Ministry of Finance, is the sole shareholder of the Issuer. On 28 February 2020, a working group set up by the Ministry of Finance to assess the Group's long-term financing alternatives officially recommended offering the Issuer's shares (representing at least 25 per cent. and not exceeding 33.33 per cent. of its authorised capital) to the public. On 23 March 2020, the Issuer received a formal request from the Ministry of Finance to commence an initial public offering ("**IPO**") in line with the recommendation from the working group. Following the IPO, it is intended that the Ministry of Finance would remain the controlling shareholder of the Issuer and retain its existing decision making powers (for more information, see "*Business Description – Shareholder*").

Although the Group does not currently expect the Government to privatise the Issuer, the Group cannot give any assurance that the Government or any future government of the Republic of Lithuania will not initiate changes of relevant legislation and will not ultimately seek to undertake a full privatisation of the Issuer resulting in the sale of its shareholding in the Issuer. Credit ratings assigned to the Issuer in the future by ratings agencies could be based in part on the opinion of the rating agencies that the Republic of Lithuania may potentially provide support to the Issuer in the event of financial distress. These ratings could come under pressure, potentially leading to a downgrade, if the Issuer is fully or partially privatised and the Republic of Lithuania is no longer a controlling shareholder, which could affect the Group's ability to make repayments on its debt or otherwise have a material adverse effect on its business, results of operation and financial condition.

3. Risks related to the Group's operations

3.1 Failures, breakdowns, planned or unplanned outages as well as natural disasters or sabotage at the Group's power plants (including its hydropower facilities and wind farms) or in its distribution infrastructure may harm its business and reputation.

The Group's power plants (including its gas and biomass heat and power plants, hydropower facilities and wind farms), distribution infrastructure and information systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), sabotage, terrorism, cyber-attacks, fuel interruptions and other causes. The main risk associated with the Group's gas facilities is the risk of accidents or malfunctions occurring via its electricity production units. The main risk associated with the Group's hydropower facilities is the risk of damage during floods. The main risk associated with the Group's wind farms is the risk of breakdowns due to unfavourable weather conditions or for technical reasons. The Group cannot give any assurance that accidents will not occur or that the preventative measures taken by it will be fully effective in all cases, particularly in relation to external events that are not within its control, such as floods and other natural disasters. Any service disruption may cause loss in electricity generation, interruption to gas and electricity supply, which may result in customer dissatisfaction and may also lead to liability for damages, the imposition of penalties and other unforeseen costs and expenses which could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

In addition, the Group may need to temporarily shut down some of its power plants and incur expenses in connection with inspections, maintenance or repair activities in addition to those that the Group currently conducts, including such additional activities that the governmental authorities in the countries in which it operates may require it to conduct. Any physical damage to the Group's facilities may be costly to repair and the Group may not have insurance coverage for all potential losses or its insurance claims may be subject to challenge or delay. As a result, any failure, breakdown or unplanned outages at the Group's power plants or any failure or interruption of its distribution infrastructure could have a material adverse effect on its reputation, business, results of operations and financial condition.

Reports on climate change in the Republic of Lithuania state there is an increasing number of cases of strong wind, heavy rain and storms, which the existing electricity distribution infrastructure will not be able to withstand. This is likely to cause various disruptions to the electricity supply. As part of the Group's strategy, overhead lines are being replaced with underground cables, with priority given to the replacement of lines in high accident-rate areas and forested territories. The Group is also carrying out voltage quality improvements, including the reconstruction of unreliable natural gas steel pipelines and the replacement and reconstruction of other unreliable sections of the electricity and natural gas network and other innovative solutions to improve network reliability. However, these improvements may not prove to be effective, which could result in a material adverse effect on the Group's reputation, business, results of operations and financial control.

The growth in customer base results in an increased demand for strong electricity supply networks. The unreliability of the existing lines and the growing volume of products relying on electricity generation, for example, the increasing number of electric cars and related charging equipment, drawing from the network, cause additional challenges in ensuring a stable supply of electricity. The Group's failure to overcome these issues could have a material adverse effect on its reputation, business, results of operations and financial control.

3.2 Failure to implement and maintain an effective system of financial reporting and internal controls may materially and adversely affect the Group's ability to prepare its consolidated financial information on an accurate and/or timely basis.

The Group's internal controls over financial reporting are intended to ensure: (i) that it maintains accurate records, (ii) promote the accurate and timely reporting of the Group's financial information, (iii) maintain adequate control over the Group's assets, and (iv) detect unauthorised transactions, acquisitions and/or use or disposition of its assets. Effective internal and disclosure controls are necessary for the Group to provide reliable financial reports and to operate successfully as a business. The Group's management is responsible for establishing and maintaining adequate internal controls.

Recently implemented and/or complex accounting standards and interpretations, such as IFRS 9, IFRS 15 and IFRS 16, and the amendments to IFRS 2 and IFRIC 23, have created new and more demanding requirements for financial reporting and disclosures, which require further development of the Group's internal controls.

As a result of such standards, the Group's management has identified certain prior period errors and, accordingly, the financial statements as at and for the years ended 31 December 2018 and 2017, included in this Base Prospectus, have been restated. The restatements resulting from identified errors related to revenues, receivables, and payables from regulatory activities and to electricity trading revenue. In addition, the management introduced certain changes in judgment on applying accounting methods, which led to further restatements. For more information, see "*Presentation of Financial Information of the Group*".

If the Group's financial and reporting procedures and internal controls do not keep pace with the growth in the size

and sophistication of its businesses and the applicable financial reporting framework, the Group may not be able to prepare financial information in a timely and accurate manner, whether in accordance with the Conditions of the Notes or otherwise. This includes the implementation of internal controls by management to ensure that the Group's financial statements are prepared in accordance with IFRS or other applicable financial reporting standards. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. Internal control over financial reporting includes maintaining records that accurately and fairly reflect in reasonable detail the Group's transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of the financial statements; providing reasonable assurance that receipts and expenditures of the Group's assets are made in accordance with management authorisation; and providing reasonable assurance that unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Group's financial statements would be prevented or detected on a timely basis. A failure by the Group to implement and maintain effective internal controls, could result in further material misstatements in its financial statements and/or failure to prepare interim and/or annual financial information in a timely manner, which may cause a need to restate financial statements and/or result in a loss of confidence in its reported financial information, which in turn could have a negative impact on the Group's compliance with the Conditions, access to external financing, and potentially its business and results of operations.

3.3 The Group is subject to cyber security and data breach risks.

Data breaches could expose the Group to a risk of loss or misuse of customer information, litigation and potential liability. Although the Group takes steps to secure information and operational technologies, the security measures the Group has implemented may not be effective, and the Group's systems may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including unauthorised access to the Group's information technology ("IT") and operational technology ("OT") systems, or security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events. There are also concerns in the energy sector regarding the security and integrity of data which is handled through an energy company's IT and OT systems. This is exacerbated by the energy sector's increasing dependence on IT systems and quantity of data collected and processed by those systems which make it essential to ensure the highest degree of reliability of those systems and the security of the data held in them. The growth of cloud services exposes IT infrastructure to additional cyber threats. The Group may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at the Group, its customers and suppliers, or others who have entrusted it with information. Any such cyber-attack or other security issue could result in a significant loss of customer confidence in the Group's business which, in turn, could have a material adverse effect on the Group's business, financial condition, prospects or results of operations and potentially entail incurring significant litigation or other costs.

In addition, data breaches can also occur as a result of non-technological issues, including breaches by the Group or by persons with whom it has commercial relationships that result in the unauthorised release of personal or confidential information. The Group is continuing to work on procedures, technical and organisational measures to ensure that data processing activities are in full compliance with the General Data Protection Regulation ("GDPR"). Violation of the GDPR requirements or any data protection breaches, including through human error or an IT system fault, may result in claims from customers and/or employees and financial sanctions, each of which may in turn have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

3.4 The Group's activities require various administrative authorisations and licences that may be difficult to obtain, maintain or renew or whose grant may be subject to conditions that may become significantly more stringent.

The Group's energy projects development, generation, distribution and supply businesses require various administrative authorisations, at local and national levels, in the Republic of Lithuania (see "*Regulation—Legislation: the Republic of Lithuania—Electricity Sector—Licensing Regime*" and "*Regulation—Legislation: the Republic of Lithuania—Transmission and Distribution of Electricity—Heating Energy Sector—Licensing Requirements*" and "*Regulation—Legislation: the Republic of Lithuania—Transmission and Distribution of Electricity—Gas Sector—Licensing Regime*") and in the other countries in which it operates or intends to open operations. Obtaining these authorisations is not routine and the conditions attached to obtaining them are subject to change and may not be predictable. As a result, the Group may incur significant expenses in order to comply with the requirements associated with obtaining or renewing these authorisations (for example, the cost of preparing applications for authorisations or investments associated with installing equipment that are required before the authorisation can be issued). Delays, extremely high costs or the suspension of the Group's activities due to its inability to obtain, maintain, or renew authorisations, may also have a negative impact on its business activities and profitability. For further detailed information, please see "*Description of the Group—The Group's Business Segments—Customers and Solutions*".

In addition, the Group often invests resources prior to obtaining the necessary permits and authorisations, particularly in connection with feasibility studies and environmental studies, but may have to cancel or withdraw from a project if the Group is unable to obtain the necessary permits or authorisations. Licences for the distribution and supply of electricity and gas and the generation of electricity are granted for an indefinite period, but there is a risk that the Group may be required to reapply for licences should the regulatory framework change in the future. On 11 October 2016, the Supreme Court of Estonia withdrew the permits for the operation of two of the Group's wind turbines in

Estonia. On 31 May 2018, permanent use permits were issued to the wind farms, but the decision was challenged and remains currently under review in court (see "*Description of the Group—Legal Proceedings*"). Any failure to obtain, maintain, renew or extend all the necessary administrative authorisations and licences necessary for the operation of the Group's business and execution of its strategy, could have a material adverse effect on its business, results of operations and financial condition.

3.5 The Group's revenues and results of operations are subject to climatic conditions and seasonal variations that are not within its control.

Electricity, natural gas and heat consumption is seasonal and is mainly affected by climatic conditions. In the Baltic region electricity, natural gas and heat consumption is generally higher during the cold winter months. Electricity generation may also depend on climatic conditions, such as droughts or heat waves (which limit generation due to requirements to observe certain temperature limits for rivers downstream of facilities involved in the cooling of power plants) or speed and direction of winds. Consequently, the income the Group receives from its supply and generation businesses reflects the seasonal character of the demand for electricity, gas and heat consumption and may be adversely affected by significant variations in climatic conditions. The Group may need to compensate for a reduction in the availability of electricity generated by economical means by using other means with a higher generation cost or by accessing the wholesale markets at higher prices, which could have a material adverse effect on the Group's business, results of operations and financial condition.

3.6 The Group is subject to environmental, health and safety laws and regulations and must maintain environmental, health and safety regulatory approvals and it may be exposed to significant liabilities if it fails to comply with such laws or maintain such approvals.

The Group is subject to various environmental, health and safety laws and regulations governing, including among other things laws and regulations relating to: the generation, storage, handling, release, use, disposal and transportation of waste or hazardous materials; the emission and discharge of hazardous materials into the ground, air or water; the decommissioning of its facilities; the environmental impact of windfarms, including noise and shadowing emissions and impact on wildlife, and the health and safety of the public and its employees potentially causing injury or lethal impacts in case of accidents. E.U. regulators and regulators in the countries in which the Group operates administer these laws and regulations. The Group is also required to obtain environmental and safety permits from various governmental authorities for its operations, which may require periodic renewal or review of their conditions as well as continuous monitoring and reporting of compliance with their conditions. The Group cannot give any assurance that it will be able to renew such permits or that material changes to the Group's permits requiring significant expenditures, will not be imposed. Violations of these laws, regulations or permits could result in plant closures, fines or legal proceedings being commenced against the Group or other sanctions, in addition to negative publicity and significant damage to the Group's reputation. While the Group has budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted (for example E.U. legislation may be adopted that imposes additional capital expenditure on the Group's gas-fired power plants). The Group may not at all times be in full compliance with such laws and the Group's costs and liabilities arising from past or future releases of, or exposure to, hazardous substances, may increase which could have a material adverse effect on the Group's business, results of operations and financial condition.

3.7 The Group's equipment and components of its distribution network and power plants are subject to gradual deterioration over time.

The continual operation of the Group's distribution network and power plants, as well as natural processes, such as erosion and corrosion, have an impact on the condition of some of its equipment and components of its distribution network and power plants. The impact of such processes tends to increase as plants, equipment and components grow older. Certain parts of the Group's distribution system network have deteriorated due to a prolonged lack of investments in respect of these assets. There is a risk that the quality of distribution services provided in some locations may not correspond to the safety and service level requirements set out in legal acts. This in turn may lead to additional service interruptions, losses and damages causing the Group additional unplanned repair and maintenance costs, legal disputes, as well as reallocation of resources from other investments projects.

Although the Group seeks to implement new inspections and maintenance practices, including proactively repairing or replacing equipment and components before they fail, as well as implementing its plans to modernise its distribution network and power plant portfolio, the Group cannot give any assurance that it will be successful in its efforts or that maintenance and investment costs will not increase over time, which could have a material adverse effect on its business, results of operations and financial condition.

3.8 The Group's insurance coverage may not be adequate.

The Group has property and machinery insurance for its significant assets, including the power plants in the Elektrėnai Complex. However, it does not (as at the date hereof) have insurance in place for its hydro power plants or electricity and gas distribution assets, see "*Description of the Group—Insurance*". "Rizikos cesija", a Lithuanian consultant, carried out a risk assessment report on the Group's insurance policies in 2019, that identified the lack of insurance

coverage for the hydro power plants as a potential high risk given wide range of accidents that may occur at these power plants. Although the Group is considering carrying out repair works on the Kruonis Pumped Storage Hydroelectric Power Plant and is reviewing its current insurance policies to extend the cover applicable to its hydro power plants, there can be no assurance that the Group will be able to significantly improve the insurance coverage currently in place. For more information, see "*Description of the Group – Insurance*").

Although the Group believes that the possibility of such accidents occurring is low, it cannot give any assurance that its business will not be adversely affected by the costs of accidents or other unexpected occurrences at its facilities for which insurance coverage is not available, has not been obtained by it or is not sufficient, which could have a material adverse effect on the Group's business, results of operations and financial condition.

3.9 Risk surrounding the lack of integrity and the reliability of IT and OT systems.

The complexity of the Group's structure and its operation and the diversity of its IT and OT systems carry a risk of a lack of coordination and cooperation between individual systems. This could limit the possibility of developing effective standards to create and develop more streamlined systems which, in turn, could result in inefficiencies in data handling.

There are many changes, updates and integration features with respect to the Group's IT and OT systems which are being carried out across the Group and the broad scope of those changes carries a risk that new IT and OT solutions may not necessarily achieve the planned cohesion and technological and cost-related interdependence that the Group had expected.

The electricity distribution grid is highly dependent on computer-based control systems. Any failure of the electric grid would have a significant and devastating impact on the economy of whole country regions.

Power plant control systems are especially vulnerable to risks surrounding hardware disintegration and the difficulty of sourcing spare parts on the market to replace and/or upgrade affected hardware. This is compounded by the fact that there is also a shortage of hardware, IT and OT specialists that have the skills to maintain the systems to the standards required.

There are also risks related to outsourcing of IT functions by the Group to third parties, which is most prevalent in respect of IT systems that are custom developed for the Group by a single external third party according to specific needs of the Group. In such circumstances, the Group is dependent on a single third party company which may result in higher development and/or support prices and development and support continuity problems if such company ceases to exist or cannot honour its contractual obligations to the Group.

Finally, unreliability of certain IT systems might cause difficulties in maintaining the full functionality of invoicing systems and result in end users not receiving invoices on time or in the correct amount.

Each of the above factors poses risks to the operations of the Group and if they were to occur, could have a material adverse effect on the Group's business, results of operation and financial condition.

3.10 The Group may not be able to hire, train or retain a sufficient number of qualified staff.

Experienced and capable personnel in the energy industry are in high demand and the Group faces significant competition in its principal markets to recruit such personnel. Consequently, when the Group's experienced employees leave its business, it may have difficulty, and incur additional costs, replacing them. In addition, the loss of any member of the Group's senior management team, or any change to the Supervisory Board or Management Board, see "*Management—Supervisory Board*"), may result in a loss of organisational focus, poor execution of its operations and corporate strategy and its inability to identify and execute potential strategic initiatives in the future, including strategies relating to the growth of its business. The Group's failure to hire, train or retain a sufficient number of experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or to recruit skilled professional and technical staff in pace with its growth, could have a material adverse effect on its business, results of operations and financial condition.

4. Risks relating to the political and economic environment

4.1 Political developments in the E.U. and in other countries where the Group has or plans to have a business presence could have a material adverse effect on its results of operations and financial condition.

Any political developments in the E.U., including any future integration or withdrawal of European countries in the E.U. or changes in the economic policy, executive authority or composition of the E.U. and its institutions, may have an adverse effect on the overall economic stability of the E.U. and the European countries in which the Group's assets and operations are located. Any changes in the political or economic stability of any of the countries in which the Group operates, as well as any political, economic, regulatory or administrative developments in these countries, over which it has no control, could result in the Group having to close down its operations, or incur further costs that would have a material adverse effect on its business, results of operations and financial condition.

Any political or other developments affecting the integration, integrity or stability of E.U. or other energy markets, developments in the regulation of energy supply, the performance of energy markets in other Member States, and the

performance of financial markets in the E.U. and elsewhere could have a material adverse effect on the state of the Lithuanian economy and on the Group's business, results of operations and financial condition.

4.2 Poor economic performance in the Republic of Lithuania could have a material adverse effect on the Group's results of operations and financial condition.

The Group's revenues are particularly sensitive to the performance of the Lithuanian economy. As of 31 December 2019, 97.9 per cent. (compared to 98.8 per cent. as of 31 December 2018) of the Group's property, plant and equipment were located in the Republic of Lithuania and majority of its revenues and other operating income for the years ended 31 December 2019 and 31 December 2018 were derived from the Republic of Lithuania. Changes in economic, regulatory, administrative or other policies of the Government, as well as political or economic developments in the Republic of Lithuania (including potential changes in the Republic of Lithuania's credit ratings) over which the Group has no control, could have a significant effect on the Lithuanian economy, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

Before the coronavirus ("**COVID-19**") outbreak, the Lithuanian economy was growing at a positive rate and it was forecasted that its GDP growth would continue at a stable rate. Electricity consumption in the Republic of Lithuania was projected to increase in line with the economy growth trends. However, after the announcement of country-wide quarantine measures as a result of COVID-19, the expected future growth rates of the economy have been adversely affected. The Bank of Lithuania published its forecast in March 2020, announcing an expected GDP decrease by 11.4 per cent. in 2020, followed by an increase by 9.7 per cent. in 2021. The Group performed an assessment of the impact of COVID-19 on the Group's targets and financial results, and found that if the duration of the quarantine in the Republic of Lithuania and the restrictions imposed by other countries continue to remain in force for a period greater than three months, the Group's business, results of operations and financial condition during the year ended 31 December 2020 could be adversely affected (for more information, see "*5.2 COVID-19 could have a material adverse effect on the Group's results of operations and financial condition*" and "*Description of the Group – Recent Developments – COVID-19*").

4.3 The Republic of Lithuania, which is the sole shareholder of the Issuer, can control the Group's policies and may pursue decisions that reflect Government policy.

The Republic of Lithuania, through the Ministry of Finance, is the sole shareholder of the Issuer, the parent company of the Group. As at the date of this Base Prospectus, the Supervisory Board of the Issuer, consists of three independent members. On 8 April 2020, the Issuer's Articles of Association were amended such that the Supervisory Board will consist of seven members, two members nominated by the Shareholder and five members being independent. The Shareholder is currently in the process of selecting two further independent members. The Chairman of the Supervisory Board is independent and, in the case of equality of votes, has the deciding vote. The Republic of Lithuania is being represented by two Supervisory Board members of the Issuer assigned by the Ministry of Finance. Accordingly, the Republic of Lithuania cannot make unilateral decisions on the Supervisory Board, please see "*Description of the Group—Shareholder*". However, the Republic of Lithuania, through its shareholdings, has and will continue to have, indirectly, the power to affect the Group's operations. As a result, certain of the Group's decisions may reflect Government policy.

The interests of the Government may conflict with the Group's objectives as a commercial enterprise and there can be no assurance that the Government will not take any action to further its own objectives which may conflict with the interests of the Group and/or the Noteholders. For example, the Group is subject to and complying with the Government's dividend policy for state owned companies (which may limit the Group's ability to reinvest a proportion of its profits) and the Lithuanian energy policy, which includes the Government's desire for it to build new combined heat and power ("**CHP**") as well as combined cycle gas unit ("**CCGT**") plants in the Republic of Lithuania. Compliance with such decisions could lead to significant capital expenditure as well as the risks inherent in building a CHP plant, including debt capacity risks, which could in turn have a material adverse effect on the Group's ratings, business, results of operations and financial condition. Furthermore, changes to the members of the Issuer's Supervisory Board or Management Board are influenced by the Government as sole shareholder and may be made for political, rather than business, reasons and such changes could have a material adverse effect on the Group's business, results of operations and financial condition.

Certain activities planned by the Group, including mergers and acquisitions, establishment of new legal entities by the Issuer (but not Group subsidiaries) and reorganisations or equity injections into the Group's principal subsidiaries require the approval of the Government, please see "*Description of the Group—Shareholder*". The Issuer and some of the Group's subsidiaries are also subject to additional corporate supervision under the Law on the Protection of the Objects of National Security Importance. If the Republic of Lithuania would lose more than two-thirds of its voting power, Parliament approval (in case of the Issuer) or Government approval (in case of the certain subsidiaries of the Group) would be required.

The Law on the Protection of the Objects of National Security Importance also establishes the principles of liquidation, bankruptcy and realisation of assets of the entities that are important for national security. According to these principles, in case such entities face bankruptcy, the Republic of Lithuania shall have priority acquiring assets relevant

to national security. Therefore, in an event of bankruptcy of the Issuer, its assets may not necessarily be realised for the highest possible price as the Republic of Lithuania may acquire such assets for the price determined in accordance with the Law on the Bases of Property and Business Valuation of the Republic of Lithuania and (to the extent not provided otherwise) the Resolution of the Government of the Republic of Lithuania No. 554 of 12 June 2019, establishing a special procedure for acquisition of the relevant assets.

It should also be noted that in accordance with the Law on the Protection of the Objects of National Security Importance, the Issuer, or any other Group entity, may be directed by the Republic of Lithuania to purchase entities or assets relevant to national security from other entities important for national security.

The powers of the Republic of Lithuania described herein could affect the implementation of the Group's strategy which, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition. There is also a risk that, notwithstanding the Issuer's waiver of immunity, Noteholders may be unable to enforce a court judgment against certain assets of the Issuer.

5. Risks relating to the Group's credit and financial stability

5.1 Poor financial performance in the Group's distribution and generation businesses could have a material adverse effect on the Group's results of operations and financial condition.

The Group's revenues are particularly sensitive to the performance of its networks and green generation businesses. As of 31 December 2019, 45.6 per cent. of the Group's revenues (compared to 42.9 per cent. as of 2018) and 86.2 per cent. of its adjusted EBITDA (compared to 93.5 per cent. as of 2018) were derived from its networks and green generation businesses. Changes in natural gas demand in the Republic of Lithuania and other Baltic countries, changes in electricity prices and the regulatory framework, the development of subsidy-free renewables projects, increases in generation and distribution costs, future developments affecting the electricity and gas infrastructure within the Baltic and Nordic regions, competition in the markets in which the Group operates, political and economic developments affecting the Baltic and Nordic regions, E.U. legal and regulatory requirements and the reliability of its future partners for expanding the Group's business within the Baltic and Nordic regions and Poland, could have a significant effect on the financial performance in the Group's networks and green generation businesses, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

5.2 COVID-19 could have a material adverse effect on the Group's results of operations and financial condition.

As a result of the COVID-19 outbreak, the Government declared a state of emergency on 26 February 2020 followed by an announcement of the implementation of quarantine measures in the Republic of Lithuania commencing on 16 March 2020. Currently, the quarantine is expected to extend until 31 May 2020. However, the Government may extend the measures beyond this date. The Government also launched a plan for economic stimulation and the implementation of measures directed to mitigate the spread of COVID-19 (the "**COVID-19 National Action Plan**"). One of the measures outlined in the COVID-19 National Action Plan is to make it possible to defer or arrange in portions the payments for the consumed electricity and natural gas to IGN. As a result, IGN is expected to experience delays in customers' payments for services, which could have a material adverse effect on the Group's business, results of operations and financial condition.

If the quarantine period is extended by the Government and/or the other countries in which the Group operates for a period greater than three months, the Group believes such extension will result in reduced cash flow, payment delays, an increase in bad debts, a decrease in revenue from declining electricity and gas consumption and project delays, which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the threat of COVID-19 has increased the risk that the carrying amounts of certain assets and liabilities may need to be adjusted in the next financial year. The Group has considered the extent of the disruption caused by COVID-19 and notes the following information about assets and liabilities with significant valuation uncertainties it is important to consider:

- (a) Sensitivity of fair value measurement methods after the inclusion of COVID-19 in the list of assumptions: valuation of property, plant and equipment recoverable value is sensitive to the assumptions in respect of the future cash flows and the rate used to discount them.
- (b) Impact of COVID-19 on the assessment of expected credit losses: The calculation of impairment of receivables is sensitive to changes in loss ratios.

There is a risk that the carrying amounts of assets and liabilities in future financial statements prepared in accordance with IFRS could decrease in future periods and could result in material losses to be recorded in such financial statements which could have a material adverse effect on the Group's business, results of operations and financial condition.

For more information, see "*Description of the Group – Recent Developments – COVID-19*").

5.3 The Issuer's ability to access credit and bond markets and the Issuer's ability to raise additional financing is in part dependent on the Issuer's credit ratings.

As of the date of this Base Prospectus, the Issuer has been assigned a long-term senior unsecured rating of BBB+ (negative outlook) by Standard & Poor's. The negative outlook reflects the fact that the Group is currently going through a heavy investment period and the Group expects that credit metrics will deteriorate temporarily. This rating reflects Standard & Poor's opinion of the Issuer's financial strength, operating performance and ability to meet its debt obligations as they become due. The Issuer's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer's credit ratings. In the event the Issuer's credit or debt ratings are lowered by rating agencies, the Issuer may not be able to raise additional indebtedness on terms similar to its existing indebtedness or at all, and its ability to access credit and bond markets and other forms of financing (or refinancing) could be limited, which could have a material adverse effect on the Group's business, results of operations and financial condition.

5.4 Any decreases in the prices obtained for the Group's electricity and natural gas could have a material adverse effect on its results of operations and financial condition.

In the ordinary course of the Group's business, the Group is exposed to the risk of volatility in the prices obtained for the electricity and natural gas it supplies to its consumers. The Group sells its electricity at prices derived from the Nord Pool Spot Exchange which, in turn, are affected by prices in neighbouring countries (primarily Poland, Sweden, Finland, Latvia, Estonia), imports from Russia, weather (especially wind and water), temperatures and the hydrological situation. Decreases in electricity prices in neighbouring countries, including as a result of the utilisation of more cost effective methods of generation, may limit the prices which the Group can obtain for its electricity or limit its ability to generate electricity profitably. The Electricity price is also affected by demand, gas prices, cross border capacities (such as the "NordBalt" interconnection and the "LitPol Link" interconnection) and, to a lesser extent, carbon credits traded under the E.U. emission trading scheme and coal prices. The Group sells its gas at prices derived from gas indexes. Decreased prices of electricity and natural gas could have a material adverse effect on the Group's business, results of operations and financial condition.

5.5 The agreements that govern the Group's long-term debt contain restrictive covenants.

The agreements that govern the Group's long-term debt contain certain restrictive covenants, including among others "negative-pledge" clauses, "no disposal of assets" clauses and "restrictions on subsidiaries' indebtedness" clauses and "loss of rating" clauses, which may restrict its ability to acquire or dispose of assets or incur new debt. The Group's failure to comply with any of these covenants could constitute an event of default, which could result in the immediate or accelerated repayment of its debt, lead to cross-default under its other credit agreements or limit or reduce its ability to implement and execute its key strategies, which could in turn have a material adverse effect on its business, results of operations and financial condition.

5.6 Certain of the Group's loans have been advanced to subsidiaries of the Issuer, which means that the Noteholders may be effectively subordinated to other creditors of the Group.

As at 31 December 2019, the current and non-current borrowings of the Issuer's subsidiaries amounted to EUR 186.9 million, or 5.8 per cent. of the Group's total assets (compared to EUR 68.6 million or 2.4 per cent. in 2018). This accounts for 17.7 per cent. of the Group's total borrowings as at 31 December 2019, which amounted to EUR 1,056.1 million and which had been advanced as loans mainly to the subsidiaries of the Issuer (compared to EUR 845.0 million and 8.1 per cent. in 2018), please see "*Description of Other Indebtedness—Indebtedness at subsidiary level*". In the event of any insolvency of these subsidiaries, claims of their secured and unsecured creditors, including trade creditors, banks and other lenders, will have priority with respect to the assets of such subsidiaries over any claims that the Issuer or its creditors may have with respect to such assets. Additionally, if the Issuer became insolvent at the same time, claims of the Noteholders against the Issuer in respect of any Notes would only be met after the claims of all creditors of the Issuer's subsidiaries and may not be met in full even in circumstances where creditors of its subsidiaries are repaid in full, see "*Description of Other Indebtedness*". Secured indebtedness of the Issuer or any of its subsidiaries may also rank effectively senior to the obligations of the Issuer under the Notes. The incurrence of additional indebtedness by the Issuer or its subsidiaries, including secured indebtedness, may have a material adverse effect on the value of an investment in the Notes.

6. RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

6.1 If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem

Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

6.2 If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes and could affect the market value of the relevant Notes.

6.3 Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

6.4 The regulation and reform of benchmarks may adversely affect the value of Notes linked to such benchmarks.

LIBOR, EURIBOR and other indices which are deemed to be benchmarks are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a benchmark.

The Benchmarks Regulation was published in the Official Journal of the E.U. on 29 June 2016 and became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the E.U. and, as at the date of this Base Prospectus, the UK. Among other things it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based or non-UK based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by E.U. or UK supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-E.U. based or non-UK based, not deemed equivalent or recognised or endorsed).

6.5 The Benchmarks Regulation could have a material impact on any Notes linked to a rate or index deemed to be a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

Any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority ("**FCA**") confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In the event that a published LIBOR rate is unavailable after 2021, the interest rate on Floating Rate Notes using LIBOR as a reference rate will be determined as set forth in Condition 7 (*Floating Rate Note Provisions*) which may result in the effective application of a fixed rate for Floating Rate Notes based on the Rate of Interest for the last preceding Interest Period.

Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with the new Euro short-term rate ("**ESTR**") or an alternative benchmark.

It is not possible to predict with certainty whether, and to what extent, certain benchmarks (including EURIBOR and LIBOR) will continue to be supported going forwards. This may cause such benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discourage market

participants from continuing to administer or contribute to such benchmark; (ii) trigger changes in the rules or methodologies used in the benchmarks; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a benchmark, such as the Floating Rate Notes.

6.6 Zero Coupon Notes may experience price volatility in response to changes in market interest rates.

Zero Coupon Notes do not pay interest but are issued at a discount from their nominal value. Instead of periodic interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of Zero Coupon Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than the prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

6.7 In respect of any Notes issued as Green Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Eligible Projects**"). The Eligible Projects are described in the Green Bond Framework dated 15 June 2017 (the "**Green Bond Framework**") published on the Issuer's website and as updated from time to time. Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. Pursuant to the International Capital Markets Association's ("**ICMA**") *Green Bond Principles 2017* recommendations, the Issuer engaged the Centre for International Climate and Environmental Research – Oslo ("**CICERO**") to issue a second-party opinion regarding its Green Bond Framework in June 2017 (the "**CICERO Opinion**"). The Green Bond Framework, the CICERO Opinion and associated reporting are available on the Issuer's website <https://ignitisgrupe.lt/en/sustainable-financing>. Neither the Green Bond Framework nor the CICERO Opinion is not incorporated into and does not form part of this Base Prospectus. The CICERO Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed here and other factors that may affect the value of the Green Bonds. The CICERO Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date on which the CICERO Opinion was initially issued.

In particular no assurance is given by the Issuer, the Dealers or any other person that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any

investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Eligible Projects in, or substantially in, the manner described in this Base Prospectus, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

6.8 Step Up Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics.

The Step Up Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics. Although the interest rate relating to the Step Up Notes is subject to upward adjustment in certain circumstances as specified in the Conditions, such Notes may not satisfy an investor's requirements or any future legal or quasi-legal standards for investment in assets with sustainability characteristics. The Step Up Notes are not being marketed as green bonds since the Issuer expects to use the relevant net proceeds for general corporate purposes and therefore the Issuer does not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria, or be subject to any other limitations associated with green bonds. In addition, the interest rate adjustment in respect of the Step Up Notes depends on a definition of Green Generation Installed Capacity that may be inconsistent with investor requirements or expectations or other definitions relevant to renewable energy. The Issuer includes within Green Generation Installed Capacity electricity generation facility exclusively using any of the following technologies: wind, solar, hydro, biogas, geothermal power and any other non-fossil fuel source of generation deriving from natural resources, including waste-to-energy (for the avoidance of doubt, excluding nuclear energy). The Issuer has not obtained third party analysis of its definition of Green Generation Installed Capacity or how such definitions relate to any sustainability related standards other than the relevant External Verifier's confirmation of the Green Generation Installed Capacity of the Group and its joint ventures, as of 31 December in the relevant year and, according to the Group's definition thereof.

Although the Group targets increasing the portion of its total renewable green generation capacity constituted by renewable sources, there can be no assurance of the extent to which it will be successful in doing so or that any future investments it makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments the Group makes in furtherance of this target or such investments may become controversial or criticised by activist groups or other stakeholders.

For the avoidance of doubt, no Event of Default shall occur under the Step Up Notes, nor will the Issuer be required to repurchase or redeem such Step Up Notes, if the Group fails to increase its Green Generation Installed Capacity as defined in the Conditions.

6.9 A portion of the Group's indebtedness includes certain triggers linked to sustainability key performance indicators

A portion of the Group's indebtedness includes certain triggers linked to sustainability key performance indicators such as total installed capacity (for more information, see "*6.8 Step Up Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics*"). Such key performance indicators must be complied with by the Group in respect of which the Step Up Note Provisions apply. The failure to meet such sustainability key performance indicators will result in increased interest amounts under such Notes, which would

increase the Group's cost of funding and which could have a material adverse effect upon the Group, its business prospects, its financial condition or its results of operations.

7. LEGAL RISKS RELATED TO THE NOTES

Set out below is a brief description of certain legal risks relating to the Notes:

7.1 Limitation periods may apply to any claims or enforcement proceedings relating to the Notes which are brought before a Lithuanian court.

According to Article 55 Part 9 of the Law on Companies of the Republic of Lithuania, should the owner of any debt securities issued by a Lithuanian company fail to request the redemption of such debt securities within a period of 3 (three) years after the due date for redemption, as established by the relevant corporate resolution of the company approving the issue of the relevant debt securities, then the right of the owner to request redemption shall be treated as expired. Although the Notes are governed by English law, and the prescription periods set out in Condition 15 (*Prescription*) are materially longer than those set out above, the application of this principle to foreign law securities is untested before the Lithuanian courts, and there remains a risk that any claims or enforcement proceedings that are not brought within three years of the redemption date of the relevant Notes would not be recognised or enforced by the Lithuanian courts.

Under Lithuanian law, a prescription period for payment of interest is 5 (five) years, whereas some prescription periods set out in Condition 15 (*Prescription*) are materially longer than that. Although, the Notes are governed by English law and courts of England have exclusive jurisdiction to settle disputes arising out of or in connection with the Notes and the prescription periods as set out in Condition 15 (*Prescription*) apply, depending on the additional procedural requirements following the Withdrawal of the United Kingdom from the EU (for more information see "*7.4 Enforcement of an English Court judgment may be subject to additional procedural requirements following the Withdrawal of the United Kingdom from the EU*"), there remains a risk that any claims or enforcement proceedings, in relation to interest, that are not brought within 5 (five) years of the due date would not be recognised or enforced by the Lithuanian courts.

7.2 The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Agent and the Issuer may, without the consent of Noteholders agree to the amendment of any of the provisions of the Notes in order to correct a manifest error.

The Meetings of Noteholders, as described above, do not meet the requirements of and are not regulated by the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian - *Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas*). The provisions of the above mentioned law do not apply to Notes issued under the Programme.

7.3 Notes may be redeemed prior to their stated maturity upon certain tax law changes.

Where the payment of interest is subject to withholding tax in Lithuania, the Issuer has undertaken to pay additional amounts such that Noteholders receive the amount of interest they would have received had there been no such withholding tax on interest. Despite the gross-up of withholding tax, under certain conditions Noteholders (resident or non-resident individuals) may be required to pay personal income tax on interest as that will not be subject to the gross-up provisions. If the Issuer has or will become obliged to pay any other additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Lithuania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, the Issuer may redeem all outstanding Notes in accordance with the Conditions. For further information, see "*Taxation – The Republic of Lithuania Taxation - Withholding Tax, Income Tax*".

7.4 Enforcement of an English Court judgment may be subject to additional procedural requirements following the Withdrawal of the United Kingdom from the EU

On 31 January 2020, the United Kingdom withdrew from the EU pursuant to the "Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community" dated 24 January 2020 (the "**Withdrawal Agreement**"). The Withdrawal Agreement instituted a transition period, which commenced following such withdrawal and which is scheduled to end on 31 December 2020, except where extended pursuant to the terms of the Withdrawal Agreement (the "**Transition Period**"). Although the Notes are governed by English law and the courts of England have exclusive jurisdiction to settle disputes arising out of or in connection with the Notes, currently there is no certainty regarding the rules for the recognition and enforcement of rulings of English courts after the expiration of the Transition Period. There is therefore a risk that an

English court judgment would be subject to formal recognition procedures in Lithuania before any claims or enforcement proceedings can be taken in reliance on such judgment, which may delay the ability of creditors to pursue any such enforcement proceedings.

8. RISKS RELATED TO THE MARKET FOR THE NOTES

8.1 There is no active trading market for the Notes.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single Series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Regulated Market of the Luxembourg Stock Exchange and the Nasdaq Vilnius Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

8.2 If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

8.3 The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

8.4 Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

As of the date of this Base Prospectus, the Issuer has been assigned a long-term senior unsecured rating of BBB+ (negative outlook) by Standard & Poor's. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Notes already issued. One or more independent credit rating agencies may also assign credit ratings to the Notes, which may not necessarily be the same ratings as the Issuer rating described above or any rating(s) assigned to Notes already issued. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency ("**CRA**") established in the E.U. or in the United Kingdom ("**UK**") and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-E.U. or non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an E.U. or UK registered CRA or the relevant non-E.U. or non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of the rating agency rating the Notes changes, European or UK regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European or UK regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

8.5 Minimum Specified Denomination and higher integral multiples.

In relation to any issue of Notes in bearer form which have a denomination consisting of a minimum Specified Denomination (as defined below) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such Specified Denomination. In such case a Noteholder who, as a result of trading such amount, holds a principal amount not an integral amount of such Specified Denomination may not receive a Note in definitive form corresponding to such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to an integral multiple of such Specified Denomination.

8.6 Notes in global form are held by or on behalf of Euroclear and Clearstream, Luxembourg and investors will have to rely on their procedures for transfer and payment with the Issuer.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to its account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

8.7 Notes in New Global Note and New Safekeeping Structure form.

The New Global Note and New Safekeeping Structure form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the sections set out below from the 2019 annual report of the Group, representing audited consolidated and separate financial statements of the Issuer as at and for the financial year ended 31 December 2019, together with the notes to the audited financial statements and the independent auditors' report thereon (available at: <https://www.ignitisgrupe.lt/en/reports-and-presentations#t-1205>):
 - (a) Independent auditors' report for the year ended 31 December 2019 Pages 114 - 120
 - (b) Consolidated and separate statements of financial position for the year ended 31 December 2019 Pages 121 - 122
 - (c) Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2019 Pages 123
 - (d) Consolidated and separate statements of changes in equity for the year ended 31 December 2019 Pages 124 - 125
 - (e) Consolidated and separate statements of cash flow for the year ended 31 December 2019 Page 126
 - (f) Notes to the financial statements for the year ended 31 December 2019 Pages 127 - 225
2. the restated audited consolidated and separate financial statements of the Issuer and the Group as at and for the financial year ended 31 December 2018 dated 22 April 2020, together with the notes to the audited financial statements and the independent auditors' report thereon (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>), comprising:
 - (a) Restated independent auditors' report for the year ended 31 December 2018 (including an Emphasis of Matter setting out the reason for the reissuance of the 2018 and 2017 separate and consolidated financial statements) Pages 2 - 9
 - (b) Restated consolidated and separate statements of financial position for the year ended 31 December 2018 Pages 10 - 11
 - (c) Restated consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2018 Pages 12 - 13
 - (d) Restated consolidated and separate statements of changes in equity for the year ended 31 December 2018 Pages 14
 - (e) Restated consolidated and separate statements of cash flow for the year ended 31 December 2018 Page 15
 - (f) Notes to the restated financial statements for the year ended 31 December 2018, including (among others):
 - (i) Note 2.1 to the restated financial statements for the year ended 31 December 2018 setting out the basis of preparing restated financial statements; and Page 16
 - (ii) Note 3.3 to the restated financial statements for the year ended 31 December 2018 setting out the change in management judgment on applying accounting methods Page 39
3. the terms and conditions set out on pages 46 to 67 of the base prospectus dated 27 June 2017 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2017 Conditions**") (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>); and
4. the terms and conditions set out on pages 47 to 67 of the base prospectus dated 21 June 2018 relating to the

Programme under the heading "*Terms and Conditions of the Notes*" as supplemented on pages 2 to 3 of the supplement dated 2 July 2018 to the base prospectus dated 21 June 2018 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (together, the "**2018 Conditions**") (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>).

The non-incorporated parts of the documents referred to above are not relevant for the investors or are covered elsewhere in this Base Prospectus.

Any statement contained herein or any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement, provided that such modifying or superseding statement is made by way of an annual information update or supplements to this Base Prospectus pursuant to Article 23 of the Prospectus Regulation.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus will be published on the websites of (a) the Luxembourg Stock Exchange (www.bourse.lu) and (b) the Issuer as set out above and may also be inspected, free of charge, during normal business hours at the offices of the Issuer at Žvejų g. 14, LT-09310, Vilnius, the Republic of Lithuania for 12 months from the date of this Base Prospectus. For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website of the Luxembourg Stock Exchange does not form part of this Base Prospectus.

Any information not listed above but included in the information incorporated by reference is not relevant to investors and shall be considered as additional information, not required by the schedules of the Commission Delegated Regulation 2019/980 supplementing the Prospectus Regulation.

PRESENTATION OF FINANCIAL INFORMATION OF THE GROUP

With the exception of certain alternative performance measures ("APMs"), the financial information as of and for the year ended 31 December 2019 and as of and for the year ended 31 December 2018, included in this Base Prospectus have been derived from the audited consolidated and separate financial statements for the financial year ended 31 December 2019 prepared in accordance with the International Financial Reporting Standards as adopted by the E.U. ("IFRS") (the "2019 Financial Statements") and the restated consolidated and separate financial statements for the year ended 31 December 2018 prepared in accordance with IFRS (the "2018 Restated Financial Statements"), and together with the 2019 Financial Statements, the "Financial Statements".

Certain amounts and percentages which appear in this Base Prospectus have been subject to rounding adjustments, and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

UAB Ernst & Young Baltic, independent auditors, with its registered office in Subačiaus St. 7 LT-01302 Vilnius Lithuania, audited the 2019 Financial Statements and issued an unqualified auditors' report on the aforementioned financial statements.

UAB PricewaterhouseCoopers, independent auditors, with its registered office in J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania, audited the 2018 Restated Financial Statements and issued an unqualified auditors' report on the aforementioned financial statements.

The independent auditors' report issued by UAB PricewaterhouseCoopers in relation to the 2018 Restated Financial Statements contains the following Emphasis of Matter:

"We draw attention to Note 3.3 to these reissued two years separate and consolidated financial statements, which describes the reason for the reissuance of the 2018 and 2017 separate and consolidated financial statements. Our opinion is not modified in respect of this matter."

Changes in accounting policies and changes in comparative financial information

IFRS 16 Adoption

The Group applied IFRS 16 in the financial year ended 31 December 2019, which had a significant impact on the Group's financial statements. The incorporation of the other annual amendments had no significant impact on the Group's financial statements for the financial year ended 31 December 2019. As permitted under IFRS, the Issuer and the Group accounted for the impact of the first-time adoption of IFRS 16 starting from 1 January 2019 using the modified retrospective approach and comparative financial data for 2018 was not restated. As a result of applying IFRS 16, financial data presented in this Base Prospectus for the 12 month periods ended 31 December 2018 and 2019, respectively may not be fully comparable.

Change in management judgment on applying accounting methods and corrections of errors

In 2019, the Issuer reviewed certain management judgments on application of accounting principles and also identified some prior period errors (relating to, *inter alia*, recognition of revenues, receivables, and payables related to regulatory activities). As a result, the Issuer and the Group restated the previously issued consolidated and separate financial statements for the financial year ended 31 December 2018. For further details, see Notes 2.1 and 3.3 of the 2018 Restated Financial Statements. Unless stated otherwise, the financial information presented in this Base Prospectus in relation to the financial year ended 31 December 2018 is derived from the 2018 Restated Financial Statements.

The 2019 Financial Statements contain restated comparative data. In addition to the restatement of the 2018 consolidated statement of profit or loss and other comprehensive income and the 2018 consolidated statement of cash flows, an additional statement of financial position as at 1 January 2018 and 31 December 2018 is also presented in the 2019 Financial Statements to provide a retrospective correction of errors and application of accounting treatments in relation to:

- presentation of revenue received from new customers connection fees (see Note 4.27 of the 2019 Financial Statements);
- presentation of revenue relating to rendering of Public Service Obligations (see Note 4.27 of the 2019 Financial Statements);
- presentation of incomes of Liquefied Natural Gas Terminal's security component collected from customers (see Note 4.27 of the 2019 Financial Statements);
- presentation of incomes of electricity transfer (includes both transmission and distribution) and gas distribution services in Latvia (see Note 4.27 of the 2019 Financial Statements);
- accounting principles for revenue, receivables and payables related to regulated activities (see Note 4.26 of the 2019 Financial Statements); and
- presentation of revenue and costs related to electricity trading exchange market through the forward and future contracts (see Note 4.26 of the 2019 Financial Statements).

The correction of errors and change of accounting treatment for the Group's financial statements are applied

retrospectively in accordance with IAS 8 Accounting Policies (for more information, see Note 4 of the 2019 Financial Statements).

Changes in operating segments presentation

During 2019, the Group changed the composition and presentation of its operating segments, in accordance with the new strategy of the Group as well as due to the changes in the Group's structure. The presentation of the operating segments in the 2019 Financial Statements reflects the revised approach. Consequently, 2018 comparative information has been restated and disclosed accordingly in the 2019 Financial Statements. For more details, see Note 42 in the 2019 Financial Statements.

For the purposes of this Base Prospectus, financial data relating to operating segments is derived from the 2019 Financial Statements.

Alternative Performance Measures

This section provides further information relating to the APMs for the purposes of the guidelines published by the European Securities and Markets Authority. Certain of the financial measures included in "*Description of the Group*" can be characterised as APMs and set out below are clarifications as to the meaning of such measures.

This Base Prospectus includes EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net debt, funds from operations ("**FFO**"), FFO to net debt, free cash flow ("**FCF**") and capital expenditure ("**CAPEX**") figures, as set out in the following tables, which are APMs:

| | As of and for the year ended 31 December | |
|-----------------------------|---|-------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands, except percentages)</i> | |
| EBITDA..... | 206,800 | 145,278 |
| EBITDA Margin..... | 19.0% | 13.6% |
| Adjusted EBITDA..... | 259,635 | 221,286 |
| Adjusted EBITDA margin..... | 23.8% | 20.7% |
| Net debt | 966,501 | 736,019 |
| FFO..... | 186,969 | 131,377 |
| FFO to net debt | 19.3% | 17.8% |
| Free cash flow (FCF)..... | (170,132) | (187,974) |
| CAPEX..... | 451,013 | 416,676 |

EBITDA, adjusted EBITDA and net debt are derived from the 2019 Financial Statements and 2018 Restated Financial Statements (as applicable); EBITDA margin, adjusted EBITDA margin, FFO, FFO to net debt, free cash flow and CAPEX are not audited or derived from the 2019 Financial Statements and 2018 Restated Financial Statements (as applicable). In any event, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net debt, FFO, FFO to net debt, free cash flow and CAPEX measures should not be used instead of, or considered as alternatives to, the Group's consolidated historical financial results based on IFRS. The non-IFRS measures relate to the relevant reporting periods and are not meant to be predictive of future results. EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net debt, FFO, FFO to net debt, free cash flow and CAPEX as presented in this Base Prospectus are not defined under, or presented in accordance with, IFRS. Management of the Group uses EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net debt, FFO, FFO to net debt, free cash flow and CAPEX measures because the Issuer believes that these measures are commonly used by lenders, investors and analysts. The Group's use of the terms EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net debt, FFO, FFO to net debt, free cash flow and CAPEX figures and its method of calculating EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net debt, FFO, FFO to net debt, free cash flow and CAPEX figures may vary from other companies' use and calculation of such terms.

These measures are presented for purposes of providing investors with a better understanding of the Issuer's financial performance, cash flows or financial position as they are used by the Issuer when managing its business.

EBITDA and Adjusted EBITDA

EBITDA and adjusted EBITDA should not be considered as alternatives to profit before tax as defined by IFRS or to cash flows from operating activities (or any other performance measure determined in accordance with IFRS) or as indicators of operating performance or as measures of the Group's liquidity. In particular, EBITDA and adjusted EBITDA should not be considered as measures of discretionary cash available to the Group to invest in the growth of the Group's businesses.

EBITDA and adjusted EBITDA have certain limitations as analytical tools, and should not be considered in isolation, or as a substitute for financial information as reported under IFRS. Investors should not place undue reliance on this

data. EBITDA in this Base Prospectus is presented, for each period, as net revenue (see Notes 32 and 33 of the 2019 Financial Statements) less operating expenses, depreciation and amortisation expenses (see Notes 5, 6, 7 and 26 of the 2019 Financial Statements), expenses (releases) on revaluation and provisions for emission allowances (see Note 35 of the 2019 Financial Statements), impairment expenses of non-current assets (see Note 6 and 20 of the 2019 Financial Statements) and write-off expenses of non-current assets (see Note 35 of the Financial Statements).

Adjusted EBITDA is EBITDA further adjusted for temporary regulatory differences, temporary fluctuations in fair value of derivatives, cash effect of new connection points and upgrades, impairments and write-offs of current and non-current amounts receivables, loans, goods and others, gains or losses from disposal of non-current assets, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group. For further details, see Note 42 of the 2019 Financial Statements.

No statement in this Base Prospectus is intended as a profit/EBITDA/adjusted EBITDA forecast and no statement in this Base Prospectus should be interpreted to mean that the earnings of the Group for the current or future years would necessarily match or exceed the historical published earnings of the Group.

The table below presents reconciliation of EBITDA and adjusted EBITDA for the period of the Group for the years ended 31 December 2019 and 31 December 2018. For further details, see Note 42 of the 2019 Financial Statements:

| | For the year ended 31 December | |
|--|---------------------------------------|----------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Net revenue | 1,090,627 | 1,070,060 |
| Operating expenses..... | (1,007,835) | (1,090,453) |
| Depreciation and amortisation expenses..... | 109,888 | 87,664 |
| Expenses (releases) on revaluation and provision for emission allowances | 367 | (8,933) |
| Impairment expenses of non-current assets | 8,052 | 80,698 |
| Write-off expenses of non-current assets and inventory..... | 5,701 | 6,242 |
| EBITDA | 206,800 | 145,278 |
| Management adjustments (for revenue)..... | 51,550 | 74,600 |
| Management adjustments for impairment and write-offs of current and non-current amounts receivables, loans, goods and others | 1,285 | 1,408 |
| Total EBITDA adjustments | 52,835 | 76,080 |
| Adjusted EBITDA | 259,635 | 221,286 |

EBITDA Margin and Adjusted EBITDA Margin

EBITDA Margin consists of EBITDA divided by total revenues (see below), expressed as a percentage.

The following table illustrates the methodology the Group uses to determine EBITDA margin for the years ended December 2019 and 31 December 2018:

| | For the year ended 31 December | |
|----------------------------|---|--------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands, except percentages)</i> | |
| EBITDA | 206,800 | 145,278 |
| Total Revenue | 1,090,627 | 1,070,060 |
| EBITDA Margin | 19.0% | 13.6% |

Adjusted EBITDA margin consists of adjusted EBITDA divided by total revenues, expressed as a percentage.

The following table illustrates the methodology the Group used to determine adjusted EBITDA margin for the years ended 31 December 2019 and 31 December 2018:

| | For the year ended 31 December | |
|-------------------------------------|---|--------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands, except percentages)</i> | |
| Adjusted EBITDA | 259,635 | 221,286 |
| Total Revenue | 1,090,627 | 1,070,060 |
| Adjusted EBITDA Margin | 23.8% | 20.7% |

Total Revenue

Total revenue consists of revenue from contracts with customers and other income.

The following table illustrates the methodology the Group used to determine total revenue for the years ended 31 December 2019 and 31 December 2018:

| | For the year ended 31 December | |
|---|---------------------------------------|------------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Revenue from contracts with customers | 1,079,347 | 1,024,278 |
| Other income | 11,280 | 45,782 |
| Total Revenue | 1,090,627 | 1,070,060 |

Net Debt

Net debt consists of total borrowings (see below) and lease liabilities less cash and cash equivalents and term deposits.

The following table illustrates the methodology the Group used to determine net debt as of 31 December 2019 and 31 December 2018:

| | As of 31 December | |
|--|---------------------------|----------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Non-current borrowings | | |
| Bonds issued | 590,120 | 588,999 |
| Bank borrowings | 231,809 | 146,411 |
| Current borrowings | | |
| Current portion of non-current loans | 37,454 | 61,819 |
| Bank overdrafts | 191,291 | 42,260 |
| Accrued interest | 5,446 | 5,466 |
| Total borrowings | 1,056,120 | 844,956 |
| Lease liabilities | 42,218 | 19,554 |
| Cash and cash equivalents | 131,837 | 127,835 |
| Term deposits | - | 656 |
| Net Debt | 966,501 | 736,019 |

Total Borrowings

Total borrowings consists of bonds issued, bank borrowings, current portion of non-current loans, bank overdrafts and accrued interest.

The following table illustrates the methodology the Group used to determine total borrowings as of 31 December 2019 and 31 December 2018:

| | As of 31 December | |
|--|---------------------------|----------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Non-current | | |
| Bonds issued | 590,120 | 588,999 |
| Bank borrowings | 231,809 | 146,411 |
| Current | | |
| Current portion of non-current loans | 37,454 | 61,819 |
| Bank overdrafts | 191,291 | 42,260 |
| Accrued interest | 5,446 | 5,466 |
| Total borrowings | 1,056,120 | 844,956 |

FFO and FFO to Net Debt

FFO consists of EBITDA, interest received, interest paid, and current year income tax (expenses)/benefit.

FFO to net debt consists of FFO (being EBITDA, interest received, interest paid, and current year income tax (expenses)/benefit) divided by net debt and is used to measure the ability to pay off debt from the results of regular activities.

The following table illustrates the methodology the Group used to determine FFO and FFO to Net Debt for the years ended 31 December 2019 and 31 December 2018:

| | As of 31 December | |
|--------------|---|-------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands, except percentages)</i> | |
| EBITDA | 206,800 | 145,278 |

| | | |
|--|----------------|----------------|
| Interest received | 1,054 | 1,105 |
| Interest paid | (14,146) | (10,402) |
| Current year income tax (expenses)/benefit | (6,739) | (4,604) |
| FFO | 186,969 | 131,377 |
| Net Debt | 966,501 | 736,019 |
| FFO/net debt | 19.3% | 17.9% |

Free cash flow

The Group calculates free cash flow as the sum of net cash flows from (to) operating activities and net cash flows from (to) investing activities and uses it as a measure for analysing the Group's ability to generate cash.

The following table illustrates the methodology the Group used to determine free cash flow for the years ended 31 December 2019 and 31 December 2018:

| | For the year ended 31 December | |
|---|---|------------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Net cash generated from (to) operating activities | 177,155 | 178,532 |
| Net cash flows from (to) investing activities | (347,287) | (366,506) |
| Free cash flow | (170,132) | (187,974) |

CAPEX

CAPEX consists of capital spent on acquiring property, plant and equipment and intangible assets including assets acquired through the acquisition of subsidiaries. This shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels.

The following table illustrates the methodology the Group used to determine CAPEX for the years ended 31 December 2019 and 31 December 2018:

| | As of 31 December | |
|---|---------------------------|----------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Additions of property, plant and equipment | 414,122 | 366,449 |
| Additions of intangible assets | 31,219 | 13,119 |
| Assets acquired through the acquisition of subsidiaries | 5,672 | 37,108 |
| CAPEX | 451,013 | 416,676 |

OVERVIEW OF FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of the Group as of and for the periods indicated.

With the exception of APMs discussed in "*Presentation of Financial Information of the Group*", the financial information as of and for the years ended 31 December 2019 and 31 December 2018 incorporated by reference in this Base Prospectus has been derived from the 2019 Financial Statements and 2018 Restated Financial Statements, respectively.

The summary financial data in the tables below should be read together with the Financial Statements, including the notes thereto. Please also see "*Presentation of Financial Information of the Group*" and "*Risk Factors – 5.6 Failure to implement and maintain an effective system of financial reporting and internal controls may materially and adversely affect the Group's ability to accurately or timely prepare its consolidated financial information*" herein.

The following table sets forth summary Consolidated Statements Of Profit Or Loss and Other Comprehensive Income Data of the Group for the years ended 31 December 2019 and 31 December 2018:

Consolidated Statements Of Profit Or Loss And Other Comprehensive Income Data

| | Audited | |
|--|--------------------------------|--------------------|
| | For the year ended 31 December | |
| | 2019 | 2018 |
| | | (Restated) |
| | (EUR in thousands) | |
| Revenue | | |
| Revenue from contracts with customers | 1,079,347 | 1,024,278 |
| Other income..... | 11,280 | 45,782 |
| | 1,090,627 | 1,070,060 |
| Operating expenses | | |
| Purchases of electricity, gas for trade and related services | (711,669) | (768,462) |
| Purchases of gas and heavy fuel oil..... | (22,987) | (26,545) |
| Depreciation and amortisation | (109,887) | (87,664) |
| Salaries and related expenses..... | (86,986) | (79,741) |
| Repair and maintenance expenses..... | (29,798) | (21,200) |
| Revaluation of property, plant and equipment | (816) | (67,671) |
| Impairment (reversal of impairment) of amounts receivable and loans | 172 | (9,876) |
| Impairment of property, plant and equipment | (8,655) | (3,151) |
| Other expenses | (37,208) | (26,143) |
| Total operating expenses | (1,007,834) | (1,090,453) |
| Total revenue less operating expenses | 82,793 | (20,393) |
| Finance income | 2,193 | 1,621 |
| Finance expenses | (18,833) | (14,899) |
| Results of revaluation and closing of derivative financial instruments..... | - | (573) |
| Profit (loss) before tax | 66,153 | (34,244) |
| Current year income tax (expenses)/benefit | (6,739) | (4,604) |
| Deferred income tax (expenses)/benefit | (438) | 16,877 |
| Net profit (loss) | 58,976 | (21,971) |
| Attributable to: | | |
| Equity holders of the parent | 56,665 | (22,440) |
| Non-controlling interests..... | 2,311 | 469 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit or loss | | |
| Revaluation of property, plant and equipment, net of deferred income tax effect.... | (2) | 103,941 |
| Revaluation of Emission allowances..... | 721 | 19,198 |
| Recalculation of the defined benefit plan obligation, net of deferred income tax..... | (28) | 77 |
| Items that will not be reclassified to profit or loss in subsequent periods, total. | 691 | 123,216 |
| Items that may be reclassified to profit or loss in subsequent periods, total | | |
| Exchange differences on translation of foreign operations into the Group's presentation currency | (5) | (26) |
| Items that may be reclassified to profit or loss in subsequent periods, total..... | (5) | (26) |

| | | |
|--|--------|---------|
| Total other comprehensive income (loss) | 686 | 123,190 |
| Total comprehensive income (loss) for the period | 59,662 | 101,219 |
| Attributable to: | | |
| Equity holders of the parent | 57,351 | 94,964 |
| Non-controlling interests | 2,311 | 6,255 |

The following table sets forth summary consolidated statements of financial position data of the Group as of 31 December 2019 and 31 December 2018:

Consolidated Statements of Financial Position Data

| | Audited | |
|---|---------------------------|-------------------|
| | As of 31 December | |
| | 2019 | 2018 |
| | | (Restated) |
| | <i>(EUR in thousands)</i> | |
| Assets | | |
| Non-current assets | | |
| Intangible assets | 142,737 | 106,330 |
| Property, plant and equipment | 2,347,817 | 2,091,386 |
| Right-of-use assets | 61,044 | - |
| Prepayments for non-current assets | 27,809 | 23,621 |
| Investment property | 5,530 | 6,494 |
| Non-current receivables | 165,031 | 160,606 |
| Other financial assets | 3,735 | 2,008 |
| Other non-current assets | 5,087 | 6,094 |
| Deferred tax assets | 11,770 | 14,468 |
| Total non-current assets | 2,770,560 | 2,411,007 |
| Current assets | | |
| Inventories | 46,621 | 43,137 |
| Prepayments and deferred expenses | 50,548 | 30,655 |
| Trade receivables | 117,867 | 143,120 |
| Other receivable | 31,780 | 25,436 |
| Other current assets | 5,796 | 2,147 |
| Prepaid income tax | 2,434 | 4,192 |
| Other financial assets | - | 656 |
| Cash and cash equivalents | 131,837 | 127,835 |
| | 386,883 | 377,178 |
| Assets held for sale | 40,643 | 65,706 |
| Total current assets | 427,526 | 442,884 |
| Total assets | 3,198,086 | 2,853,891 |
| Equity and Liabilities | | |
| Equity | | |
| Issued capital | 1,212,156 | 1,212,156 |
| Reserves | 259,651 | 212,802 |
| Retained earnings (deficit) | (172,188) | (169,994) |
| Equity attributable to equity holders of the parent | 1,299,619 | 1,254,964 |
| Non-controlling interests | 49,001 | 47,558 |
| Total equity | 1,348,620 | 1,302,522 |

| | Audited | |
|---|---------------------------|-------------------|
| | As of 31 December | |
| | 2019 | 2018 |
| | | (Restated) |
| | <i>(EUR in thousands)</i> | |
| Liabilities | | |
| Non-current liabilities | | |
| Non-current loans and bonds | 821,929 | 735,410 |
| Non-current lease liabilities | 33,818 | 14,334 |
| Grants and subsidies | 267,949 | 208,874 |
| Deferred income tax liabilities | 38,408 | 36,409 |
| Provisions | 35,564 | 35,355 |
| Deferred income | 151,910 | 136,438 |
| Other non-current amount payable and liabilities | 883 | 1,887 |
| Total non-current liabilities | 1,350,461 | 1,168,707 |
| Current liabilities | | |
| Current portion of non-current loans | 37,454 | 61,819 |
| Current loans | 196,737 | 47,727 |
| Lease liabilities | 8,400 | 5,220 |
| Trade payables | 78,567 | 93,237 |
| Advances received | 51,745 | 49,766 |
| Income tax liabilities | 6,171 | 4,545 |
| Provisions | 19,818 | 5,558 |
| Deferred income | 9,749 | 9,122 |
| Other current amounts payable and liabilities | 85,042 | 102,682 |
| | 493,683 | 379,676 |
| Liabilities directly associated with the assets held for sale | 5,322 | 2,986 |
| Total current liabilities | 499,005 | 382,662 |
| Total liabilities | 1,849,466 | 1,551,369 |
| Total equity and liabilities | 3,198,086 | 2,853,891 |

The following table sets forth summary consolidated cash flow statements data of the Group for the years ended 31 December 2019 and 31 December 2018:

Statements of Cash flow Data

| | Audited | |
|--|---------------------------------------|-------------------|
| | For the year ended 31 December | |
| | 2019 | 2018 |
| | | (Restated) |
| | <i>(EUR in thousands)</i> | |
| Cash flows from (to) operating activities | | |
| Net profit (loss) | 58,976 | (21,971) |
| Adjustments (to) non-cash items: | | |
| Depreciation and amortisation expenses | 118,900 | 96,934 |
| Impairment of property, plant and equipment | 8,655 | 3,151 |
| Grants designated for property, plant and equipment in respect of which impairment and/or revaluation was recognised | - | (10,003) |
| Revaluation of investment property | - | (18) |
| Revaluation of property, plant and equipment | 787 | 76,617 |
| Revaluation of derivatives | (730) | (354) |
| Impairment/(reversal of impairment) of financial assets | (172) | 9,876 |
| Income tax expenses | 7,177 | (12,273) |
| (Depreciation) of grants | (9,011) | (9,270) |
| Increase (decrease) in provisions | 5,010 | 2,484 |
| Inventory impairment allowance / (reversal) | (27) | (718) |
| Expenses/(income) of revaluation of emission allowances | 367 | (8,933) |

| | | |
|------------------------------------|-----|-----|
| Emission allowances utilised | 880 | 908 |
|------------------------------------|-----|-----|

| | Audited | |
|--|---------------------------------------|-------------------|
| | For the year ended 31 December | |
| | 2019 | 2018 |
| | | (Restated) |
| | <i>(EUR in thousands)</i> | |
| Elimination of results of financing and investing activities: | | |
| Interest (income) | (1,547) | (1,427) |
| Interest expenses | 15,288 | 12,442 |
| Other (income) / expenses of financing activities | 2,899 | 2,263 |
| (Gain) / loss on disposal and/or write-off of property, plant and equipment | 3,158 | 477 |
| Other (income) / expense of investing activities | - | 82 |
| Changes in working capital:..... | | |
| (Increase) decrease in trade receivables and other amounts receivable | 10,429 | (21,603) |
| (Increase) decrease in inventories, prepayments and other current assets | (21,491) | 18,896 |
| Increase (decrease) in amounts payable, deferred income and advance amounts received | (17,841) | 47,281 |
| Income tax (paid) | (4,552) | (6,309) |
| Net cash flows from (to) operating activities | 177,155 | 178,532 |
| Cash flows from (to) investment activities | | |
| (Purchase) of property, plant and equipment and intangible assets | (428,160) | (416,205) |
| Proceeds from sale of property, plant and equipment and intangible assets | 39,536 | 48,162 |
| Acquisition of investments in subsidiaries..... | (27,965) | (23,509) |
| Grants received | 64,048 | 25,523 |
| Interest received | 1,054 | 1,105 |
| Other increase (decreases) in cash flows from investing activities | 4,200 | (1,582) |
| Net cash flows from (to) investing activities | (347,287) | (366,506) |
| Cash flows from (to) financing activities | | |
| Loans received | 130,937 | 57,810 |
| Issue of bonds | - | 294,346 |
| Repayments of borrowings | (70,394) | (155,421) |
| Lease payments | (7,379) | (544) |
| Interest paid | (14,146) | (10,402) |
| Dividends paid | (13,915) | (80,608) |
| Increase in issued capital of Kauno Kogeneraciné Jégainé UAB | - | 7,840 |
| Result of the closing of derivative financial instruments | - | (573) |
| Net cash flows from (to) financing activities | 25,103 | 112,448 |
| Increase (decrease) in cash and cash equivalents (including overdraft) | (145,029) | (75,526) |
| Cash and cash equivalents (including overdraft) at the beginning of the period | 85,575 | 161,101 |
| Cash and cash equivalents (including overdraft) at the end of the period | (59,454) | 85,575 |

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes and the reasons for the issuance and its impact on the Issuer. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form (each, a "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, S.A., Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "*Standards for the use of E.U. securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the international central securities depositories ("**ICSDs**") as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt

delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Overview of Provisions Relating to the Notes while in Global Form*" below.

Legend Concerning United States Persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of E.U. securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the NSS, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Registered Note Exchangeable for Individual Note Certificates

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Registered Notes each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note", then:
- (a) if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
 - (b) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Overview of Provisions Relating to the Notes while in Global Form*" below.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Registered Notes, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the person in whose name the relevant Global Registered Note is for the time being registered in the Register which for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

Transfers of Interests in Global Notes and Global Registered Notes

Transfers of interests in Global Notes and Global Registered Notes within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Registered Note or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*".

Conditions Applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Note or a Global Registered Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of*

Noteholders) the bearer of a Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system except that so long as the Notes are traded on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Fiscal Agent or Registrar (as applicable) through Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and otherwise in such manner as the Fiscal Agent or the Registrar, as the case may be, and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, may approve for this purpose.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the Notes while in Global Form" above.

1. Introduction

- (a) *Programme:* UAB "Ignitis grupė" (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 1,500,000,000 (or the equivalent in other currencies at the date of issue) in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 11 May 2020 (the "**Agency Agreement**") between the Issuer, Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents, the Registrar and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (d) *Deed of Covenant:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 11 May 2020 (the "**Deed of Covenant**") entered into by the Issuer.
- (e) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing, and copies may be obtained from, the registered office of the Issuer, Žvejų g. 14, LT-09310 Vilnius, the Republic of Lithuania and the Issuer's website (www.ignitisgrupe.lt). Copies of the relevant Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Benchmark Security**" has the meaning given it in Condition 10(c) (*Redemption at the option of the Issuer*);

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

"**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

"**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

"**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

"**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**

- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
- (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;

"**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Change of Control**" has the meaning given to it in Condition 10(f) (*Change of Control Put Option*);

"**Change of Control Period**" has the meaning given to it in Condition 10(f) (*Change of Control Put Option*);

"**Change of Control Put Event Notice**" has the meaning given to it in Condition 10(f) (*Change of Control Put Option*);

"**Change of Control Put Option Notice**" has the meaning given to it in Condition 10(f) (*Change of Control Put Option*);

"**Change of Control Put Period**" has the meaning given to it in Condition 10(f) (*Change of Control Put Option*);

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360,

calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30";

- (vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided

by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions;

"**EBITDA**" means (i) the consolidated operating profit of the Group or (ii) in the case of a Material Subsidiary, the consolidated or unconsolidated operating profit of such Material Subsidiary, in the case of both (i) and (ii) before taking into account:

- (a) depreciation and amortisation (including depreciation according to IFRS 16);
- (b) finance income and finance costs;
- (c) revaluation of property, plant and equipment, and investment property;
- (d) impairment of property, plant and equipment;
- (e) current year income tax expense and deferred income tax (expense)/benefit
- (f) any revaluation of non-current assets (including emission allowances); and
- (g) exceptional items, as defined by IFRS or separately identified as such within the most recent publicly available annual or interim financial statements of the Issuer or the relevant Material Subsidiary (as the case may be), prepared in accordance with IFRS;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate

benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with the provisions for meetings of Noteholders scheduled to the Agency Agreement by a majority of not less than three quarters of the votes cast;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"First Interest Payment Date" means the date specified in the relevant Final Terms;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Group" means the Issuer and its Subsidiaries taken as a whole;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"Holder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer—Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer—Title to Registered Notes*);

"IFRS" means the International Financial Reporting Standards as adopted by the E.U.;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Initial Rate of Interest" means the rate of interest initially payable in respect of the Notes specified in the relevant Final Terms;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"LIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"Make-Whole Margin" has the meaning given to it in Condition 10(c) (*Redemption at the option of the Issuer*);

"Make-Whole Redemption Amount" has the meaning given to it in Condition 10(c) (*Redemption at the option of the Issuer*);

"Margin" has the meaning given in the relevant Final Terms;

"Material Subsidiary" means at any relevant time a Subsidiary of the Issuer:

- (a) whose total consolidated (or, if applicable, unconsolidated) assets (excluding intercompany loans, intercompany payables, intercompany receivables and intercompany unrealised gains and losses in inventories) represent not less than 10 per cent. of the total consolidated assets of the Issuer, or whose gross consolidated EBITDA (or, if applicable, unconsolidated) represents not less than 10 per cent. of the gross consolidated EBITDA of the Issuer, in each case as determined by reference to the most recent publicly available annual or interim financial statements of the Issuer prepared in accordance with IFRS and the latest financial statements of the Subsidiary determined in accordance with IFRS; or

- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Meeting**" means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer—Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer—Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount, the Make-Whole Redemption Amount, or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Par Redemption Date**" has the meaning given to it in Condition 10(c) (*Redemption at the option of the Issuer*);

"**Participating Member State**" means a Member State of the E.U. which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

- (a) if the currency of payment is euro, any day which is:
- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Restructuring**" means:

- (a) any disposal by any Material Subsidiary of all or any part of its business, undertaking or assets, on an arm's length basis, to the Issuer or any other Subsidiary;

- (b) any solvent amalgamation, consolidation or merger of a Material Subsidiary with the Issuer or any other Subsidiary; or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

"Permitted Security Interest" means:

- (a) a Security Interest which is created to secure or provide for the payment of Relevant Indebtedness in connection with any Project Financing **provided that** the assets or revenues subject to such Security Interest are (i) assets which are used or to be used in or in connection with the project to which such Project Financing relates or (ii) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or damage to, such assets; or
- (b) any Security Interest created over any asset of any company which becomes a Subsidiary after the Issue Date of the first Tranche of the Notes, where such Security Interest is created prior to the date on which the company becomes a Subsidiary, **provided that**:
 - (i) such Security Interest was not created in contemplation of the acquisition of such company; and
 - (ii) the principal amount secured was not increased in contemplation of or since the acquisition (or proposed acquisition) of that company;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency,

provided, however, that:

- (a) in relation to euro, it means the principal financial centre of such Member State of the E.U. as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Project Financing" means any Indebtedness incurred solely to finance a project or the restructuring or expansion of an existing project, in each case for the acquisition, construction, development or exploitation of any assets pursuant to which the Person or Persons to whom such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) (i) expressly agrees that the principal source of repayment of such funds will be the assets of the project and the revenues generated by such project (or by such restructuring or expansion thereof) and (ii) has no other recourse whatsoever to any member of the Group (or its assets and/or revenues) for the repayment of, or a payment of, any sum relating to such Indebtedness;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the

relevant Final Terms;

"Rating Event" has the meaning given to it in Condition 10(f) (*Change of Control Put Option*);

"Rating Agency" means S&P Global Ratings Europe Limited and its successors and/or any other rating agency of equivalent standing notified by the Issuer to the Noteholders in accordance with Condition 21 (*Notices*).

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Reference Banks" means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" means EURIBOR or LIBOR or any such Successor Rate (as defined in Condition 7(i) (*Benchmark Discontinuation*)) or Alternative Rate (as defined in Condition 7(i) (*Benchmark Discontinuation*)) as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"Reference Time" has the meaning given to it in Condition 10(c) (*Redemption at the option of the Issuer*);

"Regular Period" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other

page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" means the office specified against an Agent's name in Schedule 3 (*The Specified Offices of the Agents*) to the Agency Agreement or, in the case of an Agent not originally party to the Agency Agreement or a Calculation Agent which is not the Fiscal Agent, specified in its terms of appointment or such other office as may be specified by an Agent or Calculation Agent from time to time in accordance with Clause 14.8 (*Change in Specified Offices*) of the Agency Agreement or its terms of appointment;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty of the Functioning of the European Union, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms;

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being

transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status**

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments—Bearer Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the

Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments—Bearer Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; **provided, however, that** if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Adviser appointed by the Issuer, and such Independent Adviser acting in good faith and in a commercially reasonable manner, determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.
- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
 - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

- (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Adviser appointed by the Issuer, and such Independent Adviser acting in good faith and in a commercially reasonable manner, determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (i) *Benchmark Discontinuation:*
 - (i) If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 7(i)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(i)(C)) and any Benchmark Amendments (in accordance with Condition 7(i)(D)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agents or the Noteholders for any determination made by it pursuant to this Condition 7(i).

- (A) If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(i) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(i)(A) (*Benchmark Discontinuation*) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(i).
- (B) If the Independent Adviser determines in its discretion that:
 - (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(i)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(i) in the event of a further Benchmark Event affecting the Successor Rate; or
 - (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(i)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(i) in the event of a further Benchmark Event affecting the Alternative Rate.
- (C) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (D) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(i) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 7(i)(E), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(i)).
- (E) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(i) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (F) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

- (1) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(i); and
 - (2) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.
- (G) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the other Paying Agents and the Noteholders.
- (ii) As used in this Condition 7(i):

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (C) (if the Independent Adviser determines there is no such spread formula or methodology customarily applied) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);
- (D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate.

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7(i) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"Benchmark Event" means:

- (A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or

- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the “**Specified Future Date**”), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market; or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C) or (D) above the Benchmark Event shall be deemed to occur on the Specified Future Date and not the date of the relevant public statement, provided that where the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

"Benchmark Amendments" has the meaning given to it in Condition 7(i)(D).

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 7(i).

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Step up Note Provisions**

- (a) *Application:* This Condition 9 (*Step Up Note Provisions*) is applicable to the Notes only if the Step Up Note Provisions are specified in the relevant Final Terms as being applicable ("**Step Up Notes**").
- (b) *Rate of Interest:* The Rate of Interest for Step Up Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms.

For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Step Up Note.

In this Condition:

"**Assurance Report**" means a report provided by an External Verifier in respect of a statement of Green Generation Installed Capacity to be published by the Group in accordance with Condition 20 (*Step Up Notes Reporting*). The Green Generation Installed Capacity reporting requirements, including the Assurance Report publication procedure, are provided in Condition 20 (*Step Up Notes Reporting*).

"**External Verifier**" means a qualified provider of third party assurance or attestation services appointed by the Issuer, to review the Group's Green Generation Installed Capacity statement to be published by the Issuer.

"**Green Generation Installed Capacity Condition**" means the notification in writing by the Issuer to the Fiscal Agent and the Holders in accordance with Condition 21 (*Notices*) on the Step Up Event Notification Date that the Green Generation Installed Capacity as of the Green Generation Installed Capacity Reference Date was equal to or exceeded the relevant Green Generation Installed Capacity Threshold; and that such Green Generation Installed Capacity has been confirmed by the External Verifier in accordance with its customary procedures.

"**Green Generation Installed Capacity**" means the sum of Installed Capacities as of a given date of each electricity generation facility exclusively using any of the following technologies: wind, solar, hydro, biogas, geothermal power and any other non-fossil fuel source of generation deriving from natural resources, including waste-to-energy (and for the avoidance of doubt, excluding nuclear energy).

"**Green Generation Installed Capacity Reference Date**" is the date specified in the relevant Final Terms.

"**Green Generation Installed Capacity Threshold**" means the threshold specified in the applicable Final Terms as being the Green Generation Installed Capacity Threshold.

"**Installed Capacity**" means the commissioned installed capacity of all electricity generation facilities owned by the Group and its joint operations (where it has a majority share interest), including power generation units developed or purchased by the Group, as of a given date reported by the Group in its consolidated financial reports; provided that installed capacity shall not include the installed or name-plate capacity of electricity generation facilities acquired (by acquisition of equity interests, merger or other combination or amalgamation) subsequent to the Issue Date other than any electricity generation facility in respect of which the Group, and any of its joint ventures, were primarily responsible for construction, development and installation of such facility.

"**Step Up Date**" means the first day of the next Interest Period following the date on which the Issuer is required to publish the Assurance Report as of and for the period ending on the Green Generation Installed Capacity Reference Date.

"**Step Up Event**" means the failure of the Group to satisfy the Green Generation Installed Capacity Condition.

"**Step Up Event Notification Date**" means a Business Day falling no later than 45 days prior to the Step Up Date.

"**Step Up Margin**" means the amount specified in the applicable Final Terms as being the Step Up Margin.

10. **Redemption and Purchase**

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments—Bearer Notes*) or Condition 12 (*Payments—Registered Notes*), as applicable.

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Lithuania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other

period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

If the Optional Redemption Amount (Call) specified in the relevant Final Terms is the "**Make-Whole Redemption Amount**", the Optional Redemption Amount (Call) will be the higher of:

- (i) the principal amount of the Notes; and
- (ii) the product of the principal amount of the Notes and the price, expressed as a percentage of the principal amount of the Notes (rounded to four decimal places with 0.00005 being rounded upwards), at which the then current yield on the Notes on the Reference Date would be equal to the sum of (x) the current yield (determined by reference to the middle market price) at the Reference Time on the Reference Date of the relevant Benchmark Security plus (y) the Make-Whole Margin, as determined by the Calculation Agent,

provided however that, (A) if the Optional Redemption Date occurs on or after the Par Redemption Date (if specified in the relevant Final Terms), the Make-Whole Redemption Amount will be the principal amount of the Notes and (B) in the case of Notes that are Step Up Notes, for the purposes of calculating the current yield on the Notes on the Reference Date, the Rate of Interest shall be deemed to be (x) the Initial Rate of Interest to (but excluding) the Step Up Date and (y) the Initial Rate of Interest as increased by the Step Up Margin from (and including) the Step Up Date, unless the Green Generation Installed Capacity Condition has been satisfied on or before the Reference Date.

The "**Benchmark Security**", the "**Reference Time**", the "**Make-Whole Margin**" and the "**Par Redemption Date**" will be specified in the relevant Final Terms, **provided however that**, if "Linear Interpolation" is specified as applicable in the relevant Final Terms, the current yield of the Benchmark Security shall be determined by linear interpolation (calculated to the nearest one twelfth of a year) of the yield of the two Benchmark Securities specified in the Final Terms.

The "**Reference Date**" means the date which is the third London Business Day prior to the date fixed for redemption.

- (d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be

withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Change of Control Put Option*

If this Condition 10(f) is specified as applicable in the relevant Final Terms, if at any time while any Note remains outstanding, (A) there occurs a Change of Control (as defined below), and (B) within the Change of Control Period, a Rating Event in respect of that Change of Control occurs (such Change of Control and Rating Event not having been cured prior to the expiry of the Change of Control Period, together, a "**Change of Control Put Event**"), each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Condition 10(b) or 9(c)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the Optional Redemption Date (as defined below) at the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date.

Where:

A "**Change of Control**" shall be deemed to have occurred if at any time following the Issue Date, the Republic of Lithuania ceases to hold, directly or indirectly, more than 51 per cent. of the shares or voting rights of the Issuer.

A "**Rating Event**" shall be deemed to have occurred in respect of a Change of Control if (within the Change of Control Period) either (i) (A) the rating previously assigned to the Notes or to the Issuer by any Rating Agency solicited by the Issuer is (x) withdrawn or (y) changed from an investment grade rating (BBB-/Baa3 or its equivalent for the time being, or better) to a non-investment grade rating (BB+/Ba1 or its equivalent for the time being, or worse) or (z) (if the rating previously assigned to the Notes or to the Issuer by any Rating Agency solicited by the Issuer was below an investment grade rating (as described above)), lowered by at least one full rating notch (for example, from BB+ to BB, or their respective equivalents) and (B) such rating is not within the Change of Control Period subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) either to an investment grade credit rating (in the case of (x) and (y)) or to its earlier credit rating or better (in the case of (z)) by such Rating Agency or (ii) the Notes or the Issuer have not been previously assigned a credit rating solicited by the Issuer, and no Rating Agency assigns the Issuer or the Notes an investment grade rating solicited by the Issuer within the Change of Control Period, **provided that** the Rating Agency making the reduction in rating or deciding not to assign an investment grade rating announces or publicly confirms or, having been so requested by the Issuer, informs the Issuer in writing that the lowering or failure to assign an investment grade rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Event).

"**Change of Control Period**" means the period beginning on the date of the first public announcement by or on behalf the Issuer by any bidder or any designated advisor, of the relevant Change of Control and ending 90 days after completion of the relevant Change of Control.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 21 (*Notices*) specifying the nature of the Change of Control Put Event and the

circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition 10(f).

To exercise the Change of Control Put Option, a Noteholder must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Fiscal Agent specified in the Change of Control Put Option Notice (as defined below) for the account of the Issuer within the period (the "**Change of Control Put Period**") of forty-five (45) days after a Change of Control Put Event Notice is given together with a duly signed and completed notice of exercise in the then current form obtainable from the Fiscal Agent (a "**Change of Control Put Option Notice**") and in which the Noteholder may specify a bank account to which payment is to be made under this Condition 10(f).

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Fiscal Agent for the account of the Issuer as described above by the date which is the fifth Business Day following the end of the Change of Control Put Period (the "**Optional Redemption Date**"). Payment in respect of such Notes will be made on the Optional Redemption Date by transfer to the bank account specified in the Change of Control Put Option Notice.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 75 per cent. or more in principal amount of the Notes then outstanding have been redeemed pursuant to this Condition 10(f), the Issuer may, on not less than thirty (30) nor more than sixty (60) days' irrevocable notice to the Noteholders in accordance with Condition 21 (*Notices*) given within thirty (30) days after the Optional Redemption Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at their principal amount, together with interest accrued to but excluding the date of redemption.

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.
- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them may at the option of the Issuer be cancelled and all Notes so cancelled may not be reissued or resold.

11. **Payments—Bearer Notes**

This Condition 11 is only applicable to Bearer Notes.

- (a) *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(f) (*Change of Control Put Option*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Payments—Registered Notes**

This Condition 12 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the

provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

13. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Lithuania or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
 - (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon;
 - (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or
 - (iii) required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Lithuania, references in these Conditions to the Republic of Lithuania shall be construed as references to the Republic of Lithuania and/or such other jurisdiction.

Under current Lithuanian laws and regulations, interest payments on any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident or non-resident individual will be subject to Lithuanian personal income tax at progressive rates of (i) 15 per cent., if the total income received by an individual during a calendar year is at or does not exceed the sum of 120 Lithuanian gross average salaries, which is determined on the basis of quarterly gross average salaries as published by Statistics Lithuania (in 2020, this figure would be EUR 148,968) and (ii) 20 per cent., on the part of the total income exceeding the above mentioned threshold. For resident individuals, such income shall exclude income from employment, self-employment, dividends, remuneration of board members and certain other types of income. For non-resident individuals, such income shall include Lithuanian-sourced interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in the Republic of Lithuania and capital gains from movable property registerable in the Republic of Lithuania. When interest is earned by a non-resident individual, the Issuer, as a Lithuanian interest-paying entity, is to withhold 15 per cent. personal income tax and if it turns out at the end of the year that a part of the amount was subject to 20 per cent. rate, the non-resident individual is to pay the difference himself/herself. Separate double taxation treaties with the Republic of Lithuania can provide for a lower tax rate for non-residents.

Interest payments on any Notes (including to the extent applicable, the difference between the redemption price and the issue price of the Notes) to (i) resident entities will be included into calculation of their taxable profit which will be subject to a 15 per cent. corporate income tax (5 per cent. for small-sized entities); and (ii) non-resident entities that do not benefit from a double tax treaty with the Republic of Lithuania and are not registered or otherwise organised in a state of the European Economic Area will be subject to Lithuanian withholding tax at a rate of 10 per cent.

If the Issuer, as a Lithuanian interest paying person, is unable to identify the Noteholder and determine such Noteholder's eligibility for a lower tax rate exemption from the withholding tax, payments of interest in respect of the Notes to any such Noteholder (including, to the extent applicable, the difference between the redemption price and issue price of the Notes) will be subject to 15 per cent. withholding tax.

14. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and the default continues for a period of five days in the case of principal and for a period of 14 days in the case of interest; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default is not capable of remedy or remains unremedied for at least 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer or Material Subsidiary:*
 - (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii)

above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR 50,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount in excess of EUR 50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (f) *Insolvency etc.*: (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, unless the petition to commence such proceedings or procedure is discharged, stayed or dismissed within 60 days of such commencement, (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (save for the purposes of a Permitted Restructuring); or
- (g) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (save for the purposes of a Permitted Restructuring); or
- (h) *Analogous event*: any event occurs which under the laws of the Republic of Lithuania has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or
- (i) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Lithuania is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at

the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Fiscal Agent and a Registrar; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is made to correct a manifest error.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. **Step Up Notes Reporting**

- (a) This Condition 20 (*Step Up Notes Reporting*) is applicable to the Notes only of the Step Up Note Provisions are specified in the relevant Final Terms as being applicable.

- (b) Beginning with the publication of the annual audited consolidated financial statements of the Group for the first fiscal year ending after the Issue Date in relation to the Step Up Notes, the Issuer will publish on its website, in accordance with applicable laws, a statement of the Group's Green Generation Installed Capacity, as of the end of each of its fiscal years. The statement of Green Generation Installed Capacity will be published concurrently with the publication of the independent auditor's report on the annual audited consolidated financial statements and will have the same reference date as the relevant independent auditor's report.

- (c) The Assurance Report will be provided in respect of the first fiscal year ending on or after the Green Generation Installed Capacity Reference Date and shall be published concurrently with the publication of the independent auditor's report on the annual audited consolidated financial statements of that fiscal year and will have the same reference date as the relevant independent auditor's report, provided that to the extent the Issuer reasonably determines that additional time is required to complete the Assurance Report and the statement of Green Generation Installed Capacity, then the Assurance Report and the statement of Green Generation Installed Capacity may be published as soon as reasonably practicable, but in no event later than 30 days, subsequent to the date of publication of the relevant independent auditor's report.

21. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Bearer Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, if the Registered Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, notices to Noteholders will be published on the date of such mailing in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

22. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is

payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Notwithstanding Condition 24(b) (*English courts*), any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition 24 applies to Proceedings in England and to Proceedings elsewhere.
- (f) *Waiver of immunity:* To the extent that the Issuer has any immunity from the jurisdiction of any court or from any process, the Issuer hereby irrevocably agrees not to claim, and hereby waives, any such immunity.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

[MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

Final Terms dated [●]

UAB "Ignitis grupė"

(incorporated with limited liability in the Republic of Lithuania)

Issue of [Aggregate Nominal Amount of Tranche][Title of Notes] under the EUR 1,500,000,000 Euro Medium Term Note Programme

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 11 May 2020 [and the supplement[s] dated [●] [and [●]]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all relevant information.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus:

Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the "**Conditions**") set out in the Base Prospectus dated [21 June 2018/27 June 2017 and incorporated by reference with the Base Prospectus dated 11 May 2020]. These Final Terms contain the final terms of the Notes and must be read in conjunction

with the Base Prospectus dated 11 May 2020 [and the supplement to the Base Prospectus[es] dated [•] [and [•]]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation, save in respect of the Conditions which are set forth in the base prospectus dated [21 June 2018/27 June 2017] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of the Prospectus Regulation.

End of options

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it] [is][are] available for viewing [at <https://www.ignitisgrupe.lt/>] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

1. (i) Series Number: [•]
- [(ii) Tranche Number: [•]
- [(iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [21] below [which is expected to occur on or about [•]].]

2. Specified Currency or Currencies: [•]

3. Aggregate Nominal Amount: [•]
 - [(i) Series: [•]]
 - [(ii) Tranche: [•]]

4. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]

5. (i) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to and including [•]. No notes in definitive form will be issued with a denomination above [•]]

(If Notes are to be issued which have denominations consisting of a minimum Specified Denomination and higher integral multiples of another smaller amount, the following sample wording should be used (as adjusted for the relevant Specified Currency and the actual Specified Denominations):

EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000. No Notes in definitive form will be issued with a denomination in excess of EUR199,000.)

- [(ii) Calculation Amount: [•]

6. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
7. Maturity Date: [•]
8. Interest Basis: [[•] per cent. Fixed Rate[, subject to the Step Up Note Provisions]]
- [•] [•] [EURIBOR]/[LIBOR] +/- [•] per cent. Floating Rate[, subject to the Step Up Note Provisions]
- [Zero Coupon]
- (further particulars specified below in paragraph(s) [13/14/15/16])
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]/[•] per cent. of their nominal amount.
10. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
11. Put/Call Options: [Not Applicable]
- [Investor Put]
- [Change of Control Put]
- [Issuer Call]
- (See paragraph(s) [16/17/18] below)
12. (i) Status of the Notes: Senior
- (ii) [Date [Board] approval for issuance of [•] Notes obtained]: [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [The Notes are subject to the Step Up Note Provisions]/ [The Notes are not subject to the Step Up Note Provisions]
- [(If the Notes are subject to the Step Up Note Provisions)]
- [The Initial Rate of Interest is] [•] per cent. per annum payable in arrear on each Interest Payment Date
- [(further particulars specified in paragraph 16

| | | |
|--------|---|---|
| | | below)] |
| (ii) | Interest Payment Date(s): | [[•] [and [•]] in each year up to and including the Maturity Date] |
| (iii) | Fixed Coupon Amount(s): | [•] per Calculation Amount |
| (iv) | Broken Amount(s): | [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/[Not Applicable] |
| (v) | Day Count Fraction: | [Actual/Actual (ICMA)/Actual/Actual (ISDA)/Actual/365 (Fixed)/Actual/360/30/360/30E/360] |
| (vi) | [Determination Dates: | [•] in each year/[Not Applicable]] |
| 14. | Floating Rate Note Provisions | [Applicable/Not Applicable] |
| | | [The Notes are subject to the Step Up Note Provisions]/ [The Notes are not subject to the Step Up Note Provisions] |
| | | [(further particulars specified in paragraph 16 below)] |
| (i) | Specified Period: | [•] |
| (ii) | Specified Interest Payment Dates: | [•] in each year |
| (iii) | [First Interest Payment Date]: | [•] |
| (iv) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment] |
| (v) | Additional Business Centre(s): | [Not Applicable/[•]] |
| (vi) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| (vii) | [Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): | [•] shall be the Calculation Agent [<i>name and address of Calculation Agent to be inserted</i>]] |
| (viii) | Screen Rate Determination: | |
| | • Reference Rate: | [•] [•] [EURIBOR]/[LIBOR] |
| | • Interest Determination Date(s): | [•] |
| | • Relevant Screen Page: | [•] |
| | • [Relevant Time: | [•] |
| | • Relevant Financial Centre: | [•]] |

- (ix) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (x) Linear Interpolation: [Not Applicable/Applicable—the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (xi) Margin(s): [(If the Notes are subject to the Step Up Note Provisions) the Initial Margin is] [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA)/Actual/Actual (ISDA)/Actual/365 (Fixed)/Actual/360/30/360/30E/360]
15. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to early Redemption Amounts: [Actual/Actual (ICMA)/Actual/Actual (ISDA)/Actual/365 (Fixed)/Actual/360/30/360/30E/360]
16. **Step Up Note Provisions** [Applicable/Not Applicable]
- (i) Step Up Event: [(i) Green Generation Installed Capacity Reference Date: [•]]
- [(ii) Green Generation Installed Capacity Threshold: [•]]
- (ii) Step Up Margin: [•] per cent. per annum
- PROVISIONS RELATING TO REDEMPTION**
17. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [[•] per Calculation Amount/Make-Whole Redemption Amount]
- [(a) Benchmark Security(ies): [•]
- [(b) Reference Time: [•]

| | | |
|-------|--|---|
| | (c) Make-Whole Margin: | [•] per cent. |
| | (d) Par Redemption Date: | [[•] [Not Applicable]] |
| | (e) Linear Interpolation: | [Applicable/Not Applicable] |
| (iii) | If redeemable in part: | [•] per Calculation Amount |
| | (a) Minimum Redemption Amount: | [•] per Calculation Amount |
| | (b) Maximum Redemption Amount: | [•] per Calculation Amount |
| (iv) | Notice period: | [•] |
| 18. | Put Option | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s): | [•] |
| | (ii) Optional Redemption Amount(s) of each Note: | [•] per Calculation Amount |
| | (iii) Notice period: | [•] |
| 19. | Change of Control Put Option: | [Applicable/Not Applicable] |
| 20. | Final Redemption Amount of each Note | [[•] per Calculation Amount/Not Applicable] |
| 21. | Early Redemption Amount | [[•] per Calculation Amount/Not Applicable] |
| | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: | |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

| | | |
|-----|-----------------------|--|
| 22. | Form of Notes: | [Bearer Notes:] |
| | | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on in the limited circumstances specified in the Permanent Global Note] |
| | | [Temporary Global Note exchangeable for Definitive Notes on 30 days' notice] |
| | | [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] |
| | | (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000". Furthermore, such Specified Denomination |

construction is not permitted in relation to any issuance of Notes which is to be represented on issue by Permanent Bearer Global Notes exchangeable for Definitive Notes.)

[Registered Notes:]

Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]

- 23. New Global Note: [Yes] [No] [Not Applicable]
- 24. Additional Financial Centre(s): [Not Applicable/[•]]
- 25. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

THIRD PARTY INFORMATION

[[•] has been extracted from [•].] The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of **UAB "Ignitis GRUPĖ"**:

By:

Duly authorised

PART B—OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of the Luxembourg Stock Exchange/[•]/None]
- (ii) Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange [Green Exchange segment]]/[•]/[Nasdaq Vilnius Stock Exchange] with effect from [•].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

The Notes to be issued [[have been/are expected to be] rated]/[are unrated]:

[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

[•] *(The above disclosure should reflect the rating allocated to the Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating. A brief explanation of the rating(s) assigned by each rating agency should be given.)*

[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority].]

[[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA but the rating

it has given to the Notes is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]/[•]/[Not Applicable]

4. **REASONS FOR THE OFFER**

[The proceeds of the issue of the Notes will be used by the Issuer [for general corporate purposes / to finance or refinance, in whole or part, Eligible Projects meeting the eligibility criteria set out in the Green Bond Framework]

(See "*Use of Proceeds*" wording in Base Prospectus)

5. **ESTIMATED NET PROCEEDS**

[•]

6. ***Fixed Rate Notes only*—YIELD**

[Applicable/Not Applicable]

Indication of yield:

[•]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. ***Floating Rate Notes only*—HISTORIC INTEREST RATES** [Applicable/Not Applicable]

Details of historic [LIBOR/EURIBOR] rates can be obtained from Reuters.

8. **OPERATIONAL INFORMATION**

ISIN:

[•]

Common Code:

[•]

[FISN: [•]/[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]

[CFI Code: [•]/[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]

Delivery Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

9. **DISTRIBUTION**

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated: [Not Applicable/*give names*]

(a) Names of Dealers: [•]

- (b) Date of subscription agreement: [•]
- (c) Stabilising Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name Dealer: [Not Applicable/*give name*]
- (iv) US Selling Restrictions: [Reg. S Compliance Category 1]; [TEFRA C/TEFRA D/TEFRA not applicable]

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes:

- (a) for its general corporate purposes; or
- (b) to finance or refinance, in whole or part, Eligible Projects meeting the eligibility criteria set out in the Green Bond Framework, in which case the relevant Final Terms will indicate whether or not the Notes are intended to constitute Green Bonds and will provide additional information in relation to the intended use of proceeds in respect of any Green Bonds.

Green Bonds

In June 2017, the Issuer established its Green Bond Framework. Proceeds from notes issued by the Issuer and labelled as "**Green Bonds**" will be applied in accordance with the Green Bond Framework. The Green Bond Framework sets out, among other things, the type of projects and investments that are eligible for proceeds raised from Green Bonds, the process for selection and allocation of proceeds to Eligible Projects and how the Issuer will manage and report on the allocation and impact of its green bonds.

Pursuant to the recommendations set out in ICMA's Green Bond Principles 2017, the Issuer engaged CICERO to issue a second-party opinion regarding its Green Bond Framework. The Green Bond Framework, the CICERO Opinion and associated reporting are available on the Issuer's website <https://ignitisgrupe.lt/en/sustainable-financing>.

According to the definition criteria set out by the ICMA Green Bond Principles 2018, only Tranches of Notes exclusively financing or refinancing Eligible Projects will be denominated "**Green Bonds**". See "*Risk Factors—6.7 In respect of any Notes issued as Green Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor*" for more information.

DESCRIPTION OF THE GROUP

Overview

UAB "Ignitis grupė" (the "**Issuer**") together with its 22 directly and indirectly controlled subsidiaries (the "**Group**") is one of the largest state-owned energy companies in the Baltic countries. The Group's core business activities are energy generation, distribution and supply in the Baltic region and the development of innovative energy solutions.

The Group is the primary distributor of electricity in the Republic of Lithuania. For the year ended 31 December 2019, the Group generated total revenues of EUR 1,090.7 million (compared to EUR 1,070.1 million in 2018), adjusted EBITDA of EUR 259.6 million (compared to EUR 221.3 million in 2018) and a net profit of EUR 59.0 million (as compared to a loss of EUR 22.0 million in 2018). As at 31 December 2019, the Group had total assets of EUR 3,198.1 million and total equity (net assets) of EUR 1,348.6 million (compared to EUR 2,853.9 million and EUR 1,302.5 million, respectively, in 2018). As at 31 December 2019, the Group had 3,865 employees (compared to 3,830 in 2018).

The Group's four principal business segments are (i) Networks, which involves the distribution of electricity and gas; (ii) Green Generation from wind, hydro, solar, biofuel and waste; (iii) Flexible Generation and (iv) Customers and Solutions, which involves trade and supply in electricity and gas, which together represented 99.0 per cent. of the Group's revenue in the year ended 31 December 2019 (compared to 98.4 per cent. for the year ended 31 December 2018). Revenue from (i) Networks represented 37.9 per cent. of the Group's revenue in the year ended 31 December 2019 (compared to 35.6 per cent. for the year ended 31 December 2018); (ii) Green Generation represented 7.6 per cent. of the Group's revenue in the year ended 31 December 2019 (compared to 7.3 per cent. for the year ended 31 December 2018); (iii) Customers and Solutions represented 46.1 per cent. of the Group's revenue in the year ended 31 December 2019 (compared to 49.1 per cent. for the year ended 31 December 2018); (iv) Flexible Generation represented 7.3 per cent. of the Group's revenue in the year ended 31 December 2019 (compared to 6.4 per cent. for the year ended 31 December 2018). The Group's remaining revenue is principally generated from non-core activities through principal businesses provided by: DLC, TPV, NTV, EMA, GOP and EPR (each as further described herein).

Since 2013, the Group has reorganised its corporate structure, operations and governance model in order to enhance the value of the Group, improve its operational efficiency and improve the quality of service to its customers. As part of this process, the Group's electricity and gas distribution activities were merged and transferred to a new company, ESO. The activities relating to public supply of electricity were transferred from ESO to IGN on 1 September 2018. IGN also carries out activities relating to natural gas supply. The consolidation of Customers and Solutions businesses under IGN created better value added for both, its private and business customers, by facilitating the development of diversified higher quality services, and allowing the Group to better prepare for the deregulation of the public supply of electricity market. The Group's electricity generation activity was concentrated in GEN and UAB "Ignitis renewables" ("**REN**"). The Group's renewable energy projects are managed by REN, which is responsible for the efficient operation of wind power farms and the maintenance of existing operating wind power farms and the development of new wind power plants. The Group's companies in Vilnius (UAB Vilniaus kogeneracinė jėgainė ("**VKJ**")) and Kaunas (UAB Kauno kogeneracinė jėgainė ("**KKJ**")) implement modern waste technology and use biofuels more efficiently by means of cogeneration power plants. Provision of information technology, accounting, telecommunications, legal and other services are concentrated in UAB "Ignitis grupės paslaugų centras" ("**GPC**"). Planning, optimisation, forecasting, trading, brokerage of electricity activities are carried out by UAB "Gamybos optimizavimas" ("**GOP**"). EMA provides consultancy and brokerage services for electronic money issuances, processing and payment services, including organisation and execution.

Taking into account the results of the activities of EPR, its profitability and following evaluation of business continuity alternatives, it was decided to commence the termination of the relevant businesses. The Group is also planning to divest its non-core activities, conducted by NT Valdos, UAB ("**NTV**"), UAB Duomenų logistikos centras ("**DLC**"), and UAB "Transporto valdymas" ("**TPV**"). NTV is responsible for the management, leasing and sale of real estate not used in the Group's core business. Its transport activities were transferred to TPV in order to prepare for the sale of transport activities as a business, while real estate owned by NTV is in the process of being sold. DLC and TPV are presented as held for sale in the financial statements. On 19 March 2018, the Issuer, and on 13 March 2018, its sole shareholder, made a decision that from 2018, the Group would not grant support and/or charity. As a result, the Group has also begun procedures to close the support foundation, *Lietuvos energijos paramos fondas*, due to changes in the Law on Charity and Support of the Republic of Lithuania.

The principal operating companies within the Group are ESO and GEN. ESO distributes electricity and gas to consumers in the Republic of Lithuania. The Group is the primary distributor of electricity in the Republic of Lithuania. The Group's electricity distribution network covers the entire territory of the Republic of Lithuania and the Group provides and operates approximately 9,500 thousand kilometres of gas distribution pipelines. GEN owns and operates 3 power plants located in and connected to the transmission system in the Republic of Lithuania, which generate electricity predominantly from gas and hydro power. GEN also owns the Vilnius Third Combined Heat and Power Plant which is not in use currently and does not produce any electricity. The Group also owns wind farms and wind development projects in Estonia, the Republic of Lithuania and Poland. The Group's subsidiary, IGN, supplies gas to consumers in the Republic of Lithuania, Latvia, Estonia and Finland and supplies electricity procured by its trading

business to consumers in Lithuania and, to a lesser extent, to consumers in Latvia, Estonia and Poland. IGN is also responsible for the public supply of electricity in the Republic of Lithuania (previously ESO was responsible for this activity) and supply of natural gas to the LNG Terminal. The Group's electricity trading business is conducted through IGN and GOP. GOP activities cover planning and optimisation of GEN's generation capacity and sales of electricity generated by GEN. Planning electricity generation capacity involves providing power plants with a schedule of how much electricity is required to be produced by that power plant and coordinating with the TSO in respect of electricity sold. Optimisation of electricity generation capacity involves determining the most financially beneficial method of selling available generation capacity taking into account restrictions such as availability of fuel sources (including gas and water) and environmental restrictions.

The table below sets forth certain information relating to the Group's distribution, generation and trading and supply businesses for the years ended 31 December 2019 and 2018.

For the year ended 31 December 2019

| Installed electricity generation capacity | Electricity distributed to consumers | Gas distributed to consumers | Electricity generated | Electricity sold to consumers | Gas sold to consumers |
|--|---|---|----------------------------------|--|----------------------------------|
| <i>(MW)</i> | <i>(TWh)</i> | <i>(TWh)</i> | <i>(TWh)</i> | <i>(TWh)</i> | <i>(TWh)</i> |
| 2131.8 | 9.55 | 6.97 | 1.06 | 5.86 | 9.83 |

For the year ended 31 December 2018

| Installed electricity generation capacity | Electricity distributed to consumers | Gas distributed to consumers | Electricity generated | Electricity sold to consumers | Gas sold to consumers |
|--|---|---|----------------------------------|--|----------------------------------|
| <i>(MW)</i> | <i>(TWh)</i> | <i>(TWh)</i> | <i>(TWh)</i> | <i>(TWh)</i> | <i>(TWh)</i> |
| 2131.8 | 9.59 | 7.60 | 1.01 | 5.91 | 11.33 |

The Issuer was incorporated as a joint stock company under the laws of the Republic of Lithuania on 28 August 2008 and registered with the Register of Legal Entities, State Enterprise, the Centre of Registers with company no. 301844044. Its registered head office is located at Žvejų g. 14, LT - 09310, Vilnius, Republic of Lithuania, and the telephone number of its registered head office is + 370 5 278 2998. On 6 September 2019, "Lietuvos energija" UAB rebranded to become UAB "Ignitis grupė". As of 31 December 2019, the Issuer has a registered share capital of EUR 1,212,156,293.81 and was solely owned by the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania.

History and Development of the Group

Principal events during the Group's history and development include:

- 1995 On 4 December 1995, AB "Lietuvos energija" was registered. More than 90 per cent. of shares were owned by the Republic of Lithuania. The company consisted of electricity transmission and distribution networks, four electricity power plants (Lietuvos elektrinė, Mažeikiai TE, Kaunas HPP and Kruonis PSHP), heating networks, two thermal power plants located in Vilnius and Kaunas and energy construction and services subsidiaries.
- 1997 On 8 April 1997, the parliament of the Republic of Lithuania enacted the law regarding the reorganisation of AB "Lietuvos energija". On 1 July 1997, the heating networks and thermal power plants of Vilnius and Kaunas were separated from AB "Lietuvos energija" and transferred to municipalities.
- 2001 On 31 December 2001, distribution companies AB Rytų Skirstomieji Tinklai, AB Vakarų Skirstomieji Tinklai (later renamed to AB VST) and electricity generation companies, AB Lietuvos Elektrinė and AB Mažeikių Elektrinė were established by separating assets from AB "Lietuvos energija". AB "Lietuvos energija" remained only as a TSO but also retained hydro generation capacities of Kaunas HPP and Kruonis PSHP.
- 2008 On 20 May 2008, a new company LEO LT, AB was set up for the purpose of constructing a nuclear power plant. 61.7 per cent. of LEO LT, AB shares were owned by the Government and the remaining 38.3 per cent. were owned by private company UAB NDX Energija. LEO LT, AB owned AB "Lietuvos energija", AB Rytų Skirstomieji Tinklai (contributed by the Republic of Lithuania) and a private company AB VST (contributed by UAB NDX Energija). On 28 August 2008, LEO LT, AB set up a new subsidiary UAB Visagino Atominė Elektrinė to carry out preparatory works ahead of the construction of the nuclear power plant.

- 2009 On 14 September 2009, the parliament of the Republic of Lithuania decided to liquidate LEO LT, AB. UAB NDX Energija sold AB VST shares back to the Republic of Lithuania.
- On 22 October 2009, AB "Lietuvos energija" set up its new subsidiary LITGRID UAB which took over the function of TSO from AB "Lietuvos energija".
- 2010 For the purpose of execution of the energy sector's reorganisation plan (which was approved by the Government in 2010) and implementation of the provisions of the E.U. Energy and Climate Change Legislation (the "**Third Energy Package**"), the share capital of UAB Visagino Atominė Elektrinė was increased in 2010. On 4 June 2010, LEO LT, AB (a company in liquidation) paid for a part of such shares by contributing the shares of entities controlled by it (AB VST and AB Rytų Skirstomieji Tinklai) and the majority of shares owned by it in AB "Lietuvos energija". The remainder of UAB Visagino Atominė Elektrinė shares were acquired by the Government by contributing the shares of AB Lietuvos Elektrinė and certain non-current assets.
- On 27 December 2010, AB VST and AB Rytų Skirstomieji Tinklai were merged and registered as a new company, AB LESTO.
- 2011 The merger of two companies—AB "Lietuvos energija" and AB Lietuvos Elektrinė in 2011 marked the end of the process of formation of the Group's power generation unit. The new company Lietuvos energija, AB officially started operations on 1 August 2011.
- On 21 October 2011, the Ministry of Energy of the Republic of Lithuania became a sole shareholder of UAB Visagino Atominė Elektrinė after the liquidation of LEO LT, AB.
- 2012 On 26 September 2012 the shares of UAB Visagino Atominė Elektrinė were transferred under the right of trust to the possession of the Ministry of Economy of the Republic of Lithuania.
- On 26 September 2012, the implementation of the provisions of the Third Energy Package of the European Parliament in the Lithuanian electricity sector was finalised. Shares of Litgrid AB, the TSO controlled by the UAB Visagino Atominė Elektrinė were transferred to a newly established state-owned private limited liability company EPSO-G, controlled by the Ministry of Energy of the Republic of Lithuania.
- 2013 On 26 February 2013, the shares of UAB Visagino Atominė Elektrinė were transferred to the Ministry of Finance of the Republic of Lithuania.
- On 5 August 2013, Lietuvos energija, AB was renamed to Lietuvos Energijos Gamyba, AB.
- On 30 August 2013, the Group parent company UAB Visagino Atominė Elektrinė changed its name to "Lietuvos energija", UAB.
- On 8 October 2013, "Lietuvos energija", UAB, paid up the newly issued shares of LITGAS and became an owner of 67 per cent. of LITGAS share capital.
- 2014 During February-June 2014, "Lietuvos energija", UAB, acquired 96.63 per cent. of shares in Lietuvos Dujos AB (17.7 per cent. were transferred by the Republic of Lithuania, 38.9 per cent. were acquired from E.ON Ruhrgas International and 40.03 per cent. were acquired through a tender offer (of which 37.1 per cent. was acquired from OAO Gazprom)).
- In November 2014, "Lietuvos energija", UAB implemented the requirement of the Third Energy Package of the E.U. regarding the unbundling of natural gas supply, trade and distribution activities by transferring the natural gas supply activity from Lietuvos Dujos AB to the newly established subsidiary, LDT.
- 2015 On 10 April 2015, Lietuvos energija, UAB, established two special purpose companies Vilniaus Kogeneracinė Jėgainė UAB and Kauno Kogeneracinė Jėgainė UAB for the implementation of co-generation power plant projects in Vilnius and Kaunas.
- On 17 August 2015, Lietuvos energija, UAB, acquired 100 per cent. of the shares of Gotlitas, UAB from Kauno energetikos remontas UAB and became the sole shareholder of the company. On 26 October 2015 the name of Gotlitas, UAB was changed to UAB Elektroninių mokėjimų agentūra. On 22 December 2015, UAB Elektroninių mokėjimų agentūra received a licence to operate as a payment institution and on 12 September 2017, UAB Elektroninių mokėjimų agentūra received a licence to operate as an electronic money institution.
- 2016 On 1 January 2016, LESTO AB and Lietuvos Dujos AB were reorganised by way of merger, as a result of which a new entity Energijos Skirstymo Operatorius AB was established.
- On 1 January 2016, Elektros Tinklo Paslaugos UAB and Kauno Energetikos Remontas UAB were reorganised by way of merger, as a result of which a new entity was established under the

name of Energetikos Paslaugų ir Rangos Organizacija UAB.

On 21 January 2016, "Lietuvos energija", UAB, acquired two wind farms with the total installed capacity of 42.3 MW: 24MW in the Republic of Lithuania (UAB "Eurakras") and 18.3MW in Estonia ("Tuuleenergia" OU).

On 18 February 2016, "Lietuvos energija", UAB, established UAB Energijos Sprendimų Centras, with the objective of developing energy efficiency improvement and renewable energy projects.

On 3 October 2016, "Lietuvos energija", UAB, acquired 33.3 per cent. of the shares of LITGAS from AB Klaipėdos Nafta and became the sole shareholder of the company.

2017 On 5 June 2017, a subsidiary of "Lietuvos energija", UAB, Energijos Tiekimas UAB established Geton Energy Sp. z o.o., which is licensed to engage in wholesale electricity trade in Poland.

On 14 August 2017, "Lietuvos energija", UAB, sold 100 per cent. of shares of VŠĮ Energetikų mokymo centras, to VŠĮ "Kauno virpsta", as a part of its disposal programme on non-core operations EMC provides training and certification services for its workers, engineers, managers and executives from electricity and heat, occupational safety and health, welding and hosting equipment and other equipment sectors.

On 12 October 2017, "Lietuvos energija", UAB, signed a sale and purchase agreement in relation to the acquisition of the Vilnius third combined Heat and Power Plant assets.

2018 On 15 February 2018, transport service activities managed by NTV were taken over by the new entity, TPV.

On 26 March 2018, the Ordinary General Meeting of Shareholders of "Lietuvos energijos gamyba", AB made a decision to increase the authorised share capital of "Lietuvos energijos gamyba", AB by issuing new shares to and paid by Lietuvos energija, UAB, as the subscriber of shares, by making a contribution in kind, i.e. transfer of assets of Vilnius Third Combined Heat and Power Plant to "Lietuvos energijos gamyba", AB. On 30 March 2018, Lietuvos Energija, UAB and "Lietuvos energijos gamyba", AB signed a share purchase agreement, pursuant to which the ownership of Vilnius Third Combined Heat and Power Plant was transferred to "Lietuvos energijos gamyba", AB on 31 March 2018.

On 21 September 2018, under the agreement on the sale and purchase of a part of business, Energijos Skirstymo Operatorius AB transferred a part of its public electricity supply activities, which included the provision of the public electricity supply service to UAB Lietuvos Energijos Tiekimas.

On 1 October 2018, the name of UAB Lietuvos Dujų Tiekimas ("**LDT**") was changed to UAB Lietuvos Energijos Tiekimas.

On 11 October 2018, "VAE SPB", UAB, a subsidiary of "Lietuvos energija" UAB, was liquidated.

On 1 November 2018, UAB Energijos Sprendimų Centras was merged with Energijos Tiekimas UAB.

On 28 December 2018, "Lietuvos energija", UAB, acquired entity UAB "VVP Investment".

At the end of 2018, "Lietuvos energija", UAB, acquired two wind farms with the total installed capacity of 33.9 MW: UAB "Vėjo vatas" – 14.9 MW and UAB "Vėjo gūsis" – 19 MW.

On 14 December 2018, a subsidiary of "Lietuvos energija", UAB, Energijos Tiekimas UAB transferred the optimisation activities relating to its power plant operations, to a new entity Gamybos optimizavimas, UAB.

2019 On 1 January 2019, UAB LITGAS merged into UAB "Lietuvos Energijos Tiekimas".

On 14 January 2019, "Lietuvos energija", UAB, established a new entity, UAB Lietuvos energija renewables.

On 28 March 2019, UAB Lietuvos energija renewables, acquired entities UAB "VVP Investment", UAB "EURAKRAS", UAB "VĖJO VATAS" and UAB "VĖJO GŪSIS" from "Lietuvos energija", UAB.

On 29 May 2019, UAB Lietuvos energija renewables, acquired a new entity Pomerania Invall sp. z o.o. - a wind farm project in Poland with an installed electrical capacity of 93.9 MW that is currently under construction (started in summer 2019 and expected to be completed by Q1 2021) ("**Pomerania Wind Farm**").

On 1 June 2019, Energijos tiekimas UAB merged into UAB Lietuvos Energijos Tiekimas.

On 3 July 2019, Pomerania Invall sp. z o.o. was renamed Pomerania Wind Farm sp. z o.o.

On 6 September 2019, the Group carried out rebranding of several of its entities: "Lietuvos energija", UAB, to UAB "Ignitis grupė", UAB Lietuvos energija renewables to UAB "Ignitis renewables", "Lietuvos energijos gamyba", AB to AB "Ignitis gamyba", UAB "Lietuvos Energijos Tiekimas" to UAB "Ignitis", UAB Technologijų ir informacijų centras to UAB "Ignitis grupės paslaugų centras".

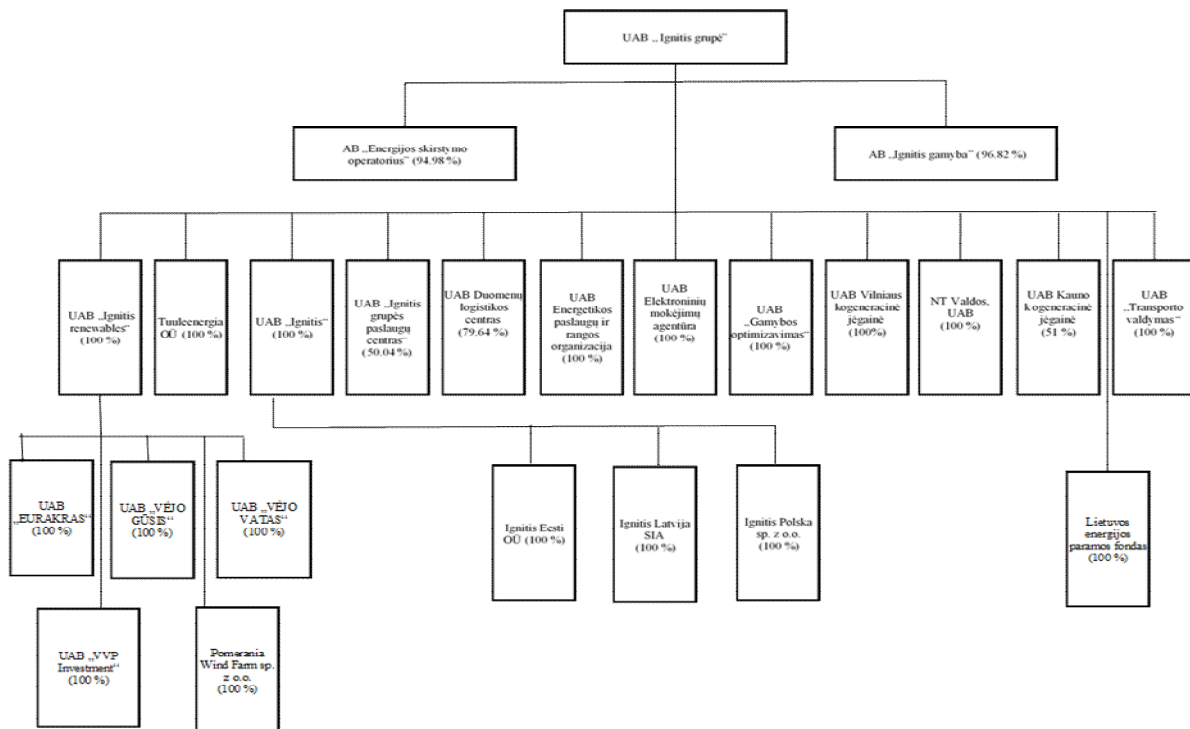
2020

On 2 January 2020, UAB Verslo aptarnavimo centras merged into UAB "Ignitis grupės paslaugų centras".

Organisational Structure

As at the date of this Base Prospectus, the Group consisted of the Issuer and 23 fully consolidated subsidiaries. The Issuer is the Group's parent company and is responsible for the co-ordination of its activities and the transparent management of the Group. Its objectives are to improve its operational efficiency in order to deliver competitive services to its customers and providing long-term value for its shareholder in a socially responsible manner. The Issuer analyses the Group's activities and performance, establishes operational guidelines and rules, and provides certain centralised support functions to the Group, including strategy and development, risk management, treasury, legal services, audit and human resources.

The chart below sets out the Group's corporate structure.



The chart below sets out each of the Group's subsidiaries by reference to the operating segments within which it operates.

| Network | Main activities | | | |
|--------------------------------------|--|---|---------------------|--|
| | Green Generation | Customers and Solution | Flexible Generation | Other |
| AB "Energijos skirstymo operatorius" | AB "Ignitis gamyba" UAB "EURAKRAS" UAB "VVP Investment" UAB "Vejo Vatas" UAB "Vejo Gusion" Pomerania Wind Farm sp. z o.o. Tuuleenergia OÜ UAB Vilniaus Kogeneracinė jėgainė UAB Kauno Kogeneracinė jėgainė UAB | UAB "Ignitis" Ignitis Eesti OÜ Ignitis Latvija SIA Ignitis Polska sp. z o.o. | AB "Ignitis gamyba" | UAB "Ignitis grupė" UAB "Ignitis renewables" UAB "Ignitis grupės paslaugų centras" UAB Energetikos paslaugų ir rangos organizacija NT Valdosa, UAB UAB "Transporto valdymas" UAB Duomenų logistikos centras UAB Elektroninių mokėjimų agentūra UAB "Gamybos optimizavimas" |

Pursuant to the Third Energy Package: (i) the distribution of electricity must be separate and independent from the transmission, generation and sale of electricity; (ii) the distribution of gas must be separate and independent from the transmission and sale of gas; (iii) the transmission of electricity must be separate and independent from the generation and sale of electricity; and (iv) the transmission of gas must be separate and independent from the sale of gas ("unbundling"). Additionally, the separation of electricity generation and sale is considered beneficial for the electricity market, see "*Regulation—E.U. Legislation—Current E.U. Energy Regulation—E.U. Energy and Climate Change Legislation.*" For more information on the unbundling of the Group's activities, see "*—History and Development of the Group*" and "*Regulation— Legislation: the Republic of Lithuania—Transmission and Distribution of Electricity—Current structure*".

Shareholder

The Republic of Lithuania, through the Ministry of Finance of the Republic of Lithuania, is the sole shareholder of the Issuer, the parent company of the Group. The management of the shareholding is carried out in accordance with the Law on Companies and the Description of the Procedure for the Execution of the State's Property and Non-property Rights in State-Owned Enterprises, effective from 6 June 2012 by Resolution No. 665 of the Government of the Republic of Lithuania and the Articles of Association of the Issuer.

As at the date of this Base Prospectus, the Ministry of Finance holds all of the shares in the Issuer on behalf of the Republic of Lithuania and, accordingly, is the registered shareholder of the Issuer in the State Register of Legal Entities (the "**Shareholder**"). On 28 February 2020, a working group set up by the Ministry of Finance to assess the Group's long-term financing alternatives officially recommended offering the Issuer's shares (representing at least 25 per cent. and not exceeding 33.33 per cent. of its authorised capital) to the public. On 23 March 2020, the Issuer received a formal request from the Ministry of Finance to commence an IPO in line with the recommendation from the working group. The Ministry of Finance intends to remain the controlling shareholder of the Issuer and retain its existing decision making powers.

Under Lithuanian law, only public limited liability companies (in Lithuanian: *akcinė bendrovė*) are entitled to participate in the initial public offering of its shares and admit such shares to trading on a regulated market. The Issuer is currently incorporated as a private limited liability company (in Lithuanian: *uždaroji akcinė bendrovė*). In order to participate in this IPO, the Issuer will have to convert into a public limited liability company.

On 18 March 2020, the Government of the Republic of Lithuania adopted a decision consenting to:

- (a) the transformation of the Issuer from a private limited liability company to a public limited liability company; and
- (b) authorising the Shareholder to adopt the decision to:
 - (i) increase the authorised capital of the Issuer to ensure that following the IPO, the Shareholder would hold not less than 2/3 of the shares and voting rights in the Issuer; and
 - (ii) issue new ordinary registered shares.

As of the date of this Base Prospectus, no other formal decisions of the Ministry of Finance of the Republic of Lithuania have been adopted and no other actions have been taken regarding the transformation of the Issuer and/or in relation to the proposed IPO.

The relationship between the Shareholder and the Issuer is conducted primarily through members of the Issuer's Supervisory Board. The Shareholder is represented by two Supervisory Board members of the Issuer assigned by the Ministry of Finance of the Republic of Lithuania. As at the date of this Base Prospectus, the Supervisory Board of the Issuer, consists of three independent members. On 8 April 2020, the Issuer's Articles of Association were amended such that the Supervisory Board will consist of seven members, two members nominated by the Shareholder and five members being independent. The Shareholder is currently in the process of selecting two further independent members. The Chairman of the Supervisory Board is independent and, in the case of equality of votes, has the deciding vote. Accordingly, the Shareholder cannot make unilateral decisions on the Supervisory Board. All members of the Supervisory Board are elected by the general meeting of the Shareholder for a term of four years, please see "*Management—Supervisory Board*".

Certain activities planned by the Group, including mergers and acquisitions, establishment of new legal entities by the Issuer (but not Group subsidiaries) and reorganisations or equity injections into the Group's principal subsidiaries require the approval of the Shareholder. As of the date of this Base Prospectus, the Shareholder has not materially altered any plan submitted by the Group. The Issuer is responsible for the transparent management and coordination of activities of the Group, the improvement of efficiency to ensure competitive services for consumers, and for the socially responsible creation of long-term value for the Shareholder. The Group seeks to build sustainable value in the energy sector by promoting the development of the country's economy and society. The Shareholder shall, at least every four years, prepare and submit to the Issuer a "Letter of Expectations" regarding the objectives pursued by the Shareholder in relation to the Issuer and the Shareholder's expectations of the Group's performance. In April 2018, the Shareholder prepared a "Letter of Expectations" addressed to the Issuer outlining its expectations as the Shareholder of the Issuer in relation to strategic direction, principal activities, management of the Group, efficiency, responsibility, accountability and values. In this "Letter of Expectations", the Shareholder expects the Group to have the following strategic directions for 2018-2025:

- (a) sustainable, socially responsible development by creating a modern, globally competitive energy company;
- (b) creating added value to the Lithuanian economy through development initiatives;
- (c) strengthen its value chain by improving operational efficiency and quality of service;
- (d) expose other publicly owned companies to good governance practices; and
- (e) create transparent, responsible and value-based activities.

The Issuer is subject to a statutory requirement to pay dividends based on a percentage of the Group's return on equity. The higher the Group's return on equity, the lower the proportion of retained earnings that the Group is required to pay to the Shareholder. ESO and GEN, in turn, are required to pay dividends to the Issuer based on their return on equity. The higher ESO or GEN's return on equity, the lower the proportion of net profit that ESO and GEN are required to pay to the Shareholder. In 2019, the Issuer paid dividends to the Shareholder of EUR 13.0 million, a decrease of 83.4 per cent. from 2018 (EUR 78.3 million). The decrease in 2019 was due to the Group's net profit result being a loss in 2018 caused by the increase in purchase prices of electricity and gas and ESO's non-current assets impairment. The Issuer is the largest contributor to the Republic of Lithuania budget among state-controlled companies in the Republic of Lithuania.

In 2014 the Issuer received a EUR 32.6 million "payment in kind" equity injection, in the form of Lietuvos Dujos AB shares from the Government. It is possible that support of this sort may also be provided in the future but there is no commitment from the Shareholder to do this. The ability of the Government to support the Issuer and the Group through subsidies, loans, capital or other financial injection is restricted by, and subject to, the relevant rules regarding State-Aid.

The Ministry of Energy previously determined that payments to LITGAS by electricity and heat producers performing regulated activities prior to 2016 was approved by the European Commission as compliant state-aid in 2013. At the same time, the Ministry of Energy considered that PSO service fees paid to GEN would not be considered state-aid by the

European Commission. In 2016, the Ministry of Energy informed the European Commission about legislative changes regarding LNG Supplements and PSO service fees and started the pre-notification procedure with the European Commission, please see "*Risk Factors—1.3 State-aid notification risk*".

The Issuer and some of the Group's subsidiaries are also subject to additional corporate supervision under the Law on the Protection of the Objects of National Security Importance. In respect of the Issuer and Group's subsidiaries, facilities and businesses which are considered to be of strategic importance to national security, the Law on the Protection of the Objects of National Security Importance:

- (i) places restrictions on ownership that does not comply with the interests of national security;
- (ii) increases certain compliance requirements for managers and investors including (shareholders) and certain security measures for operations;
- (iii) places restrictions for reorganisation of directly and indirectly controlled enterprises;
- (iv) requires state ownership to be no less than two-thirds);
- (v) may limit enforcement against such subsidiaries, facilities and businesses and the Issuer (for example as set out in (iii) above) and in the paragraph below; and
- (vi) requires prior approval of a special commission if the transaction to be concluded meets certain criteria, including (but not limited to) cases when the transaction's value exceeds 10 per cent. of the company's last year's revenue.

Principal Subsidiaries

ESO, 94.98 per cent. owned by the Issuer with the remainder of its shares listed on the main market of Nasdaq Vilnius Stock Exchange, was established on 1 January 2016 as part of the implementation of the Group's corporate reorganisation as a result of which the electricity distribution activities of LESTO AB and the gas distribution activities of Lietuvos Dujos AB were merged and transferred to ESO. The Group intends to apply to the Nasdaq Vilnius Stock Exchange for the delisting of the remaining shares (for more information, see "*—Legal Proceedings — ESO and GEN and their minority shareholders*"). ESO is the largest company on the Nasdaq Baltic Market by market capitalisation. The main activities of ESO are electricity distribution, natural gas distribution and the maintenance and development of electricity and gas distribution networks. ESO monitors the electric power and gas distribution networks, ensuring that they are reliable and effective and oversees the procedures for connecting new customers to the distribution network. ESO is the primary distributor of electricity in the Republic of Lithuania and serves approximately 1.8 million customers in the Republic of Lithuania, which represents approximately 100 per cent. of consumers in the Republic of Lithuania. ESO's electricity distribution network comprises approximately 125,498 kilometres of electricity lines, of which 68.7 per cent. consist of overhead lines and 31.3 per cent. consist of underground electricity cables. ESO's gas distribution network comprises approximately 9,500 kilometres of pipelines. In 2019, ESO distributed 9.55 TWh of electricity and 6.97 TWh of gas. In the year ended 31 December 2019, ESO contributed 69.5 per cent. of the Group's adjusted EBITDA. For more information on the Group's distribution business, please see "*—The Group's Business Segments—Networks*" below.

GEN, 96.82 per cent. owned by the Issuer as at 6 February 2020 with the remainder of shares listed on the main market of the Nasdaq Vilnius Stock Exchange, was established on 21 July 2011. The Group intends to apply to the Nasdaq Vilnius Stock Exchange for the delisting of the remaining shares (for more information, see "*—Legal Proceedings — ESO and GEN and their minority shareholders*"). GEN owns and operates four generation facilities: the Elektrėnai Complex which consists of two gas fired reserve power units (the "**Reserve Power Plants**"); a combined cycle gas unit ("**CCGT**"); and contains steam and biofuel boilers which generate heat. Kruonis Pumped Storage Hydroelectric Power Plant ("**Kruonis PSHP**") which consists of four units, two of which operate as a secondary reserve; Kaunas Algirdas Brazauskas Hydroelectric Power Plant ("**Kaunas HPP**") and Vilnius Third Combined Heat and Power Plant ("**VTCHPP**"), which is not currently in use and has not been producing electricity since 2016. In 2019, GEN produced 0.83 TWh of electricity. GEN also provides various ancillary services to the Lithuanian TSO, regulation power (as defined in the Glossary), tertiary power reserve services and isolated regime services. GEN's activities are focused on two operating segments, regulated activities and commercial activities. The Elektrėnai Complex's heat generation, tertiary power reserve services, isolated regime service (fixed costs excluding return on investment) as well as secondary power reserve services provided by Kruonis PSHP are regulated activities, while electricity generation at the Elektrėnai Complex, Kaunas HPP, Kruonis PSHP and other related activities (e.g. balancing and regulation services) are not regulated.

GEN is the sole provider of secondary power reserve services and also provides tertiary power reserve services. Tertiary and secondary power reserve services are intended to ensure the reliable operation of the national electricity system in emergencies when there is an unexpected reduction in electricity generation or unexpected increase in electricity consumption. The secondary power reserves consist of power from installations or hydroelectric units which can be activated within 15 minutes. The tertiary power reserves are derived from power-generating facilities which can be activated within 12 hours. GEN provides secondary power reserve services at Kruonis PSHP and it provides the tertiary power reserve services with the Reserve Power Plants. At the end of 2016, the Ministry of Energy and the

Lithuanian TSO decided that providers of tertiary power reserve services would be determined by an auction process, beginning in 2017. On 29 November 2019, the Lithuanian TSO announced the auction results stating that tertiary power reserve services in 2020 would be provided by GEN, which through its Reserve Power Plants will provide 475 MW of total reserve. In addition, GEN provides isolated regime services through its CCGT unit in the Elektrėnai Complex. The isolated regime services will be activated by the Lithuanian TSO in case the Lithuanian power system is isolated and does not work in synchronisation with the other power systems to which it is connected. While providing isolated regime services, CCGT unit is also able to produce and sell electricity in the market. For more information on the Group's flexible generation business, please see "*—The Group's Business Segments—Flexible Generation*".

UAB "Ignitis renewables" ("**REN**"), a wholly owned subsidiary of the Issuer, was established on 14 January 2019. REN owns renewable energy projects in Lithuania and Poland and is also in charge of operation, supervision and development of wind and solar energy projects in order to reach the strategic goal of the Group to increase of portfolio of green generation assets. REN owns UAB "EURAKRAS", UAB "VĖJO VATAS" and UAB "VĖJO GŪSIS" wind farms which have a total installed capacity of 57.9 MW. In 2019, these wind farms generated and sold 0.176 TWh of electricity. REN also owns two wind farm projects, UAB "VVP Investment", a wind farm project in the Republic of Lithuania, and the Pomerania Wind Farm in Poland. For more information on the Group's green generation business, please see "*—The Group's Business Segments—Green Generation*".

IGN (formerly UAB Lietuvos Energijos Tiekimas), a wholly owned subsidiary of the Issuer, was established on 2 September 2014 and reorganised as explained above. The main activities of IGN are the supply and trading of electricity and natural gas (including in the form of LNG). Its core business is the supply of electricity and gas to business and private customers, scheduling, forecasting, balancing, purchasing, hedging, trade intermediation, sales, client relations management and product development. In addition to the core business areas, IGN also provides different kinds of energy services for business and private customers, such as solar power plant sales and installation, LED lighting solutions, heating solutions and electric vehicle ("**EV**") services, including operation of the largest EV charging network in the Republic of Lithuania.

IGN is a member of the Nasdaq Commodities exchange and is the only Lithuanian electricity supplier that actively participates on this exchange. IGN is also a member of Nord Pool Exchange and the pan-Baltic gas exchange, GET Baltic.

IGN owns Ignitis Eesti OU, a company established in Estonia, Ignitis Latvija SIA, a company established in Latvia and Ignitis Polska Sp. z.o.o., a company established in Poland. These companies are engaged in power supply and/or trading in Estonia, Latvia and Poland, respectively.

Since 2015, IGN has been the designated supplier of natural gas in the Republic of Lithuania and is responsible for ensuring that a minimum quantity of natural gas is delivered through LNG Terminals. According to the Group's internal data, IGN has 7,500 natural gas commercial customers. The supply portfolio of natural gas consists of Lithuanian, Latvian and Finnish commercial customers and a Lithuanian private customer base of almost 600,000 natural gas customers. In 2019, supply volumes slightly decreased and amounted to 9.83 TWh and was 13.2 per cent lower than in 2018 (11.33 TWh). For more information on the Group's electricity trading and supply business, please see "*—The Group's Business Segments—Customers and Solutions*".

Competitive Strengths

The Group benefits from the following key strengths:

Experienced and Dynamic Management Team and Structure

The Group has an experienced senior management team within the Issuer and at its principal operating subsidiaries. Mr. Darius Maikštėnas is the Chairman of the Board and Chief Executive Officer of the parent company. Mr. Darius Maikštėnas graduated from the Harvard Business School's General Management Program (GMP). Mr. Darius Kašauskas is a member of the Management Board and has been the Finance and Treasury Director of the Issuer since its establishment. In 2015, Mr. Darius Kašauskas was awarded the "'CFO of the Year'" in Lithuania by the Association of Financial Analysts and the Verslo Žinios newspaper.

The Group has introduced uniform management and control policies, including integrated planning and monitoring systems across the Group in order to facilitate operational efficiency and to benefit from synergies between Group companies. Since 2012, the Government's state-owned enterprise monitoring and governance coordination unit ("**Governance Coordination Centre**") annually compiles a welfare management index for Lithuanian state-owned entities, which aims to measure the implementation of key good governance practices by each state-owned enterprise. Currently, this index is the best measure of corporate governance for state-owned enterprises. In 2018-2019, the Issuer earned the best possible A+ index and was declared the leader in corporate governance in the corporate category.

The Group's Clearly Defined Strategy and Consistent Implementation has Contributed to Strong Financial Performance

In May 2018, the Group adopted its new 2030 strategy (as defined below). For more details, see "*—The Group's Strategy*". The Group anticipates the main source of growth in its 2030 strategy will come from the investments in green energy – development and acquisitions of energy generation from renewable energy resources. The Group is

committed to reducing CO² emissions to zero by 2050.

In 2019, the Group recorded its highest level of adjusted EBITDA - for the year ended 31 December 2019, it amounted to EUR 259.6 million (compared to EUR 221.3 million for the year ended 31 December 2018). The Group's management believes that adopting and consistently implementing its clearly defined strategy has enabled the Group to deliver higher added value to customers and its Shareholder, to benefit from operational efficiencies and to deliver strong sustainable financial results.

A Significant Proportion of the Group's adjusted EBITDA is generated by its Networks Business

A significant proportion of the Group's revenue and adjusted EBITDA is generated by its networks business which owns and operates electricity and gas distribution networks and which is operated by ESO. The networks business provides predictable and stable cash flows. For the year ended 31 December 2019, the Group distributed 9.55 TWh of electricity to approximately 1.8 million customers and electricity and gas distribution contributed 37.9 per cent. of the Group's revenues and 69.5 per cent. of the Group's adjusted EBITDA. The Group's management believes that the stability of the Group's principal revenue stream, which, as a natural monopoly within the Republic of Lithuania, is not subject to competitive pressures, contributes significantly to the management of its overall risk profile and provides a solid basis for the implementation of its investment programmes.

Wholly State-Owned Company, Backed by a Stable and Open Economy

The Republic of Lithuania, through the Ministry of Finance, owns 100 per cent. of the share capital of the Issuer, the parent company of the Group. At the beginning of 2020, Standard & Poor's raised its rating on the Republic of Lithuania to A+/A-1/stable from A/A-1/stable, and Fitch Ratings raised its rating on the Republic of Lithuania to A/stable from A-/stable. At the beginning of 2020, Moody's assigned the Republic of Lithuania an unchanged rating of A3 but revised its outlook to "positive". The Group's management believes that being wholly-owned by a government that is backed by a stable and open economy provides additional credibility in the credit markets and allows the Group to benefit from more favourable credit terms compared to competitors without similar ownership.

The Group's Strategy

Decarbonisation, urbanisation, digitisation, market integration and the development of renewable energy technologies are changing the energy sector. Amidst this energy industry transformation, "Ignitis Group" announced its strategy for the period of 2018-2030 focusing on building a globally competitive energy company (the "**2030 Strategy**"). The 2030 Strategy demonstrates the Group's intention to create a more sustainable environment by:

- shifting from conventional energy sources and focusing on renewable energy sources to accelerate the ongoing transition in the energy sector towards a decarbonised world;
- changing from a predominantly local company to an international company to explore new business growth opportunities; and
- transforming from a state-owned monopoly to a competitive and innovative business by reshaping its energy business models and developing and scaling smart solutions and platforms.

The 2030 Strategy defines the following three fundamental strategic priorities which outline the Group's operating guidelines until 2030:

- **Sustainable development:** focusing on international growth through strategic power generation, green energy, the development of commercial organisation and the creation of new energy. Key areas of sustainable development comprise:
 - *Strategic power generation:* developing strategic power generation units and ensuring high reliability at the Group's power plants. The main objective is the maintenance and modernisation of certain local power generation plants to make them more sustainable and contribution to the successful synchronisation of the Baltic States with the Continental European Network ("**CEN**") by 2025.
 - *Green energy:* focus on the development of electricity production capacities of renewable resources (wind, solar, biofuels and waste) by acquiring existing power plants and developing new projects. The Group is targeting an increase of 3000 MW in green energy capacity by 2030, provided that the build-out creates value for its Shareholder.
 - *Commercial organisation:* consolidation of the commercial organisation and international expansion through the use of leading digital solutions to ensure an exceptional customer experience, successful investment in brand building, and the ability to replicate services that the Group successfully provides in the Republic of Lithuania on foreign markets.
 - *New energy:* the application of innovative technologies and investments in new energy businesses with the potential for growth. A range of packaged service solutions are to be offered, including small scale power generation, electric vehicle charging network operations and distributed energy storage and

consumption management.

- **Quality and efficiency:** focusing on improving customer service, infrastructure quality and further efficiency in relation to Group activities in order to ensure stable return for the Shareholder.
- **Transparency:** maintaining the high transparency standards in the Group's operations. The Group intends to become an internationally recognised example of a responsible, transparent and credible business by implementing internationally recognised standards of transparency, ethics and good governance including ISO 37001. The Group continues to follow a zero-tolerance approach to unethical or deceptive behaviour.

The Group's Business Segments

The Group's segments were updated in 2019 and differ from those envisaged in the Group's 2030 strategy. The new four principal business segments are:

- *Networks.* The core activities of the Networks segment are the operation, maintenance, management and development of electricity and gas distribution networks, as well as the guaranteed supply of gas and electricity.
- *Green Generation.* The Green Generation portfolio consists of 1.1 GW of total installed capacity. This includes four operating wind farms in Lithuania and Estonia with a total installed capacity of 76MW, and two hydro powerplants: Kruonis PSHP (900MW) and Kaunas HPP (101MW) in Lithuania. In addition to operating assets, the Group's Green Generation portfolio contains projects with an additional 273 MW of electrical capacity and 299 MW of thermal capacity under construction or under development. These consist of two wind farms, one in Poland (94 MW) and one in Lithuania (63 MW) and two waste-to-energy/biomass CHP plants in Lithuania: Vilnius (92 MW electric, 229 MW heat) and Kaunas (24 MW electric, 70 MW heat).
- *Customers and Solutions.* The Customers and Solutions segment includes electricity and gas supply, trading and balancing, energy efficiency projects, construction of solar power plants for businesses and residents, installation and operation of electric vehicle charging stations and energy solutions (gas boilers, heat pumps). The Group's Customers and Solutions business is active in Latvia, Estonia, Finland and Poland.
- *Flexible generation.* The Flexible Generation segment operates the largest electricity generation capacity in Lithuania - 1055 MW Elektrėnai Complex. The Elektrėnai Complex facilities provide system services and ensure the stability of Lithuania's electricity system.

Networks

Distribution of electricity

The Group distributes electricity in the Republic of Lithuania to approximately 1.8 million customers covering an area of approximately 65,300 square kilometres as of 31 December 2019. The Group is the primary distributor of electricity in the Republic of Lithuania through its subsidiary ESO. ESO, which commenced operations on 1 January 2016, was formed following the merger of LESTO AB (the electricity distribution network operator) and Lietuvos Dujos AB (the gas distribution company). Revenue from the distribution of electricity is the largest single contributor to the Group's revenue and EBITDA. ESO operates approximately 125,498 kilometres of electricity lines: 68.7 per cent. of them consist of overhead electricity lines, and 31.3 per cent. of electricity cables.

In the year ended 31 December 2019, the Group distributed 9.55 TWh of electricity to consumers compared to 9.59 TWh for the year ended 31 December 2018. The Group does not currently distribute electricity to consumers in any other country. In the year ended 31 December 2019, approximately 30 per cent. of electricity distributed by the Group was consumed by private residents, 29 per cent. by industrial customers and 12 per cent. by service-sector institutions and 29 per cent. by others. The supply quality indicator of the network, SAIDI, (as defined in the "Glossary"), increased from 81.37 minutes in the year ended 31 December 2018 to 91.8 minutes in the year ended 31 December 2019, mainly due to increased volume of network failures caused by natural disasters. Another supply quality indicator of the network, SAIFI (as defined in the "Glossary"), increased from 1.14 units in the year ended 31 December 2018 to 1.31 units in the year ended 31 December 2019, mainly due to abnormal weather conditions, which caused more frequent interruptions. The table below sets out the key operating indicators of ESO's electricity distribution business as the dates indicated:

| | 2019 | 2018 | Change | |
|---|--------------|--------------|---------------|-------|
| | <i>(TWh)</i> | <i>(TWh)</i> | +/- | % |
| Operating Indicators | | | | |
| Distributed electricity..... <i>TWh</i> | 9.55 | 9.59 | -0.04 | -0.42 |
| Guaranteed supply of electricity <i>TWh</i> | 0.47 | 0.51 | -0.04 | -7.48 |
| Supply quality indicators of the network | | | | |
| ELECTRICITY | | | | |
| SAIDI..... <i>min.</i> | 91.8 | 81.37 | 10.43 | |
| SAIFI..... <i>units</i> | 1.31 | 1.14 | 0.17 | |

The Group's distribution network losses were 641.4 million kWh of electricity or 6.29 per cent. of the amount of electricity received in the year ended 31 December 2019 compared to network losses of 5.96 per cent. in the year ended 31 December 2018.

Electricity supply activity is regulated on the basis of regulated asset base ("**RAB**"), which mostly consists of assets with long useful life (e.g. electricity lines). The RAB of electricity amounted to EUR 1,227 million as of 1 January 2019 (compared to EUR 1,037 million as of 1 January 2018).

Electricity Distribution Investment Plans

The Group is planning to significantly modernise its electricity distribution network and to invest EUR 1.83 billion in the modernisation and renewal of its network between 2019 and 2028. A significant proportion of this investment, approximately EUR 380 million, will seek to improve the resistance of the network to adverse weather conditions by replacing overhead lines with underground cables or isolated cables. Over the next 10 years underground and isolated cables are expected to increase by 8,000 kilometres.

The Group plans to allocate EUR 165 million to implement smart grid projects. Seven projects are expected to be implemented by 2028 including the automation of the grid, the creation of a single correspondent centre and the installation of a system for the management of the distribution network. The Group also plans to invest up to EUR 409 million in the replacement of unsafe transformers, cable lines and distribution devices and improvement of the quality of the electricity supply voltage as part of its "Safe and Reliable Network Programme". Approximately EUR 500 million, will be allocated to other measures including the connection of new customers.

Distribution of Gas

The Group distributed natural gas to approximately 0.602 million customers as of 31 December 2019. As of 31 December 2019, the Group owned and operated approximately 9,500 kilometres of gas distribution pipelines in the Republic of Lithuania. In the year ended 31 December 2019, the Group distributed 6.97 TWh of natural gas to consumers, representing a decrease of 8.29 per cent. or 0.63 TWh compared to 2018. The Group does not distribute gas to consumers in any other country. Gas distribution SAIDI ratio deteriorated during 2019 and was 1.249 minutes compared with 0.606 minutes in 2018 and SAIFI ratio in 2019 was approximately equal to 0.008 interruptions, while in 2018 SAIFI was approx. 0.006 interruptions. Deterioration of the quality indicators mainly resulted from third party's interruption to the network, which affected more customers, compared to 2018.

The table below sets out the key operating indicators of ESO's gas distribution business at the dates indicated:

| | 2019 | 2018 | Change | |
|---|--------------|--------------|---------------|--------|
| | <i>(TWh)</i> | <i>(TWh)</i> | +/- | % |
| Operating Indicators | | | | |
| Distributed volume of natural gas..... <i>TWh</i> | 6.97 | 7.60 | -0.63 | 8.29 |
| Supply quality indicators of the network | | | | |
| GAS | | | | |
| SAIDI..... <i>min.</i> | 1.249 | 0.606 | 0.643 | 106.11 |
| SAIFI..... <i>units</i> | 0.008 | 0.006 | 0.002 | 33.33 |

In 2019, ESO's CAPEX in gas distribution pipelines and gas technological equipment and installations amounted to EUR 50.8 million or 10.9 per cent. less compared to 2018. In 2019, ESO constructed 521 kilometres of gas distribution pipeline (2018: 653 kilometres) for the connection of new connection points and upgrades to the gas network. During 2019, 11,793 new connection points and upgrades were established in the gas distribution network, or 20.0 per cent. less than in 2018.

Gas distribution activity is regulated on the basis of RAB, which mainly consists of assets with long useful life (e.g. gas pipelines). The RAB of gas amounted to EUR 189 million as of 1 January 2019 (compared to EUR 144 million as of 1 January 2018).

Gas Distribution Investment Plans

ESO is in the process of reviewing its 10 year investment plans which projected that its investments in the gas distribution network would amount to EUR 224 million over a ten year period. ESO plans to allocate EUR 120 million of this investment for the development of the distribution system in order to meet the demand generated by the growing number of natural gas customers. ESO plans to invest a further EUR 40 million to modernise remote data collection and control systems, and EUR 15 million is planned to be allocated to reconstruct gas distribution pipelines. ESO has also allocated EUR 49 million to modernise the gas metering system within ten years. ESO also intends to invest in the reconstruction of gas pressure regulating equipment, the replacement and additional installation of closing devices,

and investments in the reconstruction of corrosion protection equipment for the pipelines.

Green Generation

Overview

The Group owns and operates two hydroelectric power plants with total installed capacity of 1,000.8 MW and four wind farms with total installed capacity of 76 MW.

The following table sets forth a breakdown of the total installed capacity of the Group's Green Generation power plants for the years ended 31 December 2019 and 31 December 2018:

| | As of 31 December | | | |
|---|-------------------|------------|--------------|------------|
| | 2019 | | 2018 | |
| | (MW) | % | (MW) | % |
| Hydro | 1,000 | 92.9 | 1,000 | 92.9 |
| Wind | 76 | 7.1 | 76 | 7.1 |
| Green Generation installed capacity..... | 1076. | 100 | 1076. | 100 |

As of 31 December 2019, the total capacity of the Group's Green Generation facilities remained the same compared to 31 December 2018, as no new acquisitions of operating business assets were made or capacity installed in the existing operating facilities. As of 31 December 2019, 92.9 per cent. of the Group's total installed capacity was hydroelectric power and 7.1 per cent. was wind power.

During 2019, the Group's portfolio of assets under construction or under development increased from 179 MW to 273 MW. The increase resulted from the acquisition of the Group's first wind farm project (94 MW) in Poland, Pomerania region. The wind farm is currently under construction. During 2019, the Group also continued the construction of Vilnius (92 MW electric, 229 MW heat) and Kaunas (24 MW electric, 70 MW heat) waste-to-energy and biomass CHP plants, as well as continued the development of the 63 MW onshore wind farm in Mažeikiai, Lithuania.

The following table sets forth a breakdown of the total electricity generated by the Group's power plants by type of green energy for the years ended 31 December 2019 and 31 December 2018:

| | As of 31 December | | | |
|--|-------------------|------------|-------------|------------|
| | 2019 | | 2018 | |
| | (TWh) | % | (TWh) | % |
| Hydro | 0.81 | 77.9 | 0.82 | 86.3 |
| Wind | 0.23 | 22.1 | 0.13 | 13.7 |
| Green electricity generated | 1.04 | 100 | 0.95 | 100 |

In the year ended 31 December 2019, the Group generated 1.04 TWh of electricity, representing an increase of 0.09 TWh, or 0.5 per cent, from 0.95 TWh in the year ended 31 December 2018. The increase was caused mainly by higher electricity generation in the Kruonis PSHP due to the higher volatility of electricity market prices, higher volumes of electricity generation by the Group's wind farms as a result of the acquisition of Vėjo Vatas and Vėjo gūsis in the end of 2018 and favourable weather conditions in 2019.

Hydroelectric Power Generation

The Group owns and operates two hydroelectric power plants in the Republic of Lithuania, Kruonis PSHP and Kaunas HPP. In the year ended 31 December 2019, its hydroelectric power plants had an installed capacity of 1,000.8 MW of electricity.

Kruonis PSHP pumps water from the Kaunas reservoir using electricity at night (the "off peak period") when electricity prices are relatively low and generates electricity during the day time (the "peak period") when electricity prices are higher.

The following table sets forth certain information regarding the Group's hydroelectric power plants as of 31 December 2019:

| Plant | Installed capacity (MW) | Type of plant | Start of operation |
|---|-------------------------|---------------|--------------------|
| Kruonis PSHP | 900 | Pump storage | 1992-1998 |
| Kaunas HPP | 100.8 | Hydroelectric | 1959 |
| Total hydro installed capacity | 1,000.8 | - | - |

In the year ended 31 December 2019, the Group's hydroelectric power plants generated 0.81 TWh of electricity, representing approximately 75.9 per cent. of the Group's total electricity generated, compared to 0.82 TWh or 80.7 per

cent. of the Group's total electricity generated for the year ended 31 December 2018.

In the year ended 31 December 2019, Kruonis PSHP generated 0.536 TWh of electricity. Kruonis PSHP is also responsible for provision of secondary power reserves. Two units of Kruonis PSHP's capacity (representing 450 MW of installed capacity) are allocated solely to providing secondary power reserves which can be switched on within 15 minutes. This activity is regulated by the NERC.

The remaining two units of Kruonis PSHP's capacity are allocated to providing electricity on market terms. This activity was regulated by the NERC in 2015 but ceased to be regulated from October 2016 following a ruling by the Supreme Administrative Court.

In the year ended 31 December 2019, Kaunas HPP generated 0.270 TWh of electricity. Kaunas HPP also generates electricity which is used for the recovery of the electricity system when there has been a sudden loss of power in the system, for example, when there is an electricity "black-out". Electricity generation at Kaunas HPP and related balancing and regulation services are commercial activities.

Hydroelectric power plants have a high degree of flexibility in the regulation of their output. The ability to control hydroelectric power plants centrally permits the hydroelectric plants to commence operation rapidly thereby regulating electricity output. Neither conventional nor pump storage hydroelectric power plants release polluting emissions into the atmosphere. These plants also represent an inexpensive source of electricity, particularly in periods of peak demand. In addition, pump storage power plants allow the productive use of excess electricity generated by base load plants by operating storage pumps in periods of low demand. Further development of hydroelectric power generation in the Republic of Lithuania is limited by the topography of the region and Law on Water. As a result, other than the construction of a new unit in Kruonis PSHP, the Group does not currently expect to construct any new hydroelectric power plants in the Republic of Lithuania.

Wind Power Generation

The Group owns four operating wind farms in the Republic of Lithuania and Estonia with total installed capacity of 76 MW, two of which were purchased in the first quarter of 2016 and the remaining two at the end of 2018. In the year ended 31 December 2019, these wind farms generated 0.23 TWh electricity, compared to 0.13 TWh electricity generated for the year ended 31 December 2018. The Group's wind power generation is expected to grow due to investment in the Pomerania Wind Farm. In December 2018, the Group also acquired a wind development in Lithuania (VVP investment wind farm) that is currently in development stage (expected capacity of approximately 63 MW).

Waste-to-energy and biomass CHP plants Power and Heat Generation

In 2014, the Group started implementing its projects for the development of CHP production plants in Vilnius and Kaunas. According to the resolution of the Government of 28 May 2014, these projects were declared economic projects of state significance and the Issuer was assigned to hold not less than 51 per cent. of shares of the CHP plants in Vilnius and Kaunas. In 2015, the Group established two special purpose vehicles: one for project implementation of the CHP plant in Vilnius (UAB Vilniaus kogeneracinė jėgainė, "**Vilnius CHP plant**"), and the other for project implementation of the CHP plant in Kaunas (UAB Kauno Kogeneracinė Jėgainė, "**Kaunas CHP plant**"). The Group is developing the Kaunas CHP plant jointly with Fortum Heat Lietuva, UAB, which owns 49 per cent. of the Kaunas CHP plant. The Vilnius CHP plant is funded by the combination of a EUR 190 million loan facility provided by the European Investment Bank, an E.U. grant for the Vilnius CHP plant (which will cover up to 40 per cent. of the capital expenditure for the Vilnius CHP plant) and shareholders' equity, while the Kaunas CHP plant is funded via a commercial bank loan and shareholders' equity. Both CHP plants will ensure the implementation of the Circular Economy Strategy objectives set by the European Commission, i.e. to dispose of only up to 5 per cent. of waste in landfills.

At the beginning of December 2017, the construction site for Kaunas CHP was opened in the Free Economic Zone in Kaunas, and the first construction work on the power plant was officially started. Kaunas CHP plant will have a total installed electricity generation capacity of approximately 24 MW and a total installed heat generation capacity of approximately 70 MW. The new Kaunas CHP will help to resolve not only waste problems in the region, but also lower heating bills for Kaunas residents. It is estimated that upon the completion of the project, Kaunas residents will save by paying approximately EUR 12 million less for waste management and EUR 3 million less for heating per year. It is expected that the Kaunas CHP plant will generate approximately 40 per cent. of the heat required by the Kaunas district. Local electricity will be produced meeting the needs of approximately 100,000 households. The commercial activities of the power plant are expected to start in 2020.

In order to obtain the permit to connect the Vilnius CHP plant to the central heating network and to obtain the municipality permit to increase the height of the Vilnius CHP plant, in May 2017 the Issuer signed a cooperation agreement with Vilniaus šilumos tinklai to acquire an inactive (and acquired) gas-fired CHP power plant (with an installed heat generation capacity of 604 MW and an installed electricity generation capacity of 360 MW) for EUR 9.94 million and provided an option to Vilniaus šilumos tinklai along with an option to acquire 5 per cent. of the shares in the Vilnius CHP plant, subject to approvals from the European Commission, European Investment Bank and any other third parties, if required. The Issuer transferred the ownership of inactive gas-fired CHP power plant to GEN in 2018. The Vilnius CHP plant will have a total installed electricity generation capacity of approximately 92 MW and

a total installed heat generation capacity of approximately 229 MW. It is expected that the Vilnius CHP plant, using biofuel and municipal waste, will produce nearly half of the heat centrally supplied to Vilnius. Local electricity will be produced meeting the needs of approximately 230,000 households. It is projected that annual expenses for heat to Vilnius residents will be reduced by EUR 13 million, and for waste management by EUR 10 million. Upon completion of the construction, the Vilnius CHP will be one of the most modern in Europe in terms of environmental protection and energy generation technologies. The commercial activities of the power plant are expected to start in 2021.

Customers and Solutions

Trading of Electricity

The Group's electricity trading activities are conducted through IGN and its subsidiaries Ignitis Latvija SIA and Ignitis Polska sp. z o.o. and consist of : (i) purchasing electricity for its consumer supply business; and (ii) hedging and proprietary wholesale trading.

From 2016, all electricity generated by the Group's Lithuanian power plants is sold directly on the Nord Pool Exchange. Generated electricity is traded on day ahead as well as intraday markets. Since 2010, the wholesale prices have been unregulated. Prices on the Nord Pool Exchange are set on the basis of supply and demand. When trading on a day ahead basis, the Group submits sell bids for physical electricity to be delivered the next day, whereas intraday market trading allows the Group to trade physical electricity to be delivered on the same day. Due to the nature and flexibility of the generation assets and optimisation activities, total generated volume may differ from the volume sold.

The Group's electricity supply and generation portfolios are separated in accordance with the Third Energy Package and REMIT. Accordingly, IGN sources electricity for its supply portfolio directly from the Nord Pool Exchange or through bilateral agreements with third parties.

In order to manage market price fluctuation risk, IGN hedges retail portfolio exposure using physical and financial instruments traded over-the-counter or on the Nasdaq Commodities Exchange. As of 31 December 2019, IGN had entered into a number of long-term contracts with various durations (the longest duration being until 31 December 2024).

IGN is a member of Nord Pool Exchange and Nasdaq Commodities Exchange and trades standard and non-standard physical and financial derivative products. Ignitis Polska sp. z o.o is active in the Polish wholesale market and trades on the Polish Power Exchange TGE.

The following table sets forth a breakdown of the volume of electricity purchased and sold by the Group on wholesale markets (including the Group's net electricity generated and total sales to consumers) for the years ended 31 December 2019 and 31 December 2018.

| | For the year ended 31 December | | |
|---|---------------------------------------|---------------------|--|
| | 2019 | 2018 | Change in 2019 compared to 2018 |
| | <i>(TWh)</i> | <i>(TWh)</i> | <i>%</i> |
| Wholesale trading in electricity. TWh | | | |
| Electricity purchased on wholesale markets | 7.33 | 7.25 | 1.11 |
| ESO portfolio | 1.11 | 3.22 | -65.49 |
| IGN (IGN LT) | 4.56 | 2.59 | 76.40 |
| IGN (IGN LV) | 0.83 | 0.69 | 20.73 |
| GEN (for Kruonis PSHP) | 0.82 | 0.75 | 9.33 |
| Electricity sold on wholesale markets | 1.12 | 1.08 | 2.91 |
| GEN (through GOP) | 0.89 | 0.96 | -7.29 |
| Eurakras | 0.08 | 0.07 | 23.81 |
| Tuuleenergia | 0.05 | 0.05 | 15.45 |
| Vėjo Vatas | 0.04 | 0.0 ⁽¹⁾ | 765.30 |
| Vėjo Gūsis | 0.05 | 0.01 ⁽¹⁾ | 698.91 |
| Balance between electricity purchased and sold on wholesale market electricity | 6.21 | 6.16 | 0.79 |
| Electricity generated and sold to consumers. TWh | | | |
| Total electricity generated by the Group | 1.06 | 1.01 | 5.11 |
| GEN | 0.83 | 0.89 | -8.33 |
| GEN – Elektrėnai Complex | 0.02 | 0.07 | -71.43 |

| | | | |
|---|--------------|---------------------|--------------|
| GEN – Kaunas HPP | 0.27 | 0.35 | -22.22 |
| GEN – Kruonis PSHP | 0.54 | 0.47 | 9.43 |
| Eurakras..... | 0.09 | 0.07 | 23.71 |
| Tuuleenergia | 0.06 | 0.05 | 15.42 |
| Vėjo Vatas..... | 0.04 | 0.00 ⁽¹⁾ | 769.98 |
| Vėjo Gūsis..... | 0.05 | 0.01 ⁽¹⁾ | 699.85 |
| Technological losses..... | 0.67 | 0.64 | 4.08 |
| ESO | 0.64 | 0.61 | 5.55 |
| GEN | 0.02 | 0.03 | -33.33 |
| Eurakras..... | 0.00 | 0.00 | 19.22 |
| Tuuleenergia | 0.00 | 0.00 | 14.44 |
| Vėjo Vatas..... | 0.00 | 0.00 ⁽¹⁾ | 1004.46 |
| Vėjo Gūsis..... | 0.00 | 0.00 ⁽¹⁾ | 743.90 |
| Electricity sold by the Group to consumers | 5.86 | 5.91 | -0.83 |
| IGN (IGN LT) | 4.56 | 2.61 | 74.86 |
| IGN (IGN LV)..... | 0.83 | 0.69 | 20.73 |
| ESO | 0.47 | 2.61 | -82.02 |
| Balance between electricity generated by the Group and sold to its consumers | -4.80 | -4.90 | -1.91 |

Note (1): Electricity sold on wholesale market, electricity generated and technological losses in Vėjo Vatas and Vėjo Gūsis until acquisition is excluded.

Trading of Gas

The Group's gas trading activities, conducted through IGN, encompass selling natural gas on wholesale markets through bilateral agreements in the Republic of Lithuania, Latvia, Estonia, Finland and trading on GET Baltic, the gas exchange operating in the market areas located in the Republic of Lithuania, Latvia, Estonia and Finland. Natural gas is also traded on "cross-border interconnection points" of transmission systems in the Baltic region and on "virtual trading points" without a defined physical location in the Lithuanian and Latvian transmission system, both as defined in the Glossary. Small scale LNG trading activities are also conducted in the Baltic region through the Klaipėda LNG Terminal and Klaipėda small-scale LNG Terminal.

Gas financial instruments, which are primarily used to hedge changes in physical gas supply portfolios, are used by IGN, which has ISDA agreements in place with well-known financial institutions and major European gas traders.

Supply of Electricity

Public Supply of Electricity

The Group supplies electricity to approximately 1.6 million customers in the Republic of Lithuania. The electricity supply market in the Republic of Lithuania is fully liberalised. Household consumers are able to choose to be supplied from independent electricity suppliers. However, it is not fully deregulated as consumers are also still able to rely on the public supplier to supply electricity at a regulated tariff. The public supply of electricity is conducted through IGN which on 1 September 2018 acquired this business from ESO. As the principal public supplier, IGN supplies electricity to household consumers who have not chosen an independent on the basis of public tariffs set by the Law on Electricity. ESO provides a guaranteed electricity supply to consumers where an independent supplier fails to fulfil its obligations. In the year ended 31 December 2019, IGN, as a public supplier, supplied 2.88 TWh of electricity to the public in the Republic of Lithuania (approximately 99 per cent. of total electricity supplied to the public in the Republic of Lithuania), representing an increase of 1.5 per cent. compared to the year ended 31 December 2018.

Regulation of Public Supply in Lithuania

The Group's electricity distribution network is a natural monopoly within the Republic of Lithuania and is therefore not subject to direct competition from other market participants. Electricity distribution is subject to a licensing regime in the Republic of Lithuania and is regulated by the Lithuanian Law on Energy, the Lithuanian Law on Electricity and other regulatory legislation. Operating licences are issued and licensed activities are controlled by the NERC. The NERC sets price caps for the provision of network services in the electricity sector for five year periods on the basis of a long-run average incremental cost ("LRAIC") model. The current regulatory period of five years sets the price caps for 2016 – 2020. For further information in relation to price regulation and the licensing regime, see "*Regulation*".

Independent Supply of Electricity in Lithuania

In the year ended 31 December 2019, the Group, through its subsidiary IGN, supplied electricity to 7,248 commercial customers, which is one of the largest electricity customer bases in the Republic of Lithuania. In the year ended 31 December 2019, the Group supplied 1.68 TWh of electricity to commercial customers in the Republic of Lithuania,

representing decrease of 3.7 per cent. compared to the year ended 31 December 2018 due to changes in the components of the sales portfolio. In 2019, a significant part of the sales portfolio consisted of medium and small customers, while in 2018, the sales portfolio mainly consisted of large customers.

Latvia

In the year ended 31 December 2019, IGN, through its subsidiary Ignitis Latvija SIA, sold 0.83 TWh of electricity to consumers in Latvia, representing an increase of more than 20 per cent. compared to the year ended 31 December 2018. The increase was caused predominantly by active sales, competitive pricing, flexible, tailored products and excellent customer service. The Group's subsidiary, Ignitis Latvija SIA, is the third largest power supplier in the Latvian electricity market according to the Group's data.

Estonia

In the year ended 31 December 2019, IGN, through its subsidiary, Ignitis Eesti OU, sold 2.25 GWh of electricity to commercial consumers in Estonia compared to a supply volume of 0.05 GWh in the year ended 31 December 2018. The Group's subsidiary, Ignitis Eesti OU, is one of the smallest suppliers in the Estonian electricity market according to the Group's internal data.

Supply of Gas

In 2019, IGN purchased approximately 49 per cent. of the gas it supplied to consumers from the LNG Terminal in Klaipeda. In 2019, the Group purchased LNG from Equinor ASA, Total Gas & Power Limited and other LNG suppliers. The remainder was purchased from Gazprom through natural gas pipelines and other sources such as the wholesale market under short term natural gas supply contracts. IGN's decision to purchase gas through either the LNG Terminal or from Gazprom was based on price and the need to ensure diversification of supply and designated supply to LNG Terminal obligation. Part of the gas purchased was stored in the Incukalns LNG storage facility in Latvia.

In the year ended 31 December 2019, the Group supplied 9.83 TWh of gas in the Lithuanian, Latvian and Estonia markets to 600,000 consumers, representing volume decrease of 13 per cent. compared to the year ended 31 December 2018. The decrease of supplied volumes was caused both by the actions of competitors and an extremely warm end of the year. IGN achieved a market share in sales to commercial customers in the Republic of Lithuania in the year ended 31 December 2019 of approximately 85 per cent. compared to 94 per cent. in 2018, according to the Group's data.

Energy Efficiency Improvement

IGN, besides its core gas and electricity supply products, is also developing projects relating to energy efficiency improvement, EV charging infrastructure ("**Ignitis On**") and renewable energy resources in the Republic of Lithuania and abroad. The operations of IGN are based on the energy services company model which defines the company providing energy efficiency improvement services as the entity investing in energy efficiency measures and covering the investments made using future energy savings during the life of the contract with the relevant customer. The operations are intended to enable the Group to achieve the highest impact of energy efficiency whilst at the same time avoiding large initial investments by the owners of buildings or equipment. Such operations include:

- EV charging infrastructure (Ignitis On): IGN offers e-mobility packages, including infrastructure, installation, charging equipment, software and roaming services. The Ignitis On app allows customers to find the nearest available charging stations and pay with their preferred method and 24-hour customer support access is provided at every charging station. From November 2019, IGN started to offer EV home chargers for residential customers together with installation services and other equipment needed for EV charging. IGN offers slow, medium and fast charging EV stations and represent mainly these brands: Efacec, Elinta and Ensto.
- ESCO: An ESCO is an energy service company that concludes an energy performance contract with the customer, investing in measures to improve the energy performance of the building, and recoup most of the investment over the life of the contract from future energy savings.

The essence of this model is to achieve maximum energy savings without incurring significant initial investment. In addition, an energy service contract guarantees a certain level of energy savings in a building after installation saving measures. IGN, when providing ESCO services, is usually not only responsible for the quality of work, which should improve the energy efficiency of the building, but also for the amount of energy savings achieved through renovation. Because IGN assumes the agreed energy savings it is in its interest to maintain the high quality of the renovation work and to ensure proper lighting modernisation operation of the project even after the warranty period of the contract work has expired. The ESCO model is more advanced than the traditional purchase of luminaires where no long-term energy savings are guaranteed.

Each year IGN executes ESCO projects in the Republic of Lithuania totalling approximately one million euros. As of 2019, IGN started ESCO services in the Republic of Latvia and has started cooperation with more than fifteen lighting equipment suppliers in the Republic of Lithuania and Latvia.

- **Solar:** IGN provides direct purchases, or leasing for up to 10 years, of on-site photovoltaic plants allowing businesses access to renewable energy. IGN takes full responsibility for photovoltaic plant installation, offering a warranty (up to 25 years). In the past few years IGN has signed contracts for more than 7 MWp. From July 2019, IGN has offered solar energy power plants for residential customers, which consists of photovoltaic plant panels, inverters, mounting structures, installation services and all other needed equipment. The size of the power plants range from 3 kW up to 30 kW and produce average 1000 kWh/ year per installed kW power. This service enables residential customers to take part in generation of green energy, while decreasing their electricity costs.
- **Community Solar (Solar parks):** The law allowing the production and consumption of electricity in different geographical locations came into force on 1 October 2019, and a platform www.saulesparkai.lt ('Community solar') was launched. The functionality of the platform is based on the consumption of the solar energy from remote solar parks. The platform provides solar energy efficiency improvement services for customers who do not have solar panel roofs. The platform publishes community solar projects from different developers and customers have ability to choose from the wide range of solar parks. In the period from 1 October 2019 to 31 December 2019, the platform raised 2 MW reservations (approximately 561 customers) and during 2020 it is planned to improve the functionality of the platform by installing periodic billing, transferring data to the operator and exchanging further data with developers.

Flexible Generation

The Group owns and operates the Elektrėnai Complex in the Republic of Lithuania, which contains the Reserve Power Plants (gas -fired) and the CCGT unit (gas-fired), with a combined installed capacity of 1,055 MW as of 31 December 2019. The Reserve Power Plants have 2 units with an installed capacity of 300 MW each, while the CCGT unit has an installed capacity of 455 MW. The use of unit 7 of the Reserve Power Plant was put on hold from 1 January 2018 until 12 December 2019 and the use of unit 8 was put on hold from 1 January 2019 until 12 December 2019. During this period, the units were kept in preservation mode. The decision was taken by the Board of GEN, having assessed the scope of services provided by Elektrėnai Complex's units in 2018 and 2019, the market situation of electricity production and system services, changes in the regulatory environment and its financial prospects, and also taking into account the opinion of the GEN's Supervisory Board. As a result GEN's management determined that it was necessary to account for an impairment loss based on the net book amount of assets attributed to units 7 and 8 of the Elektrėnai Complex. This impairment loss amounted to EUR 31.4 million for the year ended 31 December 2017.

Moreover, in 2018, a decision was made that oil would not be used for powering the Reserve Power Plants. In the year ended 31 December 2019, the Group, through GEN, consumed 0.068 TWh of natural gas in relation to its power generation operations which was primarily sourced from Group subsidiaries.

In the year ended 31 December 2019, the Elektrėnai Complex generated 0.025 TWh of electricity, representing a decrease of 63 per cent. compared to the year ended 31 December 2018. The decrease was caused predominantly by units 7 and 8 being kept in preservation mode, while the CCGT unit provided tertiary power reserve services in 2019. The Elektrėnai Complex generated 2.3 per cent. of the total electricity generated by the Group in 2019.

The Reserve Power Plant is also responsible for providing tertiary power reserve services with capacity of 475 MW in 2020, while the CCGT unit is responsible for providing isolated regime services. Both services are considered as regulated activities.

The units in the Elektrėnai Complex have a diversified age profile. Construction of the CCGT was completed in October 2012 whereas the construction of the currently operational Reserve Power Plants' electricity generation units were completed between 1971 to 1972. The Group has a schedule of regular repairs and overhauls for its power plants. Four power generation units in the Elektrėnai Complex were decommissioned in 2014 and 2015 and two units are inactive and are currently in the process of being decommissioned, in each case due to their poor technical condition, low potential of use in the future, high maintenance costs and negative impact on the environment.

The Group, through GEN, has permits for an indefinite term to engage in electricity generation activities at the Reserve Power Plants and the CCGT unit. GEN also holds permits to expand electricity generation capacities at the Reserve Power Plants. Since the establishment of GEN in 2011, all of the Group's power plants in the Republic of Lithuania, which are owned by GEN, have complied with all environmental requirements and regulations. The Elektrėnai Complex was assigned 153,605 tons of CO₂ emission allowances for the year ended 31 December 2019. For additional information on CO₂ emission allowances and the allocation of CO₂ emission allowances, please see "*Regulation — Carbon Compliance (Emissions Allowances)*".

On 26 March 2018, the Ordinary General Meeting of GEN approved the decision to increase the authorised share capital of GEN by issuing new shares to and paid for by the subscriber, Lietuvos Energija UAB, in the form of a non-monetary contribution, by transferring the asset complex of the VTCHPP to GEN.

Heat Generation

The Elektrėnai Complex also contains steam and biofuel boilers which generate heat and have an installed capacity of 90 MW. The Reserve Power Plants sold around 99 GWh of heat in 2019.

Part of heat generation is a regulated activity. Regulated heat generation comprises generation which is sold to a local heat supplier. Around 32 per cent. of heat generation is not regulated by the NERC. Non-regulated heat generation comprises generation sold directly to companies. GEN has permits for indefinite term to engage in heat generation activities at the steam and biofuel boilers in the Elektrėnai Complex.

Biomass in the form of wood chip, straw and pellets is combusted in the Elektrėnai Complex. In the year ended 31 December 2019, the Group burned 37,494 tons of biomass in the Elektrėnai Complex.

Construction of the steam and biofuel boilers in the Elektrėnai Complex were completed in 2015. The units can be affected by various factors, such as major equipment failure, operational accidents, disruptions in the supply of biofuel and district heating water contamination. The Group has a schedule of regular repairs and overhauls for its steam and biofuel boilers. Since 2015, all of the Group's steam and biofuel boilers have complied with all environmental requirements.

Regarding the Group's strategy segments, the steam boiler is allocated to Flexible Generation and the biofuel boiler is allocated to Green Generation.

Other Businesses

Nuclear Power Generation

The Republic of Lithuania has been working towards the development of a new nuclear power plant project, Visaginas NPP, which was intended to operate in the joint Nordic/Baltic region. The project's preparation works were being carried out by the Group via UAB Visagino atominė elektrinė, a special purpose vehicle. However, this project has been put on hold following the negative vote in an advisory non-binding referendum on the development of a new nuclear power plant in the Republic of Lithuania in October 2012. In conjunction with the Group's 2030 strategy with a focus on green energy, a decision to wind up UAB Visagino atominė elektrinė was adopted in April 2018. As at the date of this Base Prospectus the Group is no longer building nor intends to build a nuclear power plant.

Provision of Ancillary Services

Contracting activities

The Group's full scope contracting activities up to the beginning of 2018 were conducted through EPR. EPR's activities included the reconstruction, repair and technical maintenance of electricity equipment and power stations, installation of boilers, technological pipes and other installation works, manufacturing of stacks, metal construction structures, pressure vessels and management of engineering projects. In the year ended 31 December 2019, EPR's revenues were EUR 0.7 million (EUR 14.6 million in 2018) and its net loss was EUR 0.7 million (EUR 10.0 million in 2018). The decline in revenue and the net loss was predominantly caused by lower scopes of works and loss-making orders (including those concluded in the previous periods). During April 2018, in line with the Group's strategy to divest non-core businesses, it was announced that the operations of EPR would be wound down during the coming months. In 2019, EPR was engaged in a reconstruction project, which is currently ongoing and is expected to complete on 30 September 2020, resulting in the revenues for the year ending 31 December 2019 decreasing to 0.7 million.

Real estate management and transport services

The Group's real estate management and transport services activities until February 2018 were conducted through NTV. It was engaged in the long-term and short-term lease of administrative, production and warehousing premises as well as long-term and short-term lease of territories and long-term and short-term lease of cars and special purpose motor vehicles and equipment, management of vehicle fleet, accommodation and conference organisation services. In the year ended 31 December 2019, its revenue from contracts with customers, rent income and other income were EUR 3.7 million (EUR 16.7 million in 2018) and adjusted EBITDA before elimination of intragroup transactions was EUR 0.3 million (EUR 4.1 million in 2018).

In December 2017, the Group announced that from February 2018 transport service activities managed by NTV will be taken over by TPV.

In the year ended 31 December 2019, TPV's revenue from contracts with customers, property rental income and other income were EUR 7.0 million (EUR 7.2 million in 2018) and adjusted EBITDA before elimination of intragroup transactions was EUR 3.1 million (EUR 3.6 million in 2018).

The disposal process of TPV is expected to be completed in 2020. In addition, in line with the Group's strategy to divest non-core businesses, it commenced the auction sale process of its real estate portfolio managed by NTV. On 23 January 2020, the auction for the real estate portfolio managed by NTV commenced, during which the last three properties were sold for a total of EUR 196,000, excluding VAT.

Data centres and data transmission services

The Group's data activities are conducted through DLC, one of the largest operators of data transmission networks and data centres in the Baltic region. DLC provides data transmission services to companies and communication operators, manages data centres in which major banks, telecommunication operators, cloud computing services

providers and other companies store their equipment. In the year ended 31 December 2019, its revenues were EUR 3.8 million (EUR 3.8 million in 2018) and EBITDA was EUR 2.3 million (EUR 1.6 million in 2018). In line with the Group's non-core businesses divestment strategy, the sale process of DLC has commenced.

Shared services

GPC provides organisation and performance of public procurements, accounting, legal and public relations and employment relationship administration services to the Group's subsidiaries. It is also one of the largest information technology and telecommunication companies in the Republic of Lithuania, according to internal data, providing IT and telecommunication services to Group companies.

Divestment of non-core activities

The Group is in the process of divesting its non-core activities which are conducted through EPR, in addition to NTV, TPV and DLC, if market conditions are favourable.

Other Businesses

From 2016, the Group through its newly created subsidiary EMA started providing financial services, collection of payments for utility services and other periodic payments from customers and their distribution to service providers. Planning, optimisation, forecasting, trading and brokerage of electricity activities are carried out by GOP.

Property, Plant and Equipment and Investment Property

As of 31 December 2019, the Group owned property, plant and equipment with a net book value of EUR 2,347.8 million (compared to EUR 2,091.4 million as of 31 December 2018), investment property with net book value of EUR 5.5 million (compared to EUR 6.5 million as of 31 December 2018) and non-current assets held for the sale with net book value of EUR 40.6 million (compared to EUR 65.7 million as of 31 December 2018).

The Group owns all of its significant generation facilities and other properties and the Group holds the title to all of the land underlying its operation facilities. The Group's plant, property and equipment, mainly comprise power plants and electricity and gas distribution networks and other assets. As of 31 December 2019, the Group owned buildings, structures and machinery, gas distribution pipelines, gas technological equipment and installations, assets of hydro power plant and pumped storage plant, wind power plants and their installations and structures and machinery of thermal power plants, which are classified as property, plant and equipment, amounted to a total net book value of EUR 1,946.1 million and represented 82.9 per cent. of Group's property, plant and equipment (compared to EUR 1,897.6 million as of 31 December 2018, represented 90.7 per cent. of Group's property, plant and equipment). Other assets, such as land, vehicles, IT and telecommunication equipment, construction-in-progress and other property, plant and equipment, classified as property, plant and equipment, amounted to a total net book value of EUR 401.7 million (compared to EUR 193.8 million as of 31 December 2018) and items classified as non-current assets held for sale amounted to a total net book value of EUR 40.6 million (compared to EUR 65.7 million as of 31 December 2018). Non-current assets held for sale as of 31 December 2019 includes the assets of subsidiaries TPV and DLC, which the Group plans to dispose.

As of 31 December 2019, the Group owned property, plant and equipment pledged as a security for liabilities in the amount of EUR 21.0 million, representing 0.9 per cent. of total net book value of plant, property and equipment, compared to the amount of EUR 58.6 million as of 31 December 2018.

At the moment the Group is planning to sell all of the administrative buildings that it owns and leaseback only the necessary ones by 2021. Following such sales, the Group will move to new headquarters while focusing on its core activities and using its balance sheet more effectively.

CAPEX

In the year ended 31 December 2019, the Group's CAPEX amounted to EUR 451.0 million, representing an increase of 8.2 per cent. compared to EUR 416.7 million for the year ended 31 December 2018. The majority of the CAPEX was allocated to the expansion of the green generation segment (56.3 per cent.) and the renewal and development of the distribution network segment (39.6 per cent.).

In the year ended 31 December 2019, green generation segment CAPEX increased by EUR 115.7 million to EUR 253.9 million, representing an increase of 83.7 per cent, compared to the year ended 31 December 2018 (EUR 138.2 million). The majority of the segment CAPEX was allocated to the construction of Vilnius and Kaunas CHPs: CAPEX increased by EUR 111.7 million to EUR 203.9 million, representing an increase of 121.2 per cent. compared to the year ended 31 December 2018 (EUR 92.2 million). In addition to that, CAPEX in wind farms in the year ended 31 December 2019 increased by EUR 12.5 million to EUR 49.6 million mainly due to the acquisition of the Pomerania Wind Farm in Poland, representing an increase of 33.7 per cent. compared to the year ended 31 December 2018 (EUR 37.1 million).

In the year ended 31 December 2019, networks segment CAPEX decreased by EUR 91.7 million to EUR 178.7 million, representing a decrease of 33.9 per cent., compared to the year ended 31 December 2018 (EUR 270.4 million). The majority of the networks segment CAPEX was allocated to the renewal and development of the electricity distribution

network as well as the renewal and development of gas system. Other CAPEX mainly consisted of vehicles, IT, telecommunication and management systems.

The Group makes independent investment decisions according to the investment plans and respective decisions of individual Group subsidiaries. However, the Group determines general principles regarding investments in specific projects or the creation of new services encompassing financial assessment criteria and risks of investments that are required to be assessed when determining the financial recoverability of the investment project. However, certain activities planned by the Group, including mergers and acquisitions, establishment of new legal entities by the Issuer (but not Group subsidiaries) and reorganisations or equity injections into the Group's principal subsidiaries require the approval of the Government. Additionally, ESO requires the approval of regulators for: (i) investments in regulated activities over EUR 1.5 million (in respect of its electricity distribution activities) and (ii) any investment which accounts for more than 5 per cent. of its total annual capital expenditure (in respect of its gas distribution activities) and GEN requires the approval of regulators for any investment related to its regulated activities. As of the date of this Base Prospectus, neither the Government nor any regulator has materially altered any investment plan submitted by the Group. The Group also makes investments on behalf of the Government in economic projects of State significance.

Employees

The Group had 3,865 and 3,830 employees in the years ended 31 December 2019 and 2018, respectively. ESO had 2,426 and 2,389 employees in the years ended 31 December 2019 and 2018, respectively. IGN had 117 and 48 employees in the years ended 31 December 2019 and 2018, respectively. GEN had 356 and 372 employees in the years ended 31 December 2019 and 2018, respectively.

The Group has developed employment policies to meet the needs of its different business segments, embodying principles of equal opportunity. The Group encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment through programmes such as the Issuer's long-term managerial staff training programmes which have the goal of developing a consistent leadership culture to achieve the strategic business objectives of the Group.

As at 31 December 2019, ESO and GEN employees were covered by two collective bargaining agreements in accordance with Lithuanian law. The new Labour Code in the Republic of Lithuania, which came into force on 1 July 2017, ensures greater flexibility of labour relations in terms of working schedules and overtime regulations as well as employment conclusion and termination. As at the date of this Base Prospectus, the Group has not experienced any strikes or work stoppages in the Republic of Lithuania.

Innovation strategy

For the purpose of implementing the Group's 2030 strategy and with a view to promoting innovations, the Issuer has established a Smart Energy Fund in 2017 (the "**Fund**"). It was the first corporate venture capital fund in the Baltic States. The Fund provides funding for early stage start-ups in the energy sector. The Group's other R&D projects are mainly performed by private scientific institutions, or by the academic sector. R&D covers numerous topics in micro generation, smart metering, electricity quality, waste-to-energy, drones, demand side management and chimney technology. The Group has entered into a cooperation agreement with the largest technical university in the Republic of Lithuania, Kaunas University of Technology, with whom the Group has established an applied research centre that helps the Group to develop its scientific base and knowledge in a quick and efficient manner. The Group also encourages students by offering internship positions at the research centre. For the purpose of implementing the Group's 2030 strategy and with a view to promote innovations, the Issuer has established an innovation hub (the "**Hub**") in 2018 under the Group's Innovation department. The Hub's activities encompass four areas: open culture, open infrastructure, open partnerships and open funding. With open culture, the Innovation department is promoting incremental innovations that rise within the Group by organising hackathons and conferences. Open infrastructure enables other companies outside the group to test their technologies, prototypes or business ideas in the Group's infrastructure through a free of charge "sandbox" program.

By partnering with various universities and research institutions, Innovation department creates idea flow in the community and enhances the required research capabilities and research and development facilities through open partnership activities. To enable open funding the Group has established a risk capital fund to provide early stage start-ups with investment.

Licences

As of the date of this Base Prospectus, the Group holds all material licences necessary for the operation of its business. For information on licences and permissions required under the Energy Law and under other applicable regulations, please see "*Regulation—Legislation: the Republic of Lithuania—Electricity Sector—Licensing Regime*", "*Regulation—Legislation: the Republic of Lithuania—Heating Energy Sector—Licensing Requirements*" and "*Regulation—Legislation: the Republic of Lithuania—Gas Sector—Licensing Regime*".

Insurance

The Group maintains several types of insurance to protect it against potential liabilities.

GEN maintains insurance for its power plants, excluding its hydro power plants. Additionally, it maintains surety insurance for major waste projects.

ESO maintains insurance policies covering assets such as dispatch management systems, electrical installations and buildings financed from E.U. funds. ESO's technological assets, including its distribution assets, are not covered by insurance as such costs are not covered under regulated tariffs for distribution activities, whereas repair costs for technological assets are covered under such tariffs.

The Group also maintains insurance policies covering non-technological equipment, general third-party liability insurance in connection with its main operations and car insurance. The Group also has insurance policies covering directors' and officers' liability.

"Rizikos cesija", a Lithuanian consultant, carried out a risk assessment report on the Group's insurance policies in 2019, that identified the lack of insurances covering the hydro power plants as a potential high risk given the wide range of accidents that may occur at these power plants. The Group is considering carrying out repair works on its Kruonis power plant and after the repair works are finished, the Group intends to review the current insurance policies to extend the cover applicable to its hydro power plants.

The Group is preparing to undertake a public procurement process in order to instruct an insurance broker to improve its risks coverage by obtaining "master" (group) policies for its general and professional civil liability. The Group is also considering obtaining cyber and crime insurances.

Risk Management

The Group continues to develop its integrated risk management system in order to increase its fundamental value while taking into account the level of risk acceptable for its Shareholder. The ultimate risk authority is the Risk Management and Operational Ethics Supervision Committee of the Supervisory Board, please see "*Management—Committees of the Supervisory Board—Risk Management and Operational Ethics Supervision Committee*". The Risk Management Supervision and Operational Ethics Committee is responsible for reporting to the Supervisory Board on the risks that the Group faces and implementation of risk management or prevention measures.

The Risk Management and Operational Ethics Supervision Committee continuously monitors the overall impact of risk on the Group and actions the Group takes to minimise those risks, such monitoring includes the implementation of internal control procedures and risk management measures, the assessment of the regular risk identification and assessment cycle, the establishment and control of risk registers and the drafting of risk management related internal documents.

The Risk Management and Operational Ethics Supervision Committee meets to assess risk factors on at least a quarterly basis. During these periodical risk self-assessment meetings, the Committee identifies the systemic risks to the Group. Systemic risks are those risks which are relevant to at least two of the Group's subsidiaries and where the level of the risk is higher than the defined Group risk appetite. Risk appetite (accepted risk level expressed as a percentage of EBITDA) is approved by the Board of the Issuer. Measures and initiatives to mitigate these risks are the responsibility of the management of the Issuer and the relevant subsidiaries. The Committee also identifies risks which are specific to individual subsidiaries of the Group. The Committee advises the relevant subsidiary of any risks relevant to it and makes recommendations to mitigate such risks. These risks are the responsibility of the relevant subsidiary. The Committee also assesses the implementation of its recommendations on a bi-annual basis.

The main systemic risks which have been identified for 2020 are:

- (a) Health and safety of employees, residents and contractors;
- (b) Information cyber security (cyber information, data protection and IT security);
- (c) Market changes and competitiveness;
- (d) Corruption;
- (e) Regulation and compliance.

In order to control risk management effectiveness there is Group level risk tolerance for main financial results and key risks. Risk limits are set for specific risks. Risk tolerance and limits are approved by Supervisory Board of the Issuer.

Property, casualty and other operational risks are managed through using insurance, emergency and crisis planning and preventive actions.

For more information relating to material risks that the Group faces, please see "*Risk Factors*" and Note 3 of the 2019 Financial Statements.

In addition to the Risk Management and Operational Ethics Supervisory Committee, there is the Audit Committee of the Company's Supervisory Board. The Audit Committee of the Company's Supervisory Board ("**Audit Committee**") is responsible for the submission of the objective and impartial conclusions or proposals to the Supervisory Board on the functioning of the audit and control system in the Group. The Audit Committee is responsible for monitoring the

process of preparation of financial statements of the Issuer and the Group's subsidiaries, with a focus on the relevance and consistency of accounting methods used. In addition, it is responsible for monitoring the effectiveness of internal controls and risk management systems of the Issuer and the Group's subsidiaries, to analyse the need for and relevance of these systems and perform the review of the existing internal control management systems.

Environmental Matters

The Group's activities are regulated by the following environmental legislation; the Law of Environmental Protection, Law on Energy, Law on Electricity and the Law on Natural Gas, please see "*Regulation—Energy Infrastructure—Security of Electricity Supply*" and "*Regulation—Legislation: The Republic of Lithuania—Overview*". When planning its activities, the Group assesses the environmental requirements set out in the legislation and takes into account trends in environmental protection. As of the date of this Base Prospectus the Group is in compliance with all material environmental legislative requirements.

Legal Proceedings

The Group is currently involved in a number of legal proceedings; however, the Group believes that liabilities relating to such proceedings would not, individually or in the aggregate, have a material adverse effect on its results of operations or financial condition. Certain significant legal proceedings in which the Group has been involved in the 12 months preceding the date of this Base Prospectus are described below.

ESO and VE

On 27 March 2014, VE UAB ("**VE**") brought a claim against ESO before the Vilnius Regional Court claiming damages of EUR 10,711,700.00. VE and ESO entered into an electricity sale and purchase agreement under which VE supplied ESO with electricity for ESO's public supply activities ("**Supported Production Volume**"). The Supported Production Volume is determined under the Resolution of the Government of the Republic of Lithuania No 1051 "Regarding the Determination of the Providers of the Services of Public Interest and of the Scope of Provision of the Services of Public Interest for 2014" of 20 November 2013. VE claims the Supported Production Volume in the agreement with ESO is below the Supported Production Volume stipulated in the resolution. ESO believes the resolution provides it, as public supplier of electricity in the Republic of Lithuania, with flexibility to determine the exact Supported Production Volume.

On 18 September 2017, the Vilnius Regional Court dismissed the claim. On 19 October 2017, VE lodged an appeal. On 6 November 2018, the Lithuanian Court of Appeal ordered that the 18 September 2017 decision of the Vilnius Regional Court was partially repealed, and the case was remitted to the Court of First Instance. On 22 January 2020, VE filed an appeal in cassation on a point of law against a part of the 18 September 2017 decision. The Supreme Court accepted the appeal in cassation. ESO submitted a response to this appeal on 28 February 2019.

On 17 April 2019, the Supreme Court terminated the process of cassation on that basis that the appeal had not been lodged within the time limit. On 18 July 2019, VE issued a revised claim and on 23 October 2019, the Vilnius Regional Court reopened the case, and included the NERC as a party. NERC presented its statement on the case on 12 December 2019.

On 28 January 2020, the Vilnius Regional Court reached a decision partially satisfying the claim of VE, and 1) acknowledged that VE was discriminated against in relation to other cogeneration plants; 2) ordered ESO to pay VE the sum of EUR 1,724,600 for the loss incurred in 2014; and EUR 535,000 in damages for 2015; and (3) awarded 6 per cent. annual procedural interest on the amount of the award of the damages from the date of commencement of proceedings from 24 March 2014 until the date of full execution of the judgment. The second part of the claim, where VE claimed to be discriminated against in respect of the balancing energy supplier, GEN, and claimed EUR 4,615,200 as damages for the year 2014 and EUR 3,836,900 as damages for 2015, was rejected.

On 26 February 2020, ESO submitted an appeal against the decision of the Vilnius Regional Court, followed by VE filing an appeal against ESO's submission on 27 February 2020. The case was examined in written form and the next examination is scheduled to take place on 14 May 2020.

The Group believes that it will appeal these proceedings successfully and has not made provisions for these proceedings.

ESO and SE

On 12 March 2020, AB "Šiaulių energija" ("**SE**") brought a claim against ESO before the Vilnius Regional Court claiming damages of EUR 1,272,075.59. The claim is in relation to losses suffered by SE due to an accident that occurred on 25 March 2019 on an electricity grid owned by a Lithuanian electricity transmission system operator, Litgrid AB, who is also a party to these proceedings. The damages account for repair works, electricity costs and loss of earning suffered by SE due to the accident. As at the date of this Base Prospectus, a hearing in relation to this claim

has not been scheduled. The Group believes that that it will defend these proceedings successfully and has not made provisions for these proceedings.

IGN

AB "Achema" filed complaints against the European Commission (i) on 17 November 2016 concerning the Resolution of the NERC dated No O3-369 "On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" dated 8 December 2016, (ii) on 22 January 2016 concerning the Resolution of the NERC No. O3-683 "On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" dated 23 December 2015 and (iii) on 18 April 2016 concerning the Resolution of the NERC No. O3-83 "On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" dated 25 March 2016 and (iv) on 16 June 2017 concerning the Resolution of the NERC No. O3E-145 "On Recalculation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer for year 2017" dated 15 May 2017 and (v) on 28 December 2017 concerning the Resolution of the NERC No. O3-352 "On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" dated 24 November 2017 and concerning the Resolution of the NERC No. O3-583 "On changing the NERC resolutions "On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" dated 7 December 2017 and vi) on 24 May 2018 concerning the Resolution of the NERC No. O3E-168 "On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" and vii) on 22 November 2018 concerning the Resolution of the NERC No. On Estimation of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer" and viii) on 31 December 2018 concerning the Resolution of the NERC No. O3E-479 "On Estimation and altering of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer for 2019" and ix) on 25 November 2019, concerning the Resolution of the NERC Nr. O3E-766 "On Estimation and altering of an Additional Component of Safety of Natural Gas Provision Set to the Price of Natural Gas Transfer for 2020". The resolutions require all users of the LNG Terminal, including AB "Achema" to pay a proportion of the additional component of the gas tariff which relates to the lease and maintenance of the LNG Terminal. AB "Achema" claims the resolutions to be unlawful on the basis that the Commission exceeded its competence in making the resolutions and that the resolutions contradict the legal acts of the Republic of Lithuania and the E.U. If such complaints are upheld by the court, AB "Achema" and other market participants may bring claims against IGN, AB Klaipėdos Nafta and AB Amber Grid and/or the Republic of Lithuania claiming compensation for amounts already paid.

The cases have been suspended and the court hearings will be scheduled only after the final decision in administrative case No A-162-858/2017 have been heard. The decision in the latter administration case will be made after the General Court of the E.U. had made its determination in the case concerning AB "Achema's" challenge of the decision of the European Commission No SA.36740 (2013/NN) dated 20 November 2013, approving the payments received by IGN prior to 2016 for gas it supplied to electricity and heat producers performing regulated activities. On 19 September 2019, the European Commission posted a decision No. SA.53074 (2019/N) approving such state aid measures. As IGN has not been involved the proceeding of the administrative case No A-162-858/2017, it is not known if the court hearings have been reopened, as at the date of this Base Prospectus.

However, on 4 July 2019, AB Achema and UAB Achema Gas Trade brought a new claim to the court for the annulment of the 2018 Commission decision C(2018)7141. In this decision, the Commission made an assessment in relation to the 2018 Notification and on 31 October 2018, approved the state aid measures set out in the 2018 Notification on the basis that such measures do not contravene Article 106(2) of the TFEU. On 6 February 2020, IGN submitted an appeal in support of the Commission's decision.

The future claims, if submitted, might be material to IGN business. However, the value of possible claims is hard to predict as certain details are not known (e.g. the number of defendants, the ground of claims, the division of responsibility between the defendants).

GEN vs. NERC

On 8 August 2019, GEN filed a complaint to the Vilnius Regional Administrative Court concerning the annulment of the Resolution of NERC No. R2-(E)-1340 on "Reimbursement of the amount of public service obligations for public services rendered in 2016" dated 8 July 2019 and subsequently NERC's determination after the date of the judgment that GEN was required to reimburse NERC with an estimated EUR 2.51 million (being the difference between GEN's forecasted costs for providing the relevant public service obligations during 2016 and actual cost incurred) in relation to GEN's public service obligations for the first year of NERC's public service obligations funding. On 21 November 2019, by the decision of the Vilnius Regional Administrative Court, the complaint was dismissed. An appeal has been filed by GEN, and a hearing before the Court of Appeal has not been scheduled as at the date of this Base Prospectus.

The Group believes that it will appeal these proceedings successfully and has not made provisions for these proceedings.

Tuuleenergia OÜ ("TOU")

On 13 December 2013, the owner of a property in close proximity to two wind turbines installed by TOU in Tallinn,

Estonia filed a complaint against TOU in the Tallinn Administrative Court. He requested that construction permits granted by the Varbla Municipality (Lääneranna parish as of 1 January 2018) allowing TOU to construct the two wind turbines and their operation be withdrawn on the basis that the wind turbines had been constructed too close to nearby residential property and in breach of regulatory requirements. The claim was dismissed by the Tallinn Administrative Court on 16 February 2015. An appeal against this decision was dismissed by the Tallinn Regional Court of Second Instance on 2 November 2015.

A further appeal against this decision was upheld by the Supreme Court of Estonia on 11 October 2016, which withdrew the permits for the operation of the two wind turbines on the basis that the operation of the wind farms was unlawful. However, the Supreme Court of Estonia found that all the arguments related to the positioning of the turbines were not founded and ruled that new proceedings must take place in order to issue lawful permits. Accordingly, TOU considers that, based on the judgment, the turbines can be positioned where they stand at the moment. On 31 May 2018, the permanent use permits were issued to TOU. However the issuance of the permits were able to be challenged until 30 June 2018.

On 2 July 2018, A. Alberg, filed a complaint in the Tallinn Administrative Court asking for annulment of the permanent use permits that were issued to TOU and to apply the temporary protection measures to temporarily suspend validation of permanent permits until the case is closed. On 11 July 2018, TOU presented the response for the demand to apply the temporary protection measures. On 13 July 2018, the Tallinn Administrative Court dismissed the demand to apply the temporary protection measures. On 24 July 2018, the Tallinn Administrative Court decided to hear the case by written procedure and intended to rule on 19 December 2018. On 11 September 2018, A. Alberg died, and so TOU filed a request the Tallinn Administrative Court to dismiss the case on the grounds that the applicant's heirs have no interest in the case.

As at the date of this Base Prospectus, there is still a case open in which case parties to the case are A. Alberg's successors (applicants), Lääneranna Parish (defendant) and Tuuleenergia Osaühing (third party). It is an administrative dispute regarding grounds for annulment of parish's decrees for issuing permits for use of wind turbines. The dispute is currently in the court of first instance and will be examined in written form with no court hearing taking place. The decision is expected to be announced on 19 June 2020.

The Group believes that it will defend these proceedings successfully and has not made provisions for these proceedings.

TOU share purchase agreement dispute

On 11 October 2019, the Group and TOU brought an action in the Harju County Court against OÜ E.L.Terminal, OÜ Track Consult and BaltCap Private Equity Fund L.P (the "**TOU Defendants**"). This is a civil dispute with TOU claiming damages of EUR 19,974.7 under the share purchase agreement between TOU and the TOU Defendants. On 6 January 2020, the TOU Defendants submitted a response to the claim. The hearing of the dispute is scheduled to take place on 20 May 2020.

The Group believes that this claim will be successful and has not made provisions for these proceedings.

ESO and GEN and their minority shareholders

On 30 December 2019, a few minority shareholders of ESO brought a claim before the District Court of Vilnius City against ESO to invalidate the resolution adopted at the Extraordinary General Meeting of Shareholders of ESO on 4 December 2019 (the resolution to delist all shares of ESO from trading on the Nasdaq Vilnius Stock Exchange) (the "**ESO Resolution**").

On 30 December 2019, some of the minority shareholders of GEN brought a claim before the District Court of Vilnius Region asking to invalidate the resolution adopted at the Extraordinary General Meeting of Shareholders of GEN on 4 December 2019 (resolution to delist all shares of GEN from trading on the Nasdaq Vilnius Stock Exchange) ("**GEN Resolution**", together with the ESO Resolution, the "**Resolutions**").

On 18 March 2020 Vilnius City District Court and Vilnius Regional District Court issued resolutions upholding the minority shareholders' statements regarding the waiver of their claims, that challenged the decisions of the Resolutions, and closed the civil proceedings. Enactment of this resolution was reached after 17 March 2020 when a settlement was signed between the Issuer and the Investors' Association representing the minority shareholders. Under this agreement, the Issuer has undertaken to: (i) make decisions on proposing to pay dividends for 2019 to ESO and / or GEN shareholders; (ii) each minority shareholder who has sold his shares to the Issuer will be able to acquire the Issuer's shares at an amount equal to the number of shares held by the shareholder multiplied by the price publicly offered by the Issuer plus the amount of dividends paid in year 2020 for the year 2019 in proportion to the number of shares held by the shareholder. The ESO and GEN tender circulars, that were submitted to the Bank of Lithuania on 10 January 2020 and have not been approved as yet, specified that EUR 0.880 is the price to be paid for one share of ESO and EUR 0.640 for one share of GEN.

Recent Developments

COVID-19

On 30 January 2020, the World Health Organisation declared a global emergency following the COVID-19 outbreak and on 11 March 2020 confirmed the spread of the disease as a pandemic. An outbreak of COVID-19 was reported in the European Union on 31 January 2020 in Italy. On 26 February 2020, due to the threat of COVID-19, the Government declared an emergency situation in the country and on 14 March 2020 adopted resolution No. 207 Regarding the announcement of quarantine in the Republic of Lithuania, on the basis of which quarantine measures were announced in the entire territory of the country from 16 March 2020 until 27 April 2020, which has been further extended to 31 May 2020. During quarantine, the country has:

- (a) restricted the movement of population across the border and within the country (movement of goods is not restricted);
- (b) restricted public and private sector activities;
- (c) stopped the process of education and childcare and educational activities in all educational institutions; and
- (d) established a crisis coordination committee.

In relation to the emergency situation and quarantine, the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping the population with special urgency. On 16 March 2020, the Government approved the COVID-19 National Action Plan. One of the measures implemented by the COVID-19 National Action Plan was to allow customers to defer or rearrange payments to IGN for consumed electricity and natural gas. As a result, IGN will experience delays in customers' payments for services.

The Group believes COVID-19 could have the potential financial impacts listed below:

- (a) Cash flows from electricity and gas payments will likely face payment delays, and the Group may have to enter into arrangements for longer debt repayment. Following the recommendation of the Government, the Group is granting special deferrals for payments for electricity and gas distribution and supply.
- (b) Increase in the percentage of bad debts.
- (c) Cash flow from declining electricity and gas consumption during the quarantine period and slower recovery of consumption after the period ends. The negative impact of electricity and gas consumption will potentially affect the Group's corporate customers, however it will partially be offset by increased electricity consumption by the private customers' segment.
- (d) Cash flows related to the risk of delays in the development of large infrastructure projects (e.g. construction and development of new power plants). Depending on the duration of the quarantine, there could be a risk of project delays due to disruptions of supply chain or due to the risk of infection spreading to critical personnel.
- (e) To reduce the risk of COVID-19 spreading amongst its workforce, the Group has announced that, starting from 16 March 2020, all employees of the Group who have the ability to work remotely should work from home and hold any meetings through the teleconferencing IT programmes. The Group has ensured that all conditions are in place for efficient remote working by employees.

In addition, as COVID-19 was identified in early January 2020 and a global emergency was announced on 20 January 2020, and given that the Group performed an assessment of impairments of its assets as at 31 December 2019, this assessment did not take into account the COVID-19 outbreak and the risks associated with it. In assessing the indications of impairment of assets at the end of the reporting period, the Group has reasonably taken into account all indications that were present and known as at 31 December 2019.

For more information on the risks faced by the Group as a result of the impact of COVID-19, see "*Risk Factors –4.2 Poor economic performance in the Republic of Lithuania could have a material adverse effect on the Group's results of operations and financial condition*" and "*Risk Factors –5.2 COVID-19 could have a material adverse effect on the Group's results of operations and financial condition*".

Other Developments

On 28 January 2020, the NERC approved ESO's 2019 investment projects in the electricity sector submitted for a commonly agreed list of investments, with a total value of up to EUR 91.3 million. In the year 2019, most of the investments in the electricity sector were for the renovation and / or modernisation of the 35-6 kV power grid and 0.4 kV power grid, communication and control systems, software.

On 6 February 2020, the Environmental Project Management Agency of the Ministry of Environment of the Republic of Lithuania extended the term of implementation of Vilnius kogeneracinė jėgainė UAB project until 20 April 2021. The contract combined with Lietuvos verslo paramos agentūra VšĮ for the implementation of project activities was also extended until 20 April 2021.

On 10 March 2020, as part of the construction project for the Pomerania Wind Farm in Poland, the Group company Pomerania Wind Farm sp. z o.o. entered into an agreement with the European Investment Bank ("**EIB**") regarding the financing for carrying out the project for an amount of PLN 258 million (approximately EUR 60 million). The Group and EIB have entered into a first call guarantee agreement to secure this loan. The Group's subsidiary, REN, which

controls all of Pomerania Wind Farm sp. z o.o. shares, signed an agreement with EIB for pledging 100 per cent. of shares in Pomerania Wind Farm sp. z o.o. in favour of the lender. The maturity date of the loan contract is 31 December 2035.

On 23 March 2020, the Issuer received formal request from the Ministry of Finance to commence an IPO in line with the recommendation from the working group set up by the Ministry of Finance to assess the Group's long-term financing alternatives (for more information see, " – *Shareholder*").

DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of certain provisions of the Group's material other indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the financial statements. Please also see Note 23 of the 2019 Financial Statements and Note 22 of the 2018 Restated Financial Statements, which are incorporated by reference in this Base Prospectus.

The Group's Indebtedness

The Group's indebtedness consists of borrowings from financial institutions and the inaugural issuance of Notes under the Programme, which was established in 2017. The Group maintains a flexible funding strategy and monitors domestic and foreign financial market conditions as part of its financing activities.

The Issuer and its subsidiaries have signed a variety of loan facilities. These facilities have been used for general corporate purposes, but have also been used as funding for particular projects such as financing for the development of waste to energy power plants in Vilnius and Kaunas cities. As of 31 December 2019 and 31 December 2018, borrowings amounted to EUR 1,056.1 million and EUR 845.0 million, respectively.

Current Borrowings

The Issuer and its subsidiaries current borrowing position is as set forth in the table below:

| | As of 31 December | |
|---|---------------------------|----------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Current portion of non-current loans..... | 37,454 | 61,819 |
| Bank overdrafts..... | 191,291 | 42,260 |
| Accrued interest | 5,446 | 5,466 |
| Current borrowings | 234,191 | 109,546 |

Total current borrowings as of 31 December 2019 was EUR 234,191 million, representing 22.2 per cent. of the Group's total borrowings as of 31 December 2019.

Non-current borrowings

The Issuer and its subsidiaries' non-current borrowings position is set forth in the table below:

| | As of 31 December | |
|-------------------------------------|---------------------------|----------------|
| | 2019 | 2018 |
| | <i>(EUR in thousands)</i> | |
| Bank borrowings | 231,809 | 146,411 |
| Bonds issued. | 590,120 | 588,999 |
| Non-current borrowings | 821,929 | 735,410 |

On 14 July 2017, the Issuer issued EUR 300 million green bonds under the Programme, which were listed on the Luxembourg Stock Exchange. The bonds mature on 14 July 2027.

On 10 July 2018, the Issuer issued a further EUR 300 million green bonds under the Programme, which were listed on the Luxembourg Stock Exchange. The bonds mature on 10 July 2028.

Total non-current borrowings as of 31 December 2019 was EUR 821,919 million, representing 77.8 per cent. of the total amount of the Group's total borrowings from financial institutions and bonds issued as of 31 December 2019. Non-current borrowings from financial institutions and bonds issued comprised most of the non-current borrowings as of 31 December 2019.

As of 31 December 2019, 33.7 per cent. of the Group's total borrowings has floating rates of interest which can expose the Group to interest rate risk. The floating rates are based mainly on EURIBOR. For information regarding the repayment schedule of the Issuer and its subsidiary's long-term debt and interest rates for short and long-term debt, please see Note 23 from the 2019 Financial Statements and Note 22 from the 2018 Restated Financial Statements.

Indebtedness at subsidiary level

As at 31 December 2019, the current and non-current borrowings of the Issuer's subsidiaries amounted to EUR 186.9 million, or 5.8 per cent. of the Group's total assets. This accounted for 17.7 per cent. of the Group's total borrowings, which amounted to EUR 1,056.1 million.

Borrowings of the Issuer's subsidiaries related mainly to the financing of Vilnius and Kaunas CHP plants and GEN's heat and electricity generation capacities projects.

MANAGEMENT

General Overview

The corporate governance of the Issuer is a system designed to manage and control the Group with a view to achieving objectives that are common to the Group as well as the Issuer. The corporate governance of the Group is exercised by the Issuer through the exercise of its parent functions.

The Issuer's management and supervisory bodies are designed and are to be operated in such a way as to ensure proper representation of the Republic of Lithuania as a shareholder alongside the coordination of the interests of other interested parties and the separation of the management and supervisory functions.

The Issuer has a Chief Executive Officer and a two-tier board system consisting of a Management Board and a Supervisory Board. Its Chief Executive Officer represents it in all matters and, together with the Management Board, is responsible for its management, while its Supervisory Board is the body that oversees its Management Board. The Chief Executive Officer manages the Issuer's day-to-day operations.

The Supervisory Board is a collegial supervisory body provided for in the Issuer's Articles of Association. The Supervisory Board functions at the Group level. Where appropriate, it addresses the issues related not only to the activities of the Issuer, but also to the activities of its subsidiaries or the activities of their respective management and supervisory bodies. For the purposes of effective fulfilment of its functions and obligations, the Supervisory Board forms three committees: the Risk Management Supervision and Operational Ethics Committee, the Audit Committee, and the Nomination and Remuneration Committee.

The Management Board consists of the employees of the Issuer and is a collegial management body provided for in the Issuer's Articles of Association. The powers and responsibilities of the Management Board are set forth in detail in the Issuer's Articles of Association. For information on the availability of the Issuer's Articles of Association, please see "*General Information—Documents on Display*".

Supervisory Board

On 1 June 2017 (with subsequent amendments made to it on 16 September 2019), the Shareholder approved the revised Corporate Governance Guidelines, which changed the formation of the Supervisory Board procedure. On 8 April 2020, the Issuer's Articles of Association were amended such that the Supervisory Board would consist of seven members, two members nominated by the Shareholder and five members being independent members. This change in composition of the Supervisory Board has been registered in the Register of Legal Entities.

As of the date of this Base Prospectus, the Supervisory Board comprises five members, with two members nominated by the Shareholder and three members being independent members. The Shareholder is currently in the process of selecting two further independent members. Additionally, the Chairman of the Supervisory Board is independent and, in the case of equality of votes, has the deciding vote. Accordingly, the Shareholder cannot make unilateral decisions on the Supervisory Board. All members of the Supervisory Board are elected by the General Meeting of the shareholders for a term of four years. The Shareholder confirmed to the Issuer that the best principles of corporate governance (including the corporate governance principles of the Organisation for Economic Co-operation and Development and the Nasdaq Vilnius Stock Exchange which the Issuer adheres to) were followed in the formation of the new Supervisory Board which was elected on 30 August 2017 and ensured the continuity of the Group's strategy, its results of operations and its management structure and transparency. The Chairman of the Supervisory Board is elected from the members of the Supervisory Board. This model of formation of the Supervisory Board complies with the principles of corporate governance (see "*—Corporate Governance*").

The Supervisory Board's powers include, among other powers, the power to:

- elect and remove members of the Management Board;
- supervise the activities of the Management Board and the Chief Executive Officer;
- approve the Issuer's strategy;
- provide comments and suggestions to the General Meeting of the Issuer's Shareholder on the implementation of the Issuer's strategy, financial statements, appropriation of profit or loss, and the annual report; and
- provide the opinion to the Management Board regarding the election of individuals to the management or supervisory bodies of the Issuer's subsidiaries.

Generally, the Supervisory Board makes decisions by a simple majority of its members, who attend the meeting. Under the Issuer's Articles of Association, the Supervisory Board makes decisions by a majority of two-thirds of its members in certain circumstances, such as the decision to dismiss a Management Board's member. The quorum for a meeting of the Supervisory Board is more than half of its members. Each Supervisory Board member has one vote. When necessary in matters of urgency, a decision may be made by the Supervisory Board without holding a meeting. At its discretion, the Supervisory Board may invite members of the other governing bodies, employees, or other persons to its meetings.

In accordance with the Issuer's Articles of Association, the Supervisory Board meets at least once every quarter. In 2019, there were twelve regular meeting and one extraordinary meeting. The Management Board and the Chairman of the Management Board regularly attend the meetings.

None of the members of the Supervisory Board has any ownership interest in the capital of the Issuer or the Group. The business address of each member of the Supervisory Board of the Group is UAB "Ignitis grupė", Žvejų street 14, LT-09310, Vilnius, the Republic of Lithuania. As of the date of this Base Prospectus, the below mentioned members of the Supervisory Board of the Group do not have potential conflicts of interest between any duties to the Group and their private interests or other duties.

Set out below are the members of the Supervisory Board⁽¹⁾ as of the date of this Base Prospectus:

| Name | Born | Position | Date of appointment |
|-----------------------------------|-------------|--|----------------------------|
| Darius Daubaras | 1973 | Chairman and Independent Member of the Supervisory Board | 30 August 2017 |
| Daiva Lubinskaitė - Trainauskienė | 1970 | Independent Member of the Supervisory Board | 30 August 2017 |
| Andrius Pranckevičius | 1976 | Independent Member of the Supervisory Board | 22 November 2017 |
| Aušra Vičkačkienė | 1974 | Member of the Supervisory Board | 30 August 2017 |
| Daiva Kamarauskienė | 1963 | Member of the Supervisory Board | 1 February 2019 |

(1) The Shareholder is currently in the process of appointing two further independent members.

Darius Daubaras. Mr. Daubaras is the Chairman of the Supervisory Board and an independent member. He is a member of the Risk Management Supervision and Operational Ethics Committee. He is one of the founders of the Lithuanian City of London Club and an adviser in the Global Lithuanian Leaders organisation. Currently he is working as a senior executive in the financial advisory division of Saudi Aramco (treasury department) and is a project manager for strategic and mergers and acquisition projects. Mr. Daubaras obtained his Master's degree in international relations from the University of Cambridge, his business administration Master's degree in the field of finance and business management from the Wharton School of Business, University of Pennsylvania, USA, and his business administration Bachelor's degree in the field of finance and management from the University of Denver, USA.

Daiva Lubinskaitė - Trainauskienė. Ms. Lubinskaitė - Trainauskienė is an independent member of the Supervisory Board. She is also the Chairman of the Nomination and Remuneration Committee. She is a director of personnel at UAB "Thermo Fisher Scientific Baltics" and a member of the management board of the Personnel Management Professional Association. Ms. Lubinskaitė - Trainauskienė obtained her diploma and Master's degree from ISM University of Management and Economics, and has completed philology and public relations professional studies at Vilnius University.

Andrius Pranckevičius. Mr. Pranckevičius is an independent member of the Supervisory Board. He is also the chairman of the Risk Management Supervision and Operational Ethics Committee. He is a deputy of chief executive officer and a member of the management board at AB "Linas Agro Group". He is a chief executive officer and a chairman of the management board at PF "Kekava" and a shareholder at ŽŪB "Žilvista". He is also a member of the management board at AB "Linas Agro" and a chairman of the management board at SIA "Lielzeltini", SIA "Broileks" and SIA "Cerova". Mr. Pranckevičius obtained his Bachelor's degree of business administration and management and a Master's degree in marketing management from Kaunas University of Technology. He has also completed the leadership development programme at Harvard Business School.

Aušra Vičkačkienė. Ms. Vičkačkienė is a member of the Supervisory Board, having been appointed by the Ministry of Finance of the Republic of Lithuania. She is a member of the Audit Committee and a member of the Nomination and Remuneration Committee. She is also a director of the assets management department of the Ministry of Finance. She is a member of the management board at UAB "Būsto paskolų draudimas". She graduated from Vilnius University with a Bachelor's and Master's degrees in management and business administration.

Daiva Kamarauskienė. Ms. Kamarauskienė is a member of the Supervisory Board, having been appointed by the Ministry of Finance of the Republic of Lithuania. She is a member of the Nomination and Remuneration Committee. She is also a director of the budget department of the Ministry of Finance. She graduated from Vilnius University with a Bachelor's and Master's degrees in economics.

Committees of the Supervisory Board

The Supervisory Board has formed three committees:

- (i) the Risk Management Supervision and Operational Ethics Committee;
- (ii) the Audit Committee;
- (iii) the Nomination and Remuneration Committee.

Where appropriate, the Issuer may also form other ad hoc committees (e.g. to address specific issues, or to prepare,

supervise or coordinate strategic projects, etc.). The committees of the Supervisory Board provide their conclusions, opinions and proposals to the Supervisory Board within their competence. A committee consists of at least three members, of whom at least one member is a member of the Supervisory Board and at least one member is an independent member. None of the members of any of the committees of the Supervisory Board have any shares in the Issuer or any company in the Group.

Risk Management Supervision and Operational Ethics Committee

The Risk Management Supervision and Operational Ethics Committee is responsible for the submission of conclusions or proposals to the Supervisory Board on the functioning of management and control system in the Group and the main risk factors and implementation of risk management or prevention measures. Its main functions are:

- (a) to monitor the identification, assessment and management of risks relevant for the accomplishment of goals of the Issuer and the Group companies;
- (b) to assess the relevance of internal control procedures and risk management measures with respect to the identified risks;
- (c) to assess the status of implementation of risk management measures;
- (d) to monitor the implementation of risk management process;
- (e) to assess the risks and risk management plan of the Issuer and the Group companies;
- (f) to assess the regular risk identification and assessment cycle;
- (g) to control the establishment of risk registers, analyse their data and provide proposals;
- (h) to monitor the drafting of risk management related internal documents; and
- (i) to perform other functions attributed to the competence of the Risk Management Supervision and Operational Ethics Committee by the Supervisory Board.

Set out below are the members of the Risk Management Supervision and Operational Ethics Committee as at the date of this Base Prospectus:

| <u>Name</u> | <u>Position</u> | <u>Outside role</u> |
|-----------------------|--|--|
| Andrius Pranckevičius | Chairman and Independent member of the Committee | Deputy of Chief Executive Officer and member of the Management Board at AB "Linas Agro Group"; Chief executive officer and chairman of the management board at PF "Kekava"; Member of the management board at AB "Linas Agro"; Chairman of the management board at SIA "Lielzeltini"; Chairman of the management board at SIA "Broileks"; Chairman of the management board at SIA "Cerova"; Shareholder at ŽŪB "Žilvīsta". |
| Darius Daubaras | Independent member of the Committee | Senior Executive in financial advisory division of Saudi Aramco (treasury department), project manager of strategic and mergers and acquisitions projects. |
| Šarūnas Rameikis | Independent member of the Committee | Attorney at law at R. Mištauto and T. Milickio law firm "Konsus". |

Audit Committee

The Audit Committee is responsible for the submission of the objective and impartial conclusions or proposals to the Supervisory Board on the functioning of the audit and control system in the Group. Its main functions are:

- (a) to monitor the process of preparation of financial statements of the Issuer and the Group companies, with a special focus on the relevance and consistency of accounting methods used and to make recommendations for ensuring its reliability;
- (b) to monitor the effectiveness of internal quality control and risk management systems of the Issuer and the Group companies, affecting the financial statements and, where applicable, effectiveness of the internal audit, without prejudice to the independence of the internal audit;
- (c) to monitor the adherence to the principles of independence and objectivity by the certified auditor and audit firm, to provide related recommendations, as well as proposals for the selection of an audit company;
- (d) to monitor audits of annual financial statements and separate financial statements;
- (e) to review and to monitor the independence and objectivity of auditors or audit firms;

- (f) to inform the Issuer Chief Executive Officer or Supervisory Board of the results of the audit of the financial statements and to explain how the audit contributed to the reliability of the financial statements and the role of the Audit Committee in doing so;
- (g) to make recommendations to the Supervisory Board regarding the selection, appointment, reappointment and dismissal of the head of the Issuer's Internal Audit Service;
- (h) to approve the regulations of the Issuer's Internal Audit Service, the internal audit plan for the current year, the list of persons to whom the Internal Audit Service's annual report or summary thereof is submitted and the procedure for submission of the annual report;
- (i) to oversee that the Issuer's Internal Audit Service is provided with sufficient financial resources to carry out its tasks, as well as to maintain the necessary qualifications of the Internal Audit Service staff to perform their functions;
- (j) to coordinate and periodically evaluates the work of the Issuer's Internal Audit Service, to discuss the results of inspections, remedies found and implements internal audit plans, and, if necessary, to take appropriate action;
- (k) to monitor the compliance of activities of the Issuer and the Group companies with laws and other legal acts of the Republic of Lithuania, relevant Articles of Association and operational strategy;
- (l) to provide opinions to the Issuer and the Group companies whose shares are admitted to trading on a regulated market regarding transactions with a related party;
- (m) to assess and analyse other issues attributed to the competence of the Audit Committee by the decision of the Supervisory Board; and
- (n) to perform other roles related to the functions of the Audit Committee.

Set out below are the members of the Audit Committee as at the date of this Base Prospectus:

| <u>Name</u> | <u>Position</u> | <u>Outside role</u> |
|-----------------------|--|--|
| Irena Petruškevičienė | Chairwoman and Independent member of the Committee | Member of the Audit Supervision Committee at Audit, Accounting, Property Valuation and Insolvency Service under the Ministry of Finance of the Republic of Lithuania; Member of Auditors Board at European Stability Mechanism (ESM); Member of the Audit Committee at AB "Lietuvos geležinkeliai"; Chairwoman of the Audit Committee at MAXIMA GRUPĖ, UAB. |
| Danielius Merkinas | Independent member of the Committee | Chief Executive Officer and Chairman of the Management Board at UAB "NNL termo"; Chief Executive Officer and Chairman of the Management Board at UAB "NNL LT"; Head of Commerce and Chairman of the Management Board at UAB "Nordnet", UAB; Chief Executive Officer at UAB "Mercado prekyba"; Chairman of the Management Board at UAB Litcargo. |
| Aušra Vičkačkienė | Member of the Committee | Director of the Asset Management Department of Ministry of Finance of the Republic of Lithuania; Member of the Management Board of UAB "Būsto paskolų draudimas". |
| Šarūnas Radavičius | Independent member of the Committee | Chief Executive Officer at UAB "RÖDL & PARTNER" (till August 2019). |
| Ingrida Muckutė | Member of the Committee | Director of Accountability, Audit, Asset Valuation and Insolvency Policy Department of Ministry of Finance of the Republic of Lithuania. |

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for the submission of conclusions or proposals on the matters of appointment, removal or promotion of the Management Board members to the Supervisory Board, also for

the assessment of activities of the Management Board and its members and for issuing the respective opinions. The functions of the committee also cover the formation of the common remuneration policy at the Group level, establishment of the amount and composition of remuneration, principles of promotion, etc. Its main functions are:

- (a) to assess and provide proposals on the long-term remuneration policy of the Issuer and Group companies (the main fixed part of the remuneration, performance based remuneration, pension insurance, other guarantees and forms of remuneration, compensation, termination benefits and other parts of the remuneration package), principles of compensation for costs related to the individual's performance;
- (b) to assess the terms and conditions of agreements of the Issuer and the Group companies with members of the management and supervisory bodies of the Issuer and the Group companies;
- (c) to monitor the compliance of the policy of remuneration and bonuses to employees of the Issuer and the Group companies with the international practice and good governance practice recommendations, and to provide respective proposals for the improvement of the policy of remunerations and bonuses;
- (d) to assess the procedures of recruitment and selection of candidates to members of the Management and Supervisory boards and senior management of the Issuer and the Group companies and establishment of the qualification requirements, to submit proposals and conclusions to the Supervisory Board;
- (e) to perform regular reviews of the structure, size, composition and activities of the management and supervisory bodies of the Issuer and the Group companies;
- (f) to supervise and assess the implementation of measures ensuring the continuity of operations of the management and supervisory bodies of the Issuer and the Group companies; and
- (g) to perform other functions attributed to the competence of the Nomination and Remuneration Committee by the Supervisory Board.

Set out below are the members of the Nomination and Remuneration Committee as at the date of this Base Prospectus:

| Name | Position | Outside role |
|--------------------------------------|--|--|
| Daiva Lubinskaitė - Trainauskienė | Chairwoman and Independent member of the Committee | Director of personnel at UAB "Thermo Fisher Scientific Baltics"; Member of the Management Board of the Personnel Management Professional Association. |
| Aušra Vičkačkienė | Member of the Committee | Director of the Asset Management Department of Ministry of Finance of the Republic of Lithuania; Member of the Management Board of UAB "Būsto paskolų draudimas". |
| Lėda Turai - Petrauskienė | Independent member of the Committee | Leadership training partner and a shareholder at UAB L-CON Global. |
| Daiva Kamarauskienė | Member of the Committee | Director of the Budget Department of the Ministry of Finance of the Republic of Lithuania. |

Management Board

The members of the Management Board are elected for a term of four years and removed by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. The Management Board consists of five members and elects the Chairperson of the Management Board, the Chief Executive Officer of the Issuer, from among its members. The members of the Management Board, acting within their competence, must ensure the proper performance of the Issuer's activities/supervision of the respective areas at the Group level.

The Management Board makes decisions by a simple majority of the votes of all its members, who attend the meeting. A quorum is present when at least 4 members of the Management Board is present at a meeting. Each member of the Management Board has one vote. When necessary in matters of urgency, a decision may be made by the Management Board without holding a meeting. The Management Board has discretion to invite to its meetings members of the other governing bodies, employees, or other persons.

In accordance with the Issuer's Articles of Association, certain decisions of the Management Board require the prior consent of the Supervisory Board before they can be implemented, and the Management Board is required to submit such decisions to the Supervisory Board for discussion and request its opinion.

The Issuer's Articles of Association provide that the Management Board shall comprise five members. The Management Board is obliged to meet at least once a fortnight. In practice, however, meetings are held weekly and a total of 66 meetings took place in 2019.

None of the members of the Management Board has any ownership interest in the capital of the Issuer or the Group.

The business address of each member of the Management Board of the Group is UAB "Ignitis grupė", Žvejų street 14, LT-09310, Vilnius, the Republic of Lithuania. As of the date of this Base Prospectus, the below mentioned members of the Management Board of the Group do not have potential conflicts of interest between any duties to the Group and their private interests or other duties.

Set out below are members of the Management Board as of the date of this Base Prospectus:

| Name | Born | Position | Date of appointment |
|------------------------|-------------|---|----------------------------|
| Darius Maikštėnas | 1970 | Chairman of the Management Board and Chief Executive Officer | 1 February 2018 |
| Dr. Živilė Skibarkienė | 1976 | Member of the Management Board and Organisational Development Director | 1 February 2018 |
| Darius Kašauskas | 1972 | Member of the Management Board and Finance and Treasury Director | 1 February 2018 |
| Vidmantas Saliėtis | 1987 | Member of the Management Board and Director of Commerce and Services | 1 February 2018 |
| Dominykas Tučkus | 1982 | Member of the Management Board and Director of Infrastructure and Development | 1 February 2018 |

Darius Maikštėnas. Mr. Maikštėnas is the Chairman of the Management Board and the Chief Executive Officer. He is also a Chairman of the supervisory board of AB "Energijos skirstymo operatorius". He received his Bachelor's degree in business management at the Kaunas University of Technology before attending the general management program at Harvard Business School. He also obtained an executive Master's degree in business administration from the Baltic Management Institute.

Dr. Živilė Skibarkienė. Dr. Skibarkienė is a member of the Management Board and the Organisational Development Director. She is also a member of the management board of UAB Elektroninių mokėjimų agentūra and a member of the supervisory board of AB "Ignitis gamyba". She is also a chairwoman of the management board of UAB "Ignitis grupės paslaugų centras". She holds a Master's degree in law from Vilnius University and a Doctoral degree in social sciences field of law from Mykolas Romeris University.

Darius Kašauskas. Mr. Kašauskas is a member of the Management Board and the Finance and Treasury Director. He is a chairman of the management board of UAB Duomenų logistikos centras, and the member of the management board of the Support Fund and also a member of the supervisory board of AB "Energijos skirstymo operatorius". He is also a member of the audit commission at the 288th DNSB "Vingis". Following his Master's degree in economics from Vilnius University, he obtained a further Master's degree in management from ISM University of Management and Economics, and has undertaken doctoral studies in the field of economics at the same university.

Vidmantas Saliėtis. Mr. Saliėtis is a member of the Management Board and the Commerce and Services Director. He is the chairman of the management board of NT Valdosa, UAB, and the chairman of the supervisory board of UAB "Ignitis". He is also a member of the management boards of UAB Elektroninių mokėjimų agentūra and UAB "Gamybos optimizavimas". Mr. Saliėtis obtained his Bachelor's degree in economics and business administration from the Stockholm School of Economics in Riga (SSE Riga).

Dominykas Tučkus. Mr. Tučkus is a member of the Management Board and the Director of Infrastructure and Development. He is also the chairman of the supervisory board of UAB "Ignitis gamyba" and a member of the supervisory board of UAB "Ignitis". He is a member of the management board of UAB "Ignitis renewables" and the chairman of the management board of UAB Vilniaus kogeneracinė jėgainė. He is also a member of the advisory committee at KŪB "Smart Energy Fund powered by Ignitis Group". He obtained his Bachelor's degree in business management and administration and his Master's degree in finance at L. Bocconi University in Italy.

Chief Executive Officer and Division Heads

At the executive employees' level, the Group is managed by the Chief Executive Officer and the Division Heads. The business address of the Chief Executive Officer and Division Heads is Žvejų street 14, LT-09310, Vilnius, Republic of Lithuania.

Neither the Chief Executive nor any of the Division Heads has any ownership interest in the capital of the Issuer or the Group.

The business address of each member of the Chief Executive and Division Heads of the Group is UAB "Ignitis grupė", UAB, Žvejų street 14, LT-09310, Vilnius, the Republic of Lithuania. As of the date of this Base Prospectus, the below mentioned Chief Executive and Division Heads of the Group do not have any potential conflicts of interest between any duties to the Group and their private interests or other duties.

Set out below are the Division Heads as of the date of this Base Prospectus:

| Name | Born | Position | Date of appointment |
|------------------------|-------------|--|----------------------------|
| Darius Maikštėnas | 1970 | Chief Executive Officer | 1 February 2018 |
| Dr. Živilė Skibarkienė | 1976 | Director of Organisational Development | 1 February 2018 |
| Darius Kašauskas | 1972 | Director of Finance and Treasury | 1 February 2018 |
| Vidmantas Saliėtis | 1987 | Director of Commerce and Services | 1 February 2018 |
| Dominykas Tučkus | 1982 | Director of Infrastructure and Development | 1 February 2018 |

Darius Maikštėnas. Mr. Maikštėnas is the Chief Executive Officer. For more information on Mr. Maikštėnas, please see "*—Management Board*".

Dr. Živilė Skibarkienė. Ms. Skibarkienė is the Director of Organisational Development. For more information on Ms. Skibarkienė, please see "*—Management Board*".

Darius Kašauskas. Mr. Kašauskas is the Director of Finance and Treasury. For more information on Mr. Kašauskas, please see "*—Management Board*".

Vidmantas Saliėtis. Mr. Saliėtis is the Director of Commerce and Services. For more information on Mr. Saliėtis, please see "*—Management Board*".

Dominykas Tučkus. Mr. Tučkus is the Director of Infrastructure and Development. For more information on Mr. Tučkus, please see "*—Management Board*".

Corporate Governance

The aim of the Group, with the Republic of Lithuania as its shareholder, is to ensure effective and transparent operations. In order to achieve this aim, the reorganisation of governance was carried out in 2013, during which the corporate governance of the Group was reorganised, improved and strengthened.

The new governance structure and model of the Group has been developed on the basis of the most advanced international and national practices, following the recommendations published by the Organisation for Economic Cooperation and Development (OECD), having regard to the Corporate Governance Code of companies listed on the Nasdaq Vilnius exchange and Guidelines on the Governance for State-owned Enterprises recommended by the Baltic Institute of Corporate Governance. The corporate governance model of the Group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013 with subsequent amendments to it on 1 June 2017 and 16 September 2019 (the Guidelines are available at www.ignitisgrupe.lt).

The main objective of corporate governance is to achieve synergies by combining the different activities of the Group's companies and directing them towards the common goals of the Group as a whole.

The corporate governance of the Group is based on the following principles:

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

The Issuer is consistently ranked at the same level as other state-owned companies in relation to its transparency and management by the Governance Coordination Centre. Since 2012, the Governance Coordination Centre annually compiles a welfare management index for Lithuanian state-owned entities, which aims to measure the implementation of key good governance practices by each state-owned enterprise. Currently, this index is the best measure of corporate

governance for state-owned enterprises. In 2018-2019, the Issuer earned the best possible A+ index and was declared the leader in corporate governance in the corporate category.

RELATED PARTY TRANSACTIONS

The relationships between the Group and its related parties, identified according to the principles of International Accounting Standard 24 ("**IAS 24**"), primarily consist of business transactions relating to the sale and purchase of products, goods and services. They fall within the activities carried out by the Group in the ordinary course of its business. Please see Note 41 of the 2019 Financial Statements and Note 39 of the 2018 Restated Financial Statements for information on the Group's related party transactions conducted in such respective periods.

The Group's transactions with its related parties are regulated by Lithuanian Law on Companies, Articles of Association and transfer pricing documents, which provides for comprehensive regulation of rules concerning related party transactions and conflicts of interest between a company and members of its Management Board or Supervisory Board (and persons close to such members).

As the sole shareholder of the Issuer is the Republic of Lithuania represented by the Lithuanian Ministry of Finance, the Group's related party transactions are transactions with the Republic of Lithuania, associates and all entities controlled by or under significant influence of the Republic of Lithuania, and key management and their close family members.

REGULATION

Below is a brief summary of the rules and regulations applicable to the Group in the Republic of Lithuania as the Group's principal market. Since the Republic of Lithuania's accession to the E.U. on 1 May 2004, certain rules and regulations of the E.U. have been adopted and, therefore, a description of the E.U. legislation as applicable to the Group is also included. The following summary does not purport to be complete and is subject to the regulations of the jurisdictions referred to below.

E.U. Legislation

History of Energy Regulation

As a member of the E.U. (a "**Member State**"), the Republic of Lithuania is required to adhere to E.U. energy legislation which has developed in order to establish a competitive, secure and environmentally sustainable energy market in Europe.

The European Commission (the "**Commission**") began regulating the E.U. energy market by enacting the "First Energy Package" which was comprised of Directive 96/92/EC Concerning Common Rules for the Internal Market in Electricity (the "**E.U. First Electricity Directive**") and Directive 98/30/EC Concerning Common Rules for the Internal Market in Natural Gas (the "**E.U. First Gas Directive**"). The E.U. First Electricity Directive and the E.U. First Gas Directive were designed to provide non-active suppliers with access to the internal electricity and gas markets of E.U. Member States and to allow for better competition in these markets. In June 2003, the E.U. Energy Council repealed the E.U. First Electricity Directive and the E.U. First Gas Directive by adopting the "Second Energy Package" comprising of Directive 2003/54/EC Concerning Common Rules for the Internal Market in Electricity and repealing Directive 96/92/EC (the "**E.U. Second Electricity Directive**") and Directive 2003/55/EC Concerning Common Rules for the Internal Market in Natural Gas and repealing Directive 96/92/EC (the "**E.U. Second Gas Directive**").

The E.U. Second Electricity Directive required each E.U. Member State to allow for full competition within its internal commercial and residential electricity markets by 1 July 2004 and 1 July 2007, respectively. The E.U. Second Electricity Directive also set forth general rules for the organisation of the E.U. electricity market, such as the option for Member States to impose certain public service obligations, customer protection measures and provisions for monitoring the security of electricity supply in the E.U.; the establishment of a regulatory body, independent from any interests of the electricity and gas industries, which would be required to ensure non-discriminatory network access, monitor the level of competition and ensuring the efficient functioning of the electricity generation, distribution, and trade market; and the implementation of so-called "legal unbundling" meaning that each transmission and distribution system operator had to be separated, at least in terms of legal form, organisation and decision-making, from other activities in the energy sector not relating to transmission or distribution.

The E.U. Second Electricity Directive further focused on enhancing customer rights by granting household customers the right to be supplied with electricity of a specified quality at reasonable and transparent prices that are easy to compare. Moreover, it required electricity suppliers to provide their end-users with information on the energy sources and kinds of fuel used in the production of supplied electricity and on the environmental impact of the supplier's activities, including the amount of carbon dioxide and radioactive waste produced.

Similar to the E.U. Second Electricity Directive, the E.U. Second Gas Directive, adopted on 26 June 2003, required each Member State to allow for full competition within its internal commercial and residential gas markets by 1 July 2004 and 1 July 2007, respectively. With regard to the establishment of an independent regulatory authority and the process of legal unbundling, the E.U. Second Gas Directive sets forth similar rules as the E.U. Second Electricity Directive.

Current E.U. Energy Regulation

E.U. Energy and Climate Change Legislation

The Commission published its paper entitled "An Energy Policy for the European Union" in December 1995 with a primary focus on market integration. In 2006, this was followed by a green paper on "A European Strategy for Sustainable, Competitive and Secure Energy". This was revised in two communication "packages" in 2007 and 2008. In March 2007, the European Council adopted an Action Plan and the Commission started to propose legislation from September 2007.

In 2007, the Commission published a proposal for the establishment of a new energy policy and a strategy for achieving a more integrated and competitive energy market within the E.U. designed to ensure a stable energy supply and combat climate change, such "E.U. Energy and Climate Change Legislation" set certain targets (known as the 20-20-20 goal), including:

- further liberalisation of electricity markets;
- a reduction of at least 20 per cent. in greenhouse gas emissions by 2020;
- for renewable energies to make up a 20 per cent. share of E.U. energy consumption by 2020; and

- 20 per cent. energy savings by 2020 compared to 2020 projections (1,853 million tonnes of oil equivalent) made in 2007.

Subsequently, in 2009 the E.U. adopted the Third Energy Package which includes (besides the climate change related legislation described below), but is not limited to, Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity and repealing Directive 2003/54/EC (the "**E.U. Third Electricity Directive**"), Directive 2009/73/EC Concerning Common Rules for the Internal Market in Natural Gas and repealing Directive 2003/55/EC (the "**E.U. Third Gas Directive**"), Regulation (EC) No. 713/2009 Establishing an Agency for the Cooperation of Energy Regulators, Regulation (EC) No. 714/2009 on Conditions for Access to the Network for Cross-border Exchanges in Electricity and repealing Regulation (EC) No 1228/2003 (the "**E.U. Regulation on Cross-Border Exchanges**") and Regulation (EC) No. 715/2009 on Conditions for Access to the Natural Gas Transmission Networks repealing Regulation (EC) No 1775/2005 (the "**E.U. Natural Gas Transmission Regulation**"). These directives and regulations were collectively designed to complete liberalisation of the electricity and gas markets within the E.U. In particular, such energy legislation contemplates further separation of supply and production activities from transmission network operations. To achieve this goal, Member States are able to choose, subject to the respective conditions set forth in the E.U. Third Electricity Directive and the E.U. Third Gas Directive, between the following three options:

- *Full ownership unbundling*: this option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations. This option applies to new undertakings;
- *Independent System Operator (the "ISO")*: under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations. This option may apply to existing undertakings; and
- *Independent Transmission Operator (the "ITO")*: this option is a modification of the ISO option whereby vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission. This option may apply to existing undertakings.

The Republic of Lithuania has chosen to implement the full ownership unbundling model in the electricity and gas sectors with regards to TSOs. Distribution system operators remain under the same shareholders. The provisions of the Third Energy Package were transposed into the Law on Electricity of the Republic of Lithuania, the Law on Natural Gas of the Republic of Lithuania and the Law on LNG Terminal of the Republic of Lithuania in 2011-2012.

The E.U. energy legislation, as aforesaid, also enhanced consumers' rights by establishing the right for consumers to (i) change electricity or gas supplier (the process of switching must be completed within three weeks), and receive the final closure statement at the latest six weeks after the switch; (ii) obtain compensation if quality targets are not met; (iii) receive information on supply terms through bills and company websites; and (iv) see complaints dealt with in an efficient and independent manner.

Finally, the E.U. Energy and Climate Change Legislation provides for the creation of an agency within the E.U. for the coordination of national energy regulators, which will issue non-binding framework guidelines for national agencies. This task was assigned to the Agency for the Cooperation of Energy Regulators. It is expected that this will result in a more harmonised energy regulation environment across the E.U.

2030-2050 E.U. Framework for Climate and Energy Policy

In October 2014, the E.U. Energy Council enacted new targets and the architecture for the E.U. framework for climate and energy in the period from 2020 to 2030. These targets were amended in 2018 and now are the following:

- a reduction of at least 40 per cent. in greenhouse gas emissions by 2030, compared to 1990 levels (the total greenhouse gas emissions cap will be reduced by 2.2 per cent. each year from 2021, compared with the 1.74 per cent. annual reduction in the period from 2013 to 2020);
- 32 per cent. share energy consumption to be from renewable energy sources by 2030 (resulting in renewable energy sources being used in the generation up to 47 per cent. of electricity consumed in the E.U.);
- to increase in E.U. wide energy efficiency by at least 32.5 per cent. by 2030; and
- to achieve 10 per cent. electricity interconnection by 2020.

In July 2015, the Commission proposed to revise the E.U. Emission Trading Scheme (the "**E.U. ETS**") from 2020. An Innovation Fund and Modernisation Fund will be established to help the power sector meet the innovation and investment challenges of the transition to a low-carbon economy. Free allowances will continue to be available to modernise the power sector in lower-income Member States. In addition, the legislative proposal on a market stability reserve was approved in October 2015 and began operating in January 2019.

In November 2016, the Commission presented the E.U. Clean Energy Package, a full set of legislative proposals, with the aim of providing a new framework for the E.U. energy sector to accelerate the clean energy transition in the E.U. as well as to deliver on the E.U.'s Paris Agreement which was concluded in December 2015. On 22 May 2019, the

E.U. Clean Energy Package was adopted by the European Parliament, and this date marked the final step in the European Union's overhaul of its existing energy policy in order to facilitate the clean energy transition. The E.U. Clean Energy Package sets the E.U. energy efficiency and renewable energy ambitions for the 2030 horizon. It also updates the rules that governs the functioning of the internal electricity market and the transmission and distribution grids. The package includes eight main directives and regulations on the electricity market and consumers, Energy Efficiency and energy performance of buildings, renewables & bioenergy sustainability as well as governance of the Energy Union. The E.U. Clean Energy Package implements major market changes through the increased use of renewable resources and the development of new technology within the E.U. The new rules also reflect the E.U.'s ambitions towards a climate-neutral economy by the end of 2050 while maintaining a framework for economic growth and competitiveness.

Cross-Border Trading of Electricity

Besides focusing on the liberalisation of the internal energy markets in every Member State, E.U. energy regulation is also designed to improve the cross-border trade of electricity. Accordingly, the E.U. has also implemented Regulation (EC) No. 1228/2003 ("**Regulation (EC) No. 1228/2003**") on Conditions for Access to the Network for Cross-border Exchanges in Electricity. This Regulation required the establishment of a committee of national experts chaired by the Commission to adopt the guidelines on (i) inter-transmission system operator compensation for electricity transit flows; (ii) the harmonisation of national transmission charges; and (iii) network congestion management. Regulation (EC) No. 1228/2003 established a fund mechanism to cover the costs resulting from cross-border trades, whereby the TSOs contribute to a fund according to their net physical import and export flows. The distribution of the accumulated funds then depends on the transit volume.

Although Regulation (EC) No. 1228/2003 was partially successful, the Commission adopted a subsequent Regulation on Cross-Border Exchanges. The E.U. Regulation on Cross-Border Exchanges repealed Regulation (EC) No. 1228/2003 and established the rules designed to alleviate cross-border exchange difficulties, with a view to improving competition and harmonisation in the internal E.U. electricity market.

The E.U. Regulation on Cross-Border Exchanges created the European Network of Transmission System Operators ("**ENTSO-E**"), which comprises the designated TSO from all Member States, which have a duty to put in place the information exchange mechanisms in order to ensure the security of networks in the context of congestion management.

The costs related to the activities of ENTSO-E are borne by the TSOs which host cross-border flows of electricity on their networks. In return, they receive compensation from the TSOs from which cross-border flows originate and the systems where those flows end. Charges for access to networks are applied by operators as well.

On 23 February 2017, the Commission adopted the Proposal for a Regulation of the European Parliament and of the Council on the Internal Market for Electricity. The key objectives of the legislation were to better link wholesale and retail markets, strengthen regional cooperation, increase cross-border trade, and develop short-term and long-term markets to send positive signals in relation to investments for modern technologies to both producers and consumers of electricity.

Energy Infrastructure

Gas Infrastructure Legislation

In November 2005, the Commission adopted Regulation (EC) No. 1775/2005 ("**Regulation (EC) No. 1775/2005**") on Conditions for Access to the Natural Gas Transmission Networks, which covered access to all transmission networks in the E.U. and addressed a number of issues such as: access charges (which reflect the actual costs incurred), third party access services, capacity allocation mechanisms, congestion management, balancing and imbalance charges, secondary markets and information and confidentiality provisions. Regulation (EC) No. 1775/2005 established a committee of national energy experts with the authority to revise the rules annexed to the Regulation. In July 2009, it was replaced by the E.U. Natural Gas Transmission Regulation which was adopted as a part of the E.U. Energy and Climate Change Policy.

Development of Legislation

The E.U. Natural Gas Transmission Regulation complements the E.U. Third Gas Directive and stipulates rules for natural gas transmission networks, gas storage and liquefied natural gas facilities. It concerns access to infrastructure (by determining the establishment of tariffs for access to networks), services to be offered, allocation of capacity, transparency and balancing of the network. It provides for access to maximum network capacity as well as storage and liquefied natural gas facilities for all market participants. Infrastructure operators have a duty to implement and publish non-discriminatory and transparent congestion-management procedures.

In the same way that the E.U. Regulation on Electricity Cross-Border Exchanges created ENTSO, it created the European Network of Transmission System Operators for Gas (the "**ENTSO for Gas**"), comprised of gas transmission network operators from all Member States.

On 30 April 2015, in order to further encourage and facilitate efficient gas trading and transmission across gas

transmission systems within the E.U., and thereby to move towards greater internal market integration, the Commission issued Regulation (E.U.) 2015/703 Establishing a Network Code on Interoperability and Data Exchange Rules.

Security of Electricity Supply

In 2006, the E.U. adopted Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment (the "**Directive on the Security of Supply**"), which requires that E.U. Member States ensure a high level of security of electricity supply by taking necessary measures to facilitate a stable investment climate. The Directive on the Security of Supply stipulates that the TSOs set minimum operational rules and obligations for network security, which may then require approval by the relevant authority. Member States must also prepare, in close cooperation with the TSOs, a system adequacy report according to the E.U. reporting requirements. Member States were required to transpose the E.U. Directive on the Security of Supply into national law by 24 February 2008. The Republic of Lithuania transposed this directive into the Law on Energy from 1 January 2009.

By the end of 2016, the Commission had introduced a new regulation on the security of electricity supply, designed to enhance transparency, ensure a common approach and better address cross-border in relation to the security of electricity supply. This instrument is now integrated with the redesign of the electricity market as was proposed by the Commission on 23 February 2017 in the Proposal for a Regulation of the European Parliament and of the Council on the E.U. internal market for electricity. Following the proposal of the Commission Regulation (E.U.) 2019/943 was adopted as part of the Clean Energy package.

Directive 2005/89/EC is no longer in force as it was repealed by Regulation (E.U.) No. 2019/941. New regulation was necessary, as the previous legal framework established only general objectives for security of supply, leaving Member States to decide how to achieve them. Current regulation ensures that all Member States put in place appropriate tools to prevent, prepare for and manage electricity crisis situations. This regulation was also adopted as part of the Clean Energy package.

Security of Gas Supply

Following the Russian-Ukrainian gas crisis of January 2009, Regulation (E.U.) No. 994/2010 concerning measures to safeguard the security of gas supply and repealing Council Directive 2004/67/EC (the "**E.U. Gas Supply Directive**") was adopted in order to strengthen the prevention and crisis response mechanisms.

The E.U. Gas Supply Directive imposed a number of new rules designed to prevent or mitigate potential disruption to gas supplies. These included risk assessment mechanisms, preventive action plans and emergency plans, a duty to ensure gas supplies to households for at least 30 days under severe conditions and enhancing flexibility of the gas infrastructure (including enabling bi-directional physical capacity on cross-border interconnections).

On 16 February 2016, the Commission submitted a proposal to the European Parliament for a Regulation of the European Parliament and of the Council concerning Measures to Safeguard the Security of Gas Supply and Repealing Regulation (E.U.) No 994/2010. This draft regulation proposes stronger regional coordination, with certain principles and standards being set at the E.U. level. The proposed approach is that Member States should cooperate closely within their regions when conducting regional risk assessments. To ensure E.U.-wide consistency, regional risk assessments have to be conducted on the basis of an E.U.-wide simulation, with common standards and a specific scenario. Risks identified through the regional risk assessments will be addressed in regional preventative action plans and emergency plans, to be peer-reviewed and approved by the Commission. To ensure that risk assessments and plans are comprehensive and consistent with one another, the draft regulation sets out mandatory templates listing aspects that must be taken into account when conducting a risk assessment and drawing up the plans. The draft regulation also improves the application of the supply standard to protected customers (mainly households) and the infrastructure standard (the possibility of supplying gas even if the largest infrastructure is not available). Finally, it enables permanent bi-directional capacity and proposes the introduction of additional transparency measures concerning gas supply contracts. On 25 October 2017, Regulation (E.U.) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (E.U.) No 994/2010 was adopted.

Proposed Changes for Energy Infrastructure

In 2011, the Commission launched a proposal for a Regulation on the Guidelines for Trans-European Energy Infrastructure which should ensure completion of strategic energy networks and storage facilities by 2020. The general objective of this initiative is to ensure the sufficient and timely development of energy infrastructures across the E.U. and neighbouring countries in order to facilitate the continuous and unrestricted cross-border flow of energy.

To this end, the Commission has identified 12 priority corridors and areas covering electricity, gas, oil and CO₂ transport networks. Several of the Republic of Lithuania's gas and electricity interconnection projects are included in the Baltic Energy Market Interconnection Plan in gas and the Baltic Energy Market Interconnection Plan in electricity.

In October 2013, on the basis of Regulation (E.U.) No. 347/2013, effective from June 2013, the Commission approved a list of approximately 250 key projects in the field of energy infrastructure, the "Projects of common interest". These

key projects will benefit from a more expedient permit-granting process and better regulatory conditions and access to financial assistance from the Connecting Europe Facility, with the aim of speeding-up the realisation of such projects and increasing their attractiveness to investors.

Renewable Energy Sources

The E.U. made commitments to reduce greenhouse gas emissions under the Kyoto protocol for reducing greenhouse gas emissions (the "**Kyoto Protocol**"). Under the Kyoto Protocol, promotion of electricity from renewable energy sources, meaning electricity produced from non-fossil renewable energy sources such as wind power, solar power, geothermal power, wave power, tidal power, hydroelectric, biomass and biogas became a priority for the E.U. To this end, in 2009 the E.U. institutions adopted Directive 2009/28/EC on the Promotion of the Use of Energy from Renewable Sources (and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC) (the "**E.U. Renewable Energy Directive**") as a part of the E.U. Energy and Climate Change Legislation.

The E.U. Renewable Energy Directive establishes a target for each the Member State reflecting their different starting points and potential for increasing renewables production based on the contribution of renewable energy to their gross final consumption for 2020. This target is in line with the 20-20-20 goal for the E.U. as a whole.

On 30 November 2016, the Commission launched the Clean Energy package, including a recast of the E.U. Renewable Energy Directive, in order to drive progress in meeting the goals of the 2030 E.U. Climate and Energy Framework, which was amended in 2018, in particular the binding target across the E.U. of at least 32 per cent. share of renewable energy sources in final energy consumption by 2030. Interinstitutional trilogue negotiations took place in 2019, the directive was adopted and will enter into force in 2021.

E.U. Emissions Trading Scheme ("E.U. ETS")

The E.U. ETS is a cornerstone of the E.U.'s policy to combat climate change and its key tool for reducing industrial greenhouse gas emissions cost-effectively.

The first, and still by far the biggest, international system for trading greenhouse gas emission allowances, the E.U. ETS covers more than 11,000 power stations and industrial plants in 31 countries, as well as airlines. In 2020, emissions from sectors covered by the E.U. ETS are expected to be 21 per cent. lower than in 2005. Under Commission proposals, by 2030, they would be 43 per cent. lower. Launched in 2005, the E.U. ETS is now in its phase III, running from 2013 to 2020. A major revision approved in 2009 in order to strengthen the system means that phase III is significantly different from phases I and II. It is based on rules that are far more harmonised than those upon which phases I and II were based.

A single E.U. wide cap on emissions applies in place of the previous system of national caps. This cap decreases each year by a linear reduction factor of 1.74 per cent. of the average total quantity of allowances issued annually between 2008-2012. Auctioning, not free allocation, is now the default method for allocating allowances. For those allowances still given away for free, the harmonised allocation rules apply and are based on the ambitious E.U.-wide benchmarks for emissions performance.

300 million allowances are set aside in the New Entrants Reserve (the "**NER 300**") to fund the deployment of innovative renewable energy technologies and carbon capture and storage through the NER 300 programme (the largest funding programmes for innovative low-carbon energy demonstration projects). The system covers emissions of carbon dioxide ("**CO₂**") from power plants, a wide range of energy-intensive industry sectors and commercial airlines. Nitrous oxide emissions from the production of certain acids and emissions of perfluorocarbons from aluminium production are also included.

In February 2018, the European Parliament and the Council revised the E.U. ETS Directive to adapt to the IV phase which will start in 2021. For phase IV, the overall number of emission allowances will decline at an annual rate of 2.2 per cent.

Energy Efficiency Directive

On October 25 2012, the E.U. adopted the Directive 2012/27/EU on Energy Efficiency amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC ("**Directive 2012/27/EU on Energy Efficiency**"), building on the Energy Efficiency Plan 2011. This Directive establishes a common framework of measures for the promotion of energy efficiency within the E.U. in order to achieve the E.U. target for 20 per cent. increase in energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020.

The Directive 2012/27/EU on Energy Efficiency was transposed in the Republic of Lithuania's national legislation in stages by adopting or amending the following legal acts:

- the Energy Resource and Efficient Energy Consumption Monitoring Order approved by the Government decision No. 332 dated 30 March 2016. This decision sets the requirements for the long-term strategy for the

renovation of the national building stock;

- the Public Building Energy Efficiency Development Programme adopted by the Government decision No. 1328 dated 26 November 2014. The aim of this programme is to increase energy efficiency in public buildings saving 60 GWh of primary energy by the end of 2020. This programme will also ensure renovation of at least 3 per cent. of the total floor area of the public buildings owned by state or local authorities;
- the Energy Efficiency Requirements for Purchasing Organisations When Purchasing Goods, Services or Buildings approved by the Government Decision No. 621 dated 17 June 2015;
- the Law on Increase of Energy Consumption Efficiency, adopted by the Parliament of the Republic of Lithuania, No. XII-2702 dated 11 November 2016. This law introduces an energy efficiency obligation system and combines it with other alternative measures to achieve the energy saving target by 2020; and
- as well as other legal acts, such as the Law on Energy, the Law on Heat Sector, the Law on Electricity and the Law on Natural Gas.

Greenhouse Gas

The European Energy Strategy, which is in line with the E.U. Paris Agreement, establishes a number of headline targets for climate change and energy sustainability pertaining to the main targets of a 20 per cent. reduction in E.U. greenhouse gas emissions as compared to 1990 levels until 2020, and a 40 per cent. reduction by 2030.

The Lithuanian National Strategy for Climate Change Management Policy sets out the action plan for its implementation and defines measurable indicators for greenhouse gas reduction. As indicated above, it estimates the annual reduction of CO₂ equivalent emissions and the total reduction for the year 2020 as short-term climate change mitigation goals and also establishes a target that CO₂ emissions would not exceed 8.53 million tons by 2020 within the sectors participating in the scheme for greenhouse gas emission allowance trading.

In November 2019, the Government of the Republic of Lithuania presented an integrated draft of the National Energy and Climate Plan for the period 2021-2030, laying down the Republic of Lithuania's ambitions to combat climate change. According to the plan drawn up by the Government in close consultation with social and economic partners, associations and the public, the planned measures will require approximately EUR 14 billion of investment, with approximately EUR 9.8 billion coming from public funds. Overall, it is foreseen that by 2030 the CO₂ equivalent emissions shall be reduced by 9 per cent. (compared to 2005), for non ECS sectors energy intensity shall be brought down by at least 1.5 times (compared to 2017), and the share of renewable energy sources in the energy mix shall be increased to 45 per cent.

Additionally, the Operational Programme for E.U. Structural Funds Investments for 2014-2020 for the Republic of Lithuania sets goals for the reduction of total annual greenhouse gas emissions.

Transparency of Wholesale Electricity, Gas and Emission Allowances Trading

Wholesale gas and electricity prices are highly sensitive to the variations in production and transmission capabilities. Prices may be influenced by (i) the spread of false information on the availability of these capabilities or (ii) a fall in production. To detect and prevent such electricity and gas wholesale manipulations of markets, the E.U. enacted REMIT, which, *inter alia*:

- prohibits the use of inside information when buying or selling on the wholesale energy markets;
- prohibits manipulative transactions and the spreading of incorrect information that give false or misleading signals about supply, demand, or prices;
- obliges energy traders to report their transaction data to the Agency for the Cooperation of Energy Regulators (the "ACER"). These data include the price, volumes, date and time of transactions, the name of the seller, the name of the buyer, and any other beneficiaries; and
- makes the ACER responsible for the independent monitoring of all wholesale energy trades. If market abuse is suspected, the ACER will request national regulators to investigate. It will also coordinate cross-border investigations.

The E.U. also enacted Regulation (EC) No. 596/2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "MAR") to detect and prevent market manipulation and insider dealing on markets with emissions allowances (including public markets and auctions of emission allowances). The MAR introduced the following tools to prevent the aforesaid practices with respect to emission allowances:

- obligation on market participants to publish inside information relating to emissions allowances;
- obligation on market participants to prepare insider lists;
- obligation on market participants to disclose managers' transactions;

- obligation on market operators and investment firms (banks, brokers) to report suspicious transactions with emissions allowances;
- prohibition on the use of inside information when buying or selling emissions allowances at auction or on public markets; and
- prohibition on manipulative transactions and the spreading of incorrect information that gives false or misleading signals about supply, demand, or prices.

The obligations to publish inside information, prepare insider lists and to disclose managers' transactions will apply solely to market participants' emissions allowances above certain aggregate year CO₂ emissions or (ii) rated thermal input thresholds. These thresholds were set by the Commission as follows:

- the minimum threshold of CO₂ equivalent shall be 6 million tonnes a year; and
- the minimum threshold of rated thermal input shall be 2,430 MW.

The above thresholds are applicable at group level and relate to all businesses owned or controlled by the group parent company.

The Commission has prepared a new energy prices and costs report (published in 2016) providing an overview of the cost of energy, taxes, levies and subsidies. This should contribute to a more informed discussion on different energy price levels in Member States, the different components of energy prices, their influence on the competitiveness of European industry and investment in Europe and in their ability to influence consumer behaviour. As a first step, on 18 November 2015, the Commission presented a proposal for a Regulation of the European Parliament and of the Council on European Statistics on Natural Gas and Electricity Prices and repealing Directive 2008/92/EC a procedure to improve the transparency of gas and electricity prices charged to industrial end-users. According to the Commission's proposal, the Regulation (E.U.) 2016/1952 was adopted on 26 October 2016.

Legislation: the Republic of Lithuania

General Overview

The Lithuanian energy sector is governed by a wide range of laws and regulations which also implement the European legislation described above. The key law focusing solely on the energy sector is the Law on Energy of the Republic of Lithuania ("**the Law on Energy**") which was enacted in 1995 (a new version was enacted in 2002) and contains provisions implementing applicable E.U. legislation. The main provisions of the Law on Energy cover general energy-related activities, the basic principles of energy development and management, the effectiveness of energy and energy resources. The main legislative tools used by the Republic of Lithuania in the regulation of the energy market are as follows:

- the Law on Energy from Renewable Sources of the Republic of Lithuania governs the State management, regulation, supervision, and control of activities in the renewable energy sector, as well as designating the energy network operators, renewable energy producers under state regulation, their supervision, and control of their relationship with the performing institutions;
- the Law on Electricity of the Republic of Lithuania establishes the basic principles governing the management, transmission, organisation, control and supply of electricity, regulation of electricity producers, service providers and consumers, and introduces the provisions for the regulation of the State electricity sector, their supervision and control of institutions of mutual relations of electricity generation, transmission, distribution, supply and consumers' legitimate rights and interests;
- the Law on Energy Market Resources of the Republic of Lithuania establishes the basic principles for the organisation, administration, regulation, supervision and control of the Lithuanian energy resources market, governing the trade in biofuels and natural gas and providing auxiliary protection against fluctuations in the price of energy in public relations;
- the Law on Heat Sector of the Republic of Lithuania regulates the State management of heat, the operator's activities, its relationship with consumer's, networking, and responsibility;
- the Law on Financial Instruments for Climate Change Management establishes the persons engaged in economic activities resulting in greenhouse gas emissions, and the rights, duties and responsibilities of public institutions, the competence of the bodies from which these are comprised, as well as key requirements for the issue, suspension of validity, lifting of suspension and revocation of fluorinated greenhouse gases management certificates;
- the Law on Natural Gas of the Republic of Lithuania establishes the natural gas transmission, distribution, storage, liquefaction and supply-related relationships, as well as regasification of liquefied natural gas. This law establishes the rules relating to the organisation and functioning of the natural gas sector, natural gas market access, as well as the transmission, distribution, storage, liquefaction and licensing to supply natural gas, regasification of liquefied natural gas, as well as licences to engage in market operator activity. This law also

establishes the instruments designed to ensure proper supply of natural gas to ensure the reliability level and develop a common market in the E.U.;

- the Law on Liquefied Natural Gas Terminal of the Republic of Lithuania establishes the general principles and requirements for the launch of the liquefied natural gas terminal in the Republic of Lithuania, its performance and operation and the form of legal, financial and organisational conditions for a liquefied natural gas terminal project; and
- various secondary legislation which provides a framework for procedural aspects of the implementation of the Law on Energy and other laws.

Regulatory Authorities

The main regulatory institutions in the Lithuanian energy market are:

- the Government which develops and implements the State policy in the energy sector; approves the State regulated pricing principles; cooperates with foreign institutions in the energy market; represents the Republic of Lithuania in international organisations; and approves the energy market licensing rules;
- the Ministry of Energy which is responsible for the implementation of the National Energy Strategy, drafting energy supply related laws, implementation of the investment policy in the energy sector and developing a renewable energy sector in the Republic of Lithuania;
- the NERC whose purpose is to ensure effective competition in the energy market and prevent discrimination between different customers and suppliers. The NERC is also responsible for setting the caps for State regulated energy prices/tariffs and approving the purchase price for electricity generated from renewable energy sources. The NERC's objectives include: (as far as possible within the limits of its prescribed role) to perform the functions of the State regulating district heating, natural gas, centralised supply of liquefied petroleum gas, electricity, renewable energy, drinking water supply and wastewater treatment sectors, to supervise and exercise control over regulated district heating, natural gas, centralised supply of liquefied petroleum gas, electricity, renewable energy, drinking water supply and wastewater treatment undertakings, as well as the proper implementation and upholding of consumer rights, and ensuring fair competition in the energy, drinking water and wastewater treatment sectors. From 1 July 2019, the NERC started its activities as a consolidated institution, following the process when the State Energy Inspectorate under the Ministry of Energy has been reorganised by way of merger and joined to the NERC, and took over the economic and technical regulation and market supervision and control functions of energy market in the Republic of Lithuania. Also, a new function – to oversee and license the participants in wholesale and retail market of petroleum products – has been assigned to the NERC since 1 July 2019; and
- the Ministry of Environment of the Republic of Lithuania is the main managing authority of the Government, which forms the country's State policy of environmental protection, forestry, utilisation of natural resources, geology and hydrometeorology, territorial planning, construction, provision of residents with housing, utilities and housing, as well as coordinates its implementation.

Electricity Sector

Licensing Regime

In the electricity energy sector the following activities are licensed (licences are issued by the NERC): transmission, distribution, and public supply. A public supply of electricity is carried out on the basis of legal obligation, in particular if a consumer has not chosen the electricity supplier or such supplier does not provide services, the electricity supply is guaranteed by the distribution system operator. Currently, this function is performed by the State-owned company ESO which is also the distribution network operator of electricity and natural gas (the "DSO"). The licences are issued for an unlimited period of time, except when the TSO is not yet licensed. In such cases a temporary licence for 12 (twelve) months is issued in order to ensure system reliability and stability. Requirements for companies seeking obtain a specific licence are defined in the Licensing rules for activities in electricity sector, adopted on 20 June 2012 by the Government. Persons, wishing to get, change, specify, issue a duplicate, stop or cancel certain licences must submit an application to the NERC and follow other requirements defined in the licensing rules for activities in the electricity sector. Charges for these services are indicated in the rules approved by the Government.

Electricity Generation

Authorisation to Construct Power Plants

If a company wishes to construct a power plant with an installed electricity generation capacity, it must obtain an authorisation from the NERC. Alongside the request submitted to the NERC, the company should provide an environmental impact assessment report, health impact assessment, and the grid connection conditions received from the TSO or DSO. The procedure is simplified depending on the capacity of the facility. A permit is not necessary if a person intends to construct or develop the power plant facility with a capacity not exceeding 10 kW to produce electricity for private use (i.e. without electricity supply to the electricity grid).

In addition to that, development of the Republic of Lithuania's capacity mechanism concept begun in 2019. Currently, preparation of upcoming new version of the Law on Electricity of the Republic of Lithuania, new capacity market rules and other relevant legislation is ongoing and are expected to be finalised and adopted in 2020. The capacity mechanism will enable development of reliably available, flexible and fast-starting power generation. New capacities, which will be selected by the way of auction, will be developed in order to ensure smooth integration of renewable energy sources and contribute to further development of the ancillary services market. Pre-notification discussions with the Commission have already started in this regard and a formal CRM notification process with the Commission is expected to be completed in 2020.

Emission Charges

The Republic of Lithuania has been successfully implementing its commitments to reduce the emissions of greenhouse gas by 8 per cent. below 1990 level during the period of 2008-2012 under the Kyoto Protocol. By 2010, the greenhouse gas emissions in the Republic of Lithuania had been reduced by 58 per cent. as compared to 1990. In order to ensure the implementation of the E.U. climate change policy milestones designated for short-term (by 2020), midterm (by 2030 and 2040) and long-term (by 2050) the Strategy for National Climate Change management Policy for 2013-2050 and the Plan of Measures for its Implementation have been adopted by the Republic of Lithuania.

Emission Limits

Pursuant to Decree No. D1-528 of the Minister of Environment dated 15 July 2013, which implemented E.U. Directive 2010/75/EC on industrial emissions (on Integrated Pollution Prevention and Control) (the "**Industrial Emissions Directive**") the Republic of Lithuania, as a Member State must impose more stringent NO_x, sulphur dioxide and dust emission limits on large combustion plants. The specific level of such emission limits depends on various factors, including total rated thermal input, the type of fuel used by the combustion plant or the date on which such plant was put into operation (or was granted a permit).

In December 2013, the Commission introduced the "Clean Air Policy Package" to reduce emissions and air pollution within the E.U. The package, *inter alia*, includes proposals for directives on (i) the reduction of national emissions of certain air pollutants by stipulating stricter national emission ceilings in the period from 2020 to 2030, provided that Member States will be obliged to propose the measures to meet these ceilings (the proposal for this directive was withdrawn by the Commission in December 2014); and (ii) the limitation of emissions of certain air pollutants emitted by medium combustion as a supplement to E.U. Directive 2010/75/EC on industrial emissions. The first proposal has been enacted as E.U. Directive 2016/2284 and had to be transposed by Member States into national legislation by 1 July 2018, and the second proposal has been enacted as E.U. Directive 2015/2193 and had to be implemented by Member States by 19 December 2017. E.U. Directive 2015/2193 was transposed in the Republic of Lithuania by Decree No. D1-778 of the Minister of Environment dated 18 September 2017 which foresees gradual increase in emission reduction requirements for medium combustion plants. E.U. Directive 2016/2284 was transposed in the Republic of Lithuania by Decision No. 371 of the Government dated 17 April 2019.

Exceptions to the Emission Limits

Directive 2010/75/EC of the European Parliament and of the Council on industrial emissions lays down the rules on integrated prevention and control of pollution arising from industrial activities to prevent or, where that is not practicable, to reduce emissions into the air, water, and land and to prevent the generation of waste. This Directive imposes tighter emissions standards on existing combustion plants with a thermal input greater than 50 MW from 2016. During the period from 1 January 2016 to 30 June 2020, Member States may draw up and implement a transitional national plan covering combustion plants which were granted their first integrated pollution prevention and control permit before 27 November 2002 or the operators of which had submitted a complete application for a permit before that date, provided that the plant was put into operation no later than 27 November 2003. For each combustion plant, the plan must cover the emissions of one or more of the following pollutants: nitrogen oxides, sulphur dioxide, and dust. For gas turbines, only nitrogen oxides emissions are covered by the plan.

The Government, taking into account the reasonable concerns of the companies operating combustion plants, took advantage of the above provisions of the Directive allowing the submission of a transitional national plan to the Commission. This step was aimed at postponing the implementation of emissions standards until 30 June 2020 with respect to combustion plants included in the plan. This postponement is necessary to allow market participants to plan and allocate necessary investments without causing significant disproportionate price increase for consumers.

The following combustion plants are included in the plan submitted to the Commission: Kaunas Combined Heat and Power Plant, Vilnius Combined Heat and Power Plant No. 2, Vilnius Combined Heat and Power Plant No. 3, Vilnius Ateities District Boiler House No. 8, Alytus District Boiler House and Marijampolė District Boiler House of Marijampolės Šiluma.

The Commission evaluated the Republic of Lithuania's plan according to the established rules and approved it on 11 December 2013. The air pollution abatement measures listed in the plan must be implemented between 1 January 2016 and 30 June 2020 thereby ensuring the compliance with the annual thresholds of emissions of sulphur dioxide, nitrogen oxide and particulate matter specified in the plan for that period.

Since the plan is applicable to the Republic of Lithuania, the requirements for each combustion plant laid down in the plan will be incorporated in the terms of the integrated pollution prevention and control permit issued to the particular plant. These permits are issued by the Ministry of Environment pursuant to the order approved by the Minister of Environment.

Carbon Compliance (Emission allowances)

History of Carbon Compliance Phase II

There are two sets of targets to evaluate: (1) the Kyoto Protocol targets for the period 2008-2012 and (2) the 2020 targets for emissions not covered by the E.U. ETS.

Under the Kyoto Protocol, the emission reduction target for the Republic of Lithuania for the period 2008-2012 were set at minus 8 per cent. based on 1990 levels of CO₂, CH₄ and N₂O. the Republic of Lithuania successfully fulfilled these commitments. According to the National Greenhouse Gas Inventory Report 2012, greenhouse gas emissions amounted to 20.809 million tons of CO₂ (excluding the land use, land use change and forestry sectors) in 2010, which is 58 per cent. less than the level of the greenhouse gas emissions produced in 1990, which equalled 49.430 million tons of CO₂.

Current Carbon Compliance—Phase III

Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community dated 23 April 2009, set out the basis for Phase III to the E.U. ETS, which began on 1 January 2013. Phase III introduced significant changes of the E.U. ETS, including (i) auctioning as the default method for allocation of emission allowances, (ii) a longer trading period (8 years, compared to 5 years under Phase II) and (iii) a greater harmonisation of the rules relating to the emissions allowances allocation. In addition, E.U. Member States no longer submit their national allocation plans for approval. In their place, the Commission set a single E.U. wide cap for available emission allowances. The cap for the year 2013 was 2.08 billion per annum; from 2013 until 2020, the cap is decreased each year by 1.74 per cent. of the average annual total quantity of emissions allowances issued by Member States between 2008 and 2012, which, in absolute terms, is an annual reduction of approximately 38.3 million emission allowances.

Allocation of Emissions Allowances during Phase III

With effect from 1 January 2013, Phase III rules prohibit the allocation of emissions allowances for free to electricity producers. In general, the electricity producers have to buy emissions allowances at auction or on the E.U. ETS market. From 2013, more than 40 per cent. of the emissions allowances are to be sold through auctions and this proportion is progressively increasing.

There is an option for 10 E.U. Member States to provide electricity producers with transitional allocations of emissions allowances for free, if the conditions under Article 10(c) of the E.U. Directive 2003/87/EC, Establishing a Scheme for Greenhouse Gas Emission Allowance Trading within the Community and amending Council Directive 96/61/EC (the "**E.U. Directive 2003/87/EC**") are satisfied (the "**Derogation**"). The E.U. legislation requires electricity producers which benefit from this exemption, to invest in the modernisation of their power plants. The value of these investments must mirror at least the value of the allocation of emissions allowances allocated for free. The transitional period will continue further into the phase IV, after 2020, pursuant to Directive 2018/410 amendments.

To strengthen the functioning of the emission allowances market in the period from 2013 to 2020, the Commission has the power to amend the timetable of emissions allowances auctions (the back-loading of emissions allowances). To mitigate the negative impacts of an imbalance between supply of and demand for emission allowances on the E.U. ETS market, the Commission decided, in February 2014, to decrease the amount of the emissions allowance that were supposed to be auctioned in 2014, 2015 and 2016 by 400, 300 and 200 million of the emissions allowances, respectively. According to E.U. decision of the European Parliament and of the Council in October 2015, allowances which have not been auctioned in 2014, 2015 and 2016 were transferred to a market stability reserve that has operated since January 2019. The reserve addresses both the surplus of emission allowances and improves the system's resilience to major shocks by adjusting the supply of allowances to be auctioned. The effectiveness of the market stability reserve will depend on the terms of a compromise reached among the European Parliament, the European Council and the Commission. Discussions are currently being held in the European Parliament and the Council on temporarily doubling the rate at which allowances will be placed in the reserve. On 15 May 2018, the Commission reduced emission allowances to be auctioned by 265 million for the first 8 months of 2019. On 15 May 2019, the Commission decided to reduce auction volume from September 2019 to August 2020 by 397 million allowances, corresponding to 24 per cent. of the total number of allowances in circulation.

Renewable Energy Sources

History of Renewable Energy Sources

On 10 January 2007, the Commission launched its Climate and Energy Package for the E.U. to achieve a 20 per cent. reduction in greenhouse gas emissions by 2020. Based on the E.U. Renewable Energy Directive, the Republic of Lithuania has undertaken to increase the share of renewable energy sources (the "**RES**") in national energy

consumption by up to 23 per cent. by 2020 and to increase the share of the RES in all modes of transport by up to at least 10 per cent. of consumption in the transport sector. The Law on Energy from Renewable Sources contains sectoral objectives: to increase the share of electricity produced from RES by up to at least 38 per cent. of national consumption by 2025, to increase the share of centrally supplied heat energy produced from RES by up to at least 70 per cent. of the heat energy balance, and to increase the share of RES used in households by up to at least 80 per cent. of the total energy consumption balance by 2020.

It should be noted that on 12 May 2011, the Law on Renewable Energy Resources of the Republic of Lithuania came into force, which listed as its the key objective to reach the stage where a minimum of 23 per cent. of the country's overall final energy consumption is met by the use of RES. Under this law, the NERC was granted powers of regulation, surveillance and control over RES. In accordance with its new powers, the NERC passed and amended multiple legal acts. According to the latest amendments of this law the key objective is that minimum 38 per cent. of the country's overall final energy consumption should be met by the use of RES by 2025.

Technology Neutral Auctions

In the Republic of Lithuania, a new support scheme for renewable energy technologies was introduced in the end of 2018. According to the new Lithuanian Law on Energy from Renewable Sources, which became effective as of 1 May 2019, support for RES producers is allocated by way of auctions. Such auctions are based on neutral technology principle in combination with a price premium promotion model. The key criteria which determines new auction winners is the smallest premium offered to the electricity market price in the Nord Pool exchange that will be paid for the period of 12 years.

According to the legislation, production of electricity from renewable energy sources shall be promoted by paying the producer, in accordance with the procedure established by the Government:

- a price premium won at the auction, where the sum of the hourly trade price of electricity on the power exchange in the Lithuanian zone for the next day and the price premium won at the auction is lower than or equal to the highest price set by the NERC;
- a portion of the price premium won at the auction, which is calculated as the difference between the highest price set by the NERC and the hourly trade price of electricity on the power exchange in the Lithuanian zone for the next day, which may not be higher than the price premium won at the auction, where the sum of the hourly trade price of electricity on the power exchange in the Lithuanian zone for the next day and the price premium won at the auction is higher than the highest price set by the NERC.

The new model includes ceilings for the premiums paid thus aiming that RES producers are not overpaid if electricity market prices change, i.e. "Maximum price" is set by the NERC to avoid overpayment. The new support model aims to integrate electricity producers that use RES into the market and, therefore, such producers are obliged to sell electricity on the market. Such producers are also responsible and cover all the balancing (exemptions apply for smaller power plants less than 500kW and pilot projects less than 3MW) and electricity grid connection costs.

On 2 September 2019 the NERC announced the first auction for distributing the quota of 0.3 TWh. In order to participate in the auction, the developers had to sign a Letter of Intent with the NERC, to, amongst other things, provide the security of obligations, confirm payment of a participation fee and confirm that the developer has no criminal record, is not in a process of bankruptcy and that it has no debts to the State Social Insurance Fund Board. The amount of the security of obligations is calculated by multiplying the capacity of the planned power plant (kW) by EUR 15 per 1 kW.

By 2 September 2019, potential RES project developers had to release their existing permits for the development of electricity generating capacities and capacity reservations to the electricity grid if the developer was planning to participate in the new auction(-s).

The foreign (E.U.) producers who want to participate in an auction and build power plant in their home states can participate in the auction provided that: (i) there is a direct electricity interconnection between the Republic of Lithuania and home state of the foreign producer and (ii) there is an agreement concluded between the Republic of Lithuania and home state of the foreign producer.

Three more auctions shall take place in 2020-2022; one each year. It is expected to distribute 0.7 TWh of electricity by each auction. Auctions are expected to take place in 29 May 2020, 6 April 2021 and 19 April 2022.

Producing Customers

Other measures promoting renewable resources are being actively implemented as well. On 1 October 2019, major amendments to the Law on Energy from Renewable Sources concerning producing customers entered into force. These amendments significantly expanded producing customers' operational capabilities by increasing the potential capacity of renewable installations, expanding the total power of the power plants of producing customers and, among others, introducing the concept of remote customer. The remote customer (natural or legal person) may have a power plant and produce electricity in one place and use it in another. The power plants of producing customers may be constructed, installed and operated by other persons authorised to develop electricity generating capacity and to

produce electricity. For instance, a large power plant can be constructed in an unoccupied area, which will be shared between businesses, farmers and individuals living in a remote area.

Upcoming Amendments on Producers of Renewable Electricity

In the near future, new amendments to the Law on Electricity, which will improve the conditions for the power purchase agreements (PPAs) and development of renewable energy, are expected to be adopted. The amendments provide for the concept of a purchase agreements of renewable electricity, as well as the possibility for the customer to purchase electricity directly from the producer of renewable electricity without a permit to independent electricity supply. The proposed project also initiates other measures to improve the position of producers of electricity, such as clear priority for the receipt and transmission of electricity through transmission and distribution grids, a comprehensive compensation mechanism in case of interruption or limitation of the transmission of generated electricity through no fault of the producer and more.

Transmission and Distribution of Electricity

History

A special purpose joint stock company Lietuvos energija was established in 1995. In 2001, the shareholders resolved to restructure Lietuvos energija, which was divided into a number of separate independent companies: Lietuvos Elektrinė, AB; Mažeikių Elektrinė, AB; Rytų Skirstomieji Tinklai, AB; Vakarų Skirstomieji Tinklai, AB. Lietuvos energija, UAB continued to operate as a transmission network operator and market operator. Liberalisation of the electricity sector in the Republic of Lithuania began with the implementation of the Law on Electricity of the Republic of Lithuania in 2002. The vertically integrated company Lietuvos energija, UAB was divided into a separate transmission company, two distribution companies and two generation companies. Regulated third party access to the grid was ensured pursuant to the requirements of the Third Energy Package. The Law on Electricity of the Republic of Lithuania was amended in 2004 in order to ensure compliance with the requirements of the E.U. Second Electricity Directive that all commercial consumers would be free to choose a supplier. In 2009, Litgrid, AB was established as a new subsidiary of Lietuvos energija. The company was mainly responsible for electricity transmission. In the electricity sector, the ownership unbundling model was chosen by the Republic of Lithuania to unbundle the State-owned TSO Litgrid, AB. The Republic of Lithuania, thus, made use of the possibility provided for in Article 9(6) of the Electricity Directive to implement the ownership unbundling model by means of separate public bodies within the State.

Current Structure

Currently, following the implementation of the Third Energy Package in the electricity sector, Lithuanian transmission and distribution systems in the electricity sector are structured as follows:

- The TSO Litgrid, AB is a subsidiary of the State holding company EPSO-G, UAB which owns 97.5 per cent. of the shares in Litgrid AB, with the remaining 2.5 per cent. of shares owned by minority shareholders. EPSO-G, UAB is controlled by the Ministry of Energy of the Republic of Lithuania.
- The distribution system operator ESO is a subsidiary of the Issuer, which owns 94.98 per cent. of the shares in ESO, with the remaining 5.02 per cent. of shares owned by minor shareholders. The full ownership unbundling model has been implemented in the electricity transmission system.
- The management, accounting and legal unbundling models have been implemented in the distribution system.
- The Law on Electricity provides that all customers be given the option to choose an independent electricity supplier. The customer's choice is unrestricted except in instances where a customer's facility corresponds only to a particular category of capacity. With effect from 1 January 2015, customers have been free to choose (and change) electricity supplier and this market is fully liberalised.
- Public electricity supply, which is provided by the distribution system operator ESO, AB, ensures a guaranteed supply of electricity to customers that have not chosen an independent electricity supplier or whose chosen supplier fails to fulfil its obligations.

Participants

As per the above, the following categories of electricity market participants now operate in the Republic of Lithuania:

- electricity generators (producers);
- the transmission grid operator (Litgrid, AB);
- the distribution system operator (ESO);
- electricity traders; and
- end-consumers.

Price of Electricity

The public electricity price and tariffs are set by the public supplier and approved by the NERC for six calendar months. Electricity is supplied to customers by both public and independent suppliers.

The electricity price currently consists of the following elements: the electricity purchase price; the transmission price; the PSO fee; distribution costs; the difference between the public supply price and the actual electricity purchase price, on the one hand, and the estimated electricity price in the previous period. The electricity purchase price is market based. By contrast, the transmission price is regulated by the NERC which sets upper price caps. The actual price (not to exceed the cap set by the NERC) is determined by the electricity TSO Litgrid, AB.

The PSO fee is paid for services which are in the public interest, as designed by the Government. According to the Law on Electricity of the Republic of Lithuania in order to implement the strategic goals of the national energy, economic and environmental policies and guarantee services which are on the public interest, the Government, in accordance with the provisions of the laws regulating the legal framework governing the operation of this and other energy sectors, may determine that the services which are in the public interest include:

- the generation of electricity from RES;
- the generation of electricity in a co-generation mode in combined power and heat generation plants where these plants supply heat to the heat systems and amount of energy saved is such that the combined heat and power generation may be considered cost effective;
- the production of electricity in plants whose electricity generation is deemed necessary to ensure the security of the energy supply;
- ensuring that a reserve of electricity system is maintained in plants whose operation is deemed necessary to ensure the energy security of the Republic of Lithuania;
- the development of electricity generation capacities that are strategically important for ensuring the security and reliability of the electricity system or energy independence of the Republic of Lithuania;
- the implementation of strategic electricity sector projects related to improving energy security by constructing new interconnectors with the electricity systems of other countries and/or connecting the electricity system of the Republic of Lithuania with the electricity systems of other Member States;
- operations to ensure the safe operation of technical instruments and the management of radioactive waste;
- distribution costs which are regulated by the NERC setting maximum price caps. Particular prices not exceeding the caps are determined by the electricity distributions system operator ESO; and
- public supply pricing which is regulated by the NERC setting maximum price caps. Particular prices not exceeding the caps are determined by the service providers.

The sale prices and reserve prices of the electricity producers and independent suppliers are not regulated except for cases when the NERC, after investigation, determines that such producer or independent supplier exercises a significant enough market power that it may affect competition. For these market participants the NERC could impose certain obligations. In 2012 the NERC has decided that GEN exercises a significant market power and determined price caps for reserve prices.

The NERC supervises the energy sector on behalf of the Republic of Lithuania, publishes the public electricity price and tariffs and lists of public and independent suppliers.

The NERC, in accordance with the Methodology on the Rate of Return on Investments, approved by the NERC Resolution No. O3-510 as of 22 September 2015, publishes data on the calculation of the rate of return on investments (the "WACC"). This Resolution applies to electricity, natural gas, heat and hot water supply sectors where state regulated prices are applicable. The data is to be used by electricity companies for setting the price caps for the regulatory period of 2017-2021. For the calculation of the WACC, the following factors are taken into consideration: capped debt servicing costs expressed as a percentage, return on equity expressed as a percentage, share of equity capital (optimal capital structure), share of debt capital (optimal capital structure), and tax rate.

In late 2019, the Government of the Republic of Lithuania presented a proposal to the Parliament for the liberalisation of the retail electricity supply market. On 7 May 2020, the Parliament of the Republic of Lithuania approved amendments which, once promulgated, will result in the gradual liberalisation and deregulation of the public supply of electricity to household customers to be implemented in three phases (in 2021, 2022 and 2023, respectively). It is expected that the law will be finally promulgated by the end of May 2020. As a result, the state regulation of electricity prices for household consumers may be phased out in the near future. The Issuer believes the liberalisation of the electricity supply to household customers should not have a material long term impact on the Group's financial results. The Issuer expects a short term impact on cash flows and profit as a result of IGN investing in IT and marketing services to phasing out of household customers into the independent electricity supply sector. The Group expects profitability of its independent electricity supply activities to match or exceed profit levels of its public supply of

electricity activities from 2023 onwards.

Trading

Wholesale trade in the domestic market for electricity is conducted using two methods: trading under bilateral agreements and trading on the electricity exchange. The aim is to make trading on the exchange the main method by which wholesale electricity is supplied. Since 18 June 2012, wholesale trading on the Lithuanian Electricity Exchange has been administered by Nord Pool Spot AS, an operator of the Nordic and Baltic electricity exchanges. It should be noted that on 31 May 2018 the NERC approved the offer received from the Baltic States transmission operators for operation of more than one electricity exchange operator in the Baltic States. Therefore, it opened the way for Epex Spot (which previously expressed its interest) and other power exchanges to enter the Lithuanian market.

Heating Energy Sector

The main legal acts regulating the heating energy sector are the Law on Heat Sector of the Republic of Lithuania and the National Heat Sector Development Programme for 2015-2021 (the "**Heat Programme**") approved by the Government on 18 March 2015. The Heat Programme aims to assess and identify the primary objectives of the heating sector and the ways in which they can be implemented, taking into consideration domestic and international trends in the environmental and energy sectors as well as economic conditions. The Republic of Lithuania's primary strategic goal in the heating industry is to increase the efficiency of heat generation, transmission and consumption, as well as (where economically reasonable), to replace imported natural gas used for the production of heat with sustainable local and renewable energy sources in order to reduce the costs of heat.

The Law on Heat Sector of the Republic of Lithuania requires the creation of effective competition in the heat sector. Therefore, it stipulates that heat suppliers must purchase from independent heat producers heat energy produced from renewable sources, as well as waste incineration and fossil fuel that fulfils environmental quality and reliability of supply requirements. The NERC sets rules and conditions for the purchase of heat from independent heat producers. In all cases, the price of heat energy purchased from independent heat producers cannot be higher than the comparative heat production costs of the heat supplier.

Lithuanian legislation provides that the activities of all heat suppliers are regulated by the energy market regulator, i.e. the NERC. The NERC approves the maximum prices of heat suppliers. There are two types of heat producers:

- regulated heat producers which own or control heat production or cogeneration facilities that are financed either by E.U. funds, national financing sources for renewable energy, a state or municipal grant or subsidy, or have received feed-in tariffs for electricity production and independent heat producers or a group of independent heat producers producing more than 1/3 of district heating per year;
- non-regulated independent heat producers which are not subject to the control of the NERC and may set heat prices at their own discretion.

The following requirements apply in respect of regulated independent heat producers:

- the separation and allocation of costs, and heat pricing determined by the NERC;
- that heat prices be based on essential (State-regulated) costs of production; and
- costs of heat are controlled by the NERC which sets the maximum price regulated that independent heat producers can charge.

The NERC is engaged in the regulation of heat energy suppliers producing over 10 GWh of heat energy per year, while smaller heat suppliers are regulated by municipalities. A heat supplier and/or a regulated independent heat producer must provide the NERC with a justification for their prices, which are to be approved by the NERC.

New heat producers are entitled to enter the district heating market (as independent heat producers regardless of whether they are regulated or not) if they get access to the district heating system. In this case, they must submit an application to the district heating supplier in order to get a connection between a heat production facility and the district heating system. The application must show that such a connection is feasible and complies with the economic and technical requirements of the district heating supplier.

A decision to refuse to provide a connection may be appealed to the NERC. In many cases, the NERC has overturned decisions by district heating suppliers and granted the requests of potential independent heat producers. Therefore, entering the district heating production market should be seen as a realistic opportunity.

Licensing requirements

Heat suppliers must hold a licence for the supply of heat. The NERC issues licences to those supplying at least 10 GWh of heat per year, taking into account recommendations provided by municipal authorities. It also has the power to suspend licences, and exercise control over licensed activities. The licences for suppliers of heat who provide less than 10 GWh of heat per year can be issued, suspended or cancelled by the city municipality. If a heat producer sells heat to a heat supplier, requirement to hold a licence is not applicable, but if a heat producer sells heat directly to consumers, the producer must have a heat supply licence. Meanwhile, a permit granted by a municipality is required

in order to sell electricity produced by a combined heat and power plant.

Participants

As per the above, the following categories of heat market participants operate in the Republic of Lithuania:

- suppliers of district heating;
- non-regulated independent heat producers;
- regulated independent heat producers; and
- end-consumers.

Heat Auctions

From 1 December 2018 new rules on heat auctions came into effect. According to the new rules, the amount of heat purchased from independent heat producers and (or) generated by heat facilities of the heat suppliers are determined under the heat auction organised by the energy exchange operator.

Heat suppliers and independent heat producers participate in the heat auction organised by the energy exchange operator and submit proposals for the heat production and (or) purchase and, having won the auction, in accordance with the auction results produce and (or) sell the amount of heat at the price indicated in the offer. The lack of heat that was not purchased through the heat auction, the heat supplier produces by available heat production facilities.

In all cases, heat is produced and / or purchased at a price not higher than the comparable heat production costs of the heat supplier calculated under the requirements set by the NERC.

Gas Sector

The natural gas sector is governed by the E.U. Energy Regulation and, in particular, by the Third Energy Package which has been transposed into the Law on Natural Gas of the Republic of Lithuania and the Law on the LNG Terminal of the Republic of Lithuania. The Republic of Lithuania has chosen to implement the full ownership unbundling model in the natural gas sector pursuant to the requirements of the respective Directives.

Licensing Regime

The following activities are regulated in the natural gas sector (licences are issued by the NERC) as follows:

- natural gas transmission;
- natural gas distribution;
- natural gas storage;
- natural gas supply;
- LNG regasification; and
- natural gas market operation.

The licences are issued for an unlimited period of time. The NERC issues licences pursuant to the same security, reliability and non-discriminatory principles as applicable to the licensing regime for the electricity sector (see "*Electricity Sector—Licensing Regime*"). On 1 January 2018 amendments to the Law on Natural Gas of the Republic of Lithuania came into effect and from 1 January 2018 the activity of natural gas supply (except trading in natural gas exchange and gas stations) were considered to be regulated by permissions, instead of being a licensed activity. Trading in natural gas exchange and gas stations is not regulated by permissions or licenses.

Transmission and Distribution of Gas History

The Lithuanian natural gas market is not integrated with other E.U. Member States. The Republic of Lithuania has the only connection with Belarus which is used for constant supplies. The connection with Latvia is meant only for emergency cases, i.e. ensuring uninterrupted gas supply in the event of a supply failure in the sole gas connection with Belarus. It is therefore not used for common gas supply activities. The existing gas connection with Belarus has sufficient technical capacities to meet customer needs, but dependency on the single connection is not ideal.

The Republic of Lithuania does not have its own natural gas resources. Gas used to be imported to the Republic of Lithuania by a single importer, OAO Gazprom, and supplied mainly by Lietuvos Dujos, AB and Dujotekana, UAB. The wholesale sector of the natural gas market did not see any significant changes until the liberalisation of the market in 2012 by the adoption of the Law on the LNG Terminal of the Republic of Lithuania and amendments to the Law on Natural Gas of the Republic of Lithuania.

The situation in the distribution market was similar to the one described above. Lietuvos dujos, AB had a 99 per cent. share of the distribution market. Six other companies were entitled to engage in distribution activities but provided distribution services only in individual regions, and their total share of the overall distribution market made up only 1

per cent.

On 10 April 2015, the NERC issued a statement that the gas transmission business ownership unbundling model of Amber Grid, AB was broadly consistent with the applicable provisions of the E.U. Third Energy Package and the Law on Natural Gas of the Republic of Lithuania. Amber Grid, AB was issued an open-ended gas transmission business licence and was designated as a TSO.

Lietuvos energija, UAB signed agreements with German company E.ON Ruhrgas International to acquire 38.9 per cent. of the shares in Lietuvos Dujos, AB and 11.76 per cent. of the shares in LESTO, AB. Lietuvos energija, UAB has since acquired a further 40.03 per cent. of the shares in Lietuvos Dujos through a tender procedure and now owns 96.63 per cent. of the shares in Lietuvos Dujos, AB.

ESO (the distribution system operator) was established in accordance with the terms of reorganisation approved by the extraordinary meeting of shareholders of LESTO, AB and Lietuvos Dujos, AB on 3 December 2015 pursuant to which a contract was signed on 31 December 2015. On the basis of this contract, ESO took over all the assets, rights and obligations of LESTO, AB and Lietuvos Dujos, AB. ESO's core line of business is electricity supply and electricity and gas distribution.

Pursuant to the Regulation (E.U.) No. 994/2010 Concerning Measures to Safeguard the Security of Gas Supply and Repealing Council Directive 2004/67/EC, Member States were required to ensure that measures were taken by no later than 3 December 2014, to ensure that in the event of disruption of the single largest gas infrastructure, the capacity of the remaining infrastructure would be able to satisfy the total gas demand of the calculated area during a day of exceptionally high gas demand.

The Law on the LNG Terminal of the Republic of Lithuania was enacted in June 2012 and amended in June 2013 and November 2015. The Law on the LNG Terminal sets forth the general principles and requirements for the construction of the LNG Terminal in the territory of the Republic of Lithuania, its activities and operation, and establishing the legal, financial and organisational conditions for the implementation of the LNG Terminal project. The designated supply obligations to provide mandatory baseload LNG deliveries to LNG Terminal ensured that the LNG Terminal is in operation at all times. The LNG Terminal has enabled the diversification of the Republic of Lithuania's natural gas supply, increasing the security and reliability of this supply. The amendment to the Law on the LNG Terminal made in June 2013 provided that the building costs of the LNG Terminal, its infrastructure and the connection, which cannot be financed from other sources available to Klaipėdos Nafta, AB, as well as all the fixed operating costs of the LNG Terminal, its infrastructure and connection are included in the natural gas transmission price in accordance with the procedure established by the NERC as a supplemental element of natural gas supply security. The supplemental element is collected, administered and paid out to the LNG Terminal Operator or Klaipėdos Nafta, AB and designated supplier (LITGAS) by the natural gas TSO – Amber Grid, AB.

According to the amendment of the Law on the LNG Terminal of November 2015 reasonable costs incurred by designated suppliers in supplying the mandatory quantity of gas from the LNG Terminal are also included in the natural gas transmission price as a supplemental element of natural gas supply security.

After the construction of the LNG Terminal was finished, negotiations with Norwegian energy company Statoil ASA were completed and a five-year LNG supply contract for the supply of the mandatory quantity of gas was signed by LITGAS, the designated supplier, in August 2014. In 2016, the LNG supply contract with Statoil ASA (now Equinor ASA) was renegotiated and extended to 2024. Equinor ASA is viewed as a reliable partner for alternative gas supply to the Republic of Lithuania, providing the Republic of Lithuania's gas market participants with an opportunity to choose alternative gas suppliers. Moreover, in 2016, other market participants – Achema, AB and LDT – concluded gas supply contracts with Equinor ASA.

Until 2019, the designated supplier was obliged to sell the mandatory quantity of gas to regulated energy consumers in the Republic of Lithuania for the regulated price set by NERC. In December 2018, the Parliament of the Republic of Lithuania adopted the amendment of the Law on the LNG Terminal by which from 2024 the Republic of Lithuania will secure LNG supply by acquiring an LNG storage vessel. In addition to that, such amendment enabled spreading the operating costs of LNG terminal evenly over the planned period of the LNG terminal operation, instead of over the LNG storage vessel lease period of 10 years. The amendment also allowed the designated supplier to be compensated for any price differences between the LNG supply contract and local gas market import prices, technical losses that exceed the losses of other terminal users and financial costs associated with the long term LNG supply contract. The amendment removed the requirement to sell mandatory quantity of gas to regulated energy consumers and allowed designated suppliers to sell gas to all market participants at an unregulated price.

The Law on the LNG Terminal also sets out the volumes of annual mandatory baseload LNG deliveries approved by the Government that ensure uninterrupted operation of the LNG Terminal. The volumes for the period between 2021-2024 are expected, but not guaranteed, to be consistent with the volume for 2015-2020 (volume of four conventional LNG cargoes per year) and a decision confirming this is expected to be announced in 2020.

Current Structure

Following the implementation of the applicable E.U. legislation and the transposition of the Third Energy Package,

the Lithuanian transmission and distribution systems are structured as follows:

- in October 2014, natural gas transmission activities were completely separated from vertically integrated company Lietuvos Dujos, AB which was controlled by OAO Gazprom, E.ON Ruhrgas International and the Republic of Lithuania, and were transferred to a new company, Amber Grid, AB;
- Amber Grid, AB is the operator of the Republic of Lithuania's natural gas transmission system and is in charge of the transmission of natural gas (transportation of natural gas through high-pressure pipelines) to system users, and the operation, maintenance and development of the natural gas transmission system. Amber Grid, AB is owned by UAB EPSO-G which holds 96.58 per cent. of its shares, with minority shareholders holding 3.42 per cent. of the shares;
- natural gas supply services were transferred to a new company, LDT, which has been ensuring the supply of natural gas to household customers, non-household customers and other consumers since 1 November 2014;
- natural gas distribution activities are carried out by ESO which was established by way of a merger between LESTO AB (which performed electricity distribution activities) and Lietuvos Dujos, AB (which acted as the natural gas distribution system operator). ESO is controlled by the Issuer which holds 94.98 per cent. of its shares, with minority shareholders holding the remaining 5.02 per cent.;
- on 27 November 2014, Klaipėdos Nafta, AB, which implemented the LNG Terminal project, received a natural gas liquefaction licence and undertook the activities of the LNG Terminal operator in 2015;
- management, accounting and legal separation has been implemented in respect of the distribution systems; and
- GET Baltic was the only company holding a natural gas market operator's licence in 2015. The main functions of the market operator include the organisation of secondary trading of natural gas on the natural gas exchange; and
- from the beginning of 2020, the regional Gas Exchange (GET Baltic) operating in the Lithuanian, Latvian and Estonian markets, has successfully launched new market in Finland and has become a single regional trading platform for a Baltic – Finnish gas market.

Price of Gas

Prices in the gas sector are either State-regulated or non-regulated. Prices are regulated by the setting of price caps by the NERC. In the natural gas sector, prices are regulated by setting price caps for transmission, liquefaction, storage, distribution, and guaranteed supply. By setting the exact service prices in the natural gas sector, the NERC regulates natural gas system balancing prices as well as the prices for the connection of new customers to the gas system. The NERC sets the price caps for a five-year term. The prices may be adjusted by the NERC, but no more than once per year except in cases provided for by the Law on Natural Gas of the Republic of Lithuania. The law stipulates that gas undertakings must set their specific gas tariffs for household customers for a period of six months.

The gas tariff per cubic metre consists of the price of imported gas, the costs associated with gas delivery to the customer (transmission and distribution), funds required to ensure security and reliability, the profit margin set for the supplier, and taxes.

The total price paid by the end customer consists of a variable tariff component calculated on the basis of consumed gas and fixed tariff component paid on a monthly basis in order to maintain the working capacity of the system and to ensure a reserve of power in the transmission pipelines, as each customer must be guaranteed to receive a quality service at any time. The fixed tariff includes expenditures on accounting and on the conclusion of contracts (price of supply). The structure of the fixed gas tariff consists of the fixed component of the gas supply price, the fixed component of the gas transmission price, and VAT.

Pursuant to the Methodology for Setting State-Regulated Prices in the Natural Gas Sector approved by Resolution No. O3-367 of the NERC of 13 September 2013, a price cap per capacity unit has been set and adjusted for transmission activities and the pricing model of entry-exit points has been applied since 2015.

In 2018 and 2019, the NERC has changed the Methodology for Setting State-Regulated Prices in the Natural Gas Sector, by separating from it the Methodology for Setting the Revenues and Prices of the State-Regulated Natural Gas Transmission Activities. Both methodologies determine the price regulation by establishing a revenue cap and applying an incentive regulation mechanism.

The NERC also sets the regulatory mechanism for the calculation of the additional natural gas supply security component of the transmission price covering the fixed LNG Terminal operation costs, the supply costs of the designated supplier, the difference between the price of acquisition of the minimum annual gasified natural gas volume to ensure the mandatory activities of the LNG Terminal, the price of the sale thereof, and the administration costs of the LNG Terminal fund administrator. The security component is applied to natural gas system users and/or natural gas consumers for the natural gas consumption capacities necessary for ensuring their maximum daily needs of natural gas at the delivery points.

Material Environmental and other Related Regulation

The Law on Environmental Protection of the Republic of Lithuania sets out the main rights and duties of legal and natural persons in preserving biodiversity, ecosystems and the landscapes of the Republic of Lithuania to ensure a healthy and clean environment, the rational use of natural resources in the Republic of Lithuania, its territorial waters, continental shelf and economic zone, as well as liability and economic sanctions for legal persons committing environmental violations.

Integrated Pollution Prevention and Control

Directive 2010/75/EU on Industrial Emissions (Integrated Pollution Prevention and Control) (the "**Industrial Emissions Directive**") was adopted in 2010. The Industrial Emissions Directive, among other things, provides that Member States must set up a system of environmental inspections of the installations concerned and sets out the best techniques. Member States were required to transpose the Industrial Emissions Directive into their national law by 7 January 2013. Order No. D1-528 of the Minister of Environment of the Republic of Lithuania "Regarding the Issuance and Withdrawal of Integrated Pollution Prevention and Control Permits" (the "**IPPC Act**") has implemented the Industrial Emissions Directive.

This IPPC Act also lays down rules designed to prevent or, where that is not practicable, reduce emissions into the air, water, and land and to prevent the generation of unnecessary waste, in order to achieve a high level of protection of the environment taken as a whole.

It should be noted that there are numerous other legal acts, such as the order of the Minister of Environment on the Issuance of Pollution Permits, the order of the Minister of Environment on the Waste Management Rules, etc. which implement the requirements for integrated pollution prevention and control.

General Liability

Under the legislation of the Republic of Lithuania and the E.U., liability can be administrative, criminal and civil depending on the damage to the environment. Liability for environmental damage can also be incurred under E.U. environmental law. In the Republic of Lithuania, liability for environmental damage is governed by the Law on Environmental Protection, the Code of Administrative Violations of Law, the Criminal Code and other legal acts.

The "Polluter Pays" Principle

The Lithuanian Law on Environmental Protection has transposed E.U. Directive 2001/42/EC of the European Parliament into the legal system of the Republic of Lithuania for the assessment of the effects of certain plans and programmes on the environment.

In addition, the Law on Environmental Protection has implemented E.U. Directive 2004/35/CE on Environmental Liability with regard to the Prevention and Remedying of Environmental Damage. The purpose of this Directive is to establish a framework of environmental liability based on the "polluter pays" principle, to prevent and remedy environmental damage.

One of the main legal acts of the Republic of Lithuania implementing the "polluter pays" principle is the Law of the Republic of Lithuania on Pollution Tax. It stipulates that the taxes relating to environmental pollution from mobile and stationary polluting sources must be paid by natural and legal persons that pollute the environment as a result of their economic and/or commercial activities.

The "polluter pays" principle is also laid down in other legal acts of the Republic of Lithuania, such as the Law on Waste Management, the Law on the Management of Packaging Waste, and in other legal acts.

The National Sustainable Development Strategy of the Republic of Lithuania provides that one of the main visions of the Republic of Lithuania is to gradually transform the principles applied in the tax policy to comply with the "polluter pays" principle. Therefore, this principle is fully and properly implemented in the Republic of Lithuania.

Criminal Liability towards the Republic of Lithuania

The Criminal Code of the Republic of Lithuania specifies crimes and criminal offences against the environment and human health and provides for criminal liability of legal persons as well as natural ones. Offenders can be punished by community service, a fine, restriction of liberty, arrest, or imprisonment for a term of up to three years or up to eight years for more serious crimes. The Criminal Code of the Republic of Lithuania provides for liability only for the most dangerous crimes against the environment (e.g. illegal possession of ozone-depleting substances or marine pollution from ships). As previously mentioned, criminal liability applies to both natural and legal persons.

Civil Liability towards a Third Party

As mentioned above, E.U. Directive 2004/35/CE has been implemented by the Lithuanian Law on Environmental Protection. In addition, this Directive has implemented a strict liability doctrine under which civil liability for environmental offences is imposed on legal persons. The Lithuanian Law on Environmental Protection also provides that civil liability is imposed regardless of the fault of legal persons for environmental damage, except in cases where damage to the environment is deemed negligible, i.e. the damage is insignificant.

Civil liability for environmental offenses may be applicable in conjunction with other forms of legal liability, i.e. criminal or administrative liability. Offenders found to be administratively or criminally liable are usually also required to pay compensation for damage to the environment caused by unlawful acts.

Administrative Liability towards the Republic of Lithuania

Administrative liability is an independent type of legal responsibility that applies to natural and legal persons that have committed administrative violations. Administrative liability also entails statutory administrative sanctions to ensure compliance with the requirements of environmental law, to deal with environmental offences, and to enforce environmental law.

The Lithuanian Law on Environmental Protection specifies the cases in which administrative liability for environmental damage is imposed on legal persons, including legal persons from other countries and other organisations and their subsidiaries. Such liability under the Lithuanian Law on Environmental Protection is imposed where offences do not result in criminal liability of legal persons. The main purpose of administrative liability is to impose economic sanctions on legal persons for such breaches of environmental law.

The Code of Administrative Violations of Law of the Republic of Lithuania contains the highest number of provisions related to environmental protection and liability for breaches. It is mainly applied to natural persons. However, there are several offences for which legal persons are penalised under this legal act (in cases where the Criminal Code and/or the Lithuanian Law on Environmental Protection do not provide for liability). Breaches of the Code of Administrative Violations of Law may result in fines ranging from EUR 10 to EUR 6,000. It should be noted that liability for administrative offences may be imposed in the form of a prohibition to engage in certain activities which impact upon the environmental or confiscation of certain tools. The Code of Administrative Violations of Law also provides for the forfeit of assets as well as restriction or suspension of the licences required to pursue some economic activities which have an environmental impact in the Republic of Lithuania.

Directive on the Deployment of Alternative Fuels Infrastructure

In January 2013, the Commission proposed a directive requiring Member States to adopt national policy frameworks for developing the market for alternative fuels and to ensure that minimum infrastructure is set up for their supply in road and water-borne transport. Each Member State should ensure the establishment of a defined minimum number of recharging points for electric vehicles by the end of 2020 (at least 10 per cent. of them publicly accessible). Ports should be equipped with shore-side electricity supply for vessels by the end of 2025. A sufficient number of hydrogen refuelling points should be set up (no further than 300 km apart) to allow hydrogen vehicles to move throughout the territory (by 2020 in Member States where this technology has already been introduced). The supply of LNG should be available for navigation along the core Trans-European Transport ("**TEN-T**") network in maritime ports (2025) and inland ports (2030), and LNG refuelling points should sustain heavy-vehicle road transport along the TEN-T core network (refuelling points approximately every 400 km by 2020). By the end of 2020, Member States should ensure that a sufficient number of natural gas (including bio-methane in gaseous form ("**CNG**")) refuelling points are set up (approximately every 150 km) to support CNG vehicles across the E.U. This Directive also requires harmonisation of technical specifications for alternative fuels, and common standards for refuelling and electric charging systems, and more information to consumers on the compatibility of fuels and vehicles.

The Directive requires Member States to develop national policy frameworks for the market development of alternative fuels and their infrastructure. It also provides for the use of common technical specifications for recharging and refuelling stations. Member States had to transpose the Directive into their national law and to submit their national policy frameworks by 18 November 2016.

In order to transpose this Directive into national legislation, on 1 February 2017, the Government adopted Resolution No. 87 "Regarding the Implementation of Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the Deployment of Alternative Fuels Infrastructure" which indicated responsibilities of the ministries involved and actions to be taken in order to ensure the proper transposition of the Directive.

Waste Management

Directive 31/1999 on the Landfill of Waste stipulates that Member States are obliged to reduce the amount of biodegradable municipal waste going to landfills to 35 per cent. of the total produced by 16 July 2016. In addition, the recently announced Circular Economy Strategy sets a binding landfill target to reduce landfill waste to a maximum of 10 per cent. of municipal waste by 2035. Scandinavian practice is even more ambitious than that – zero waste to landfill. In 2014, the Republic of Lithuania landfilled 60 per cent. of municipal waste. The average landfilling rate in the E.U. was only 27.5 per cent. in 2014.

The objective of the Republic of Lithuania is to decrease landfilled biodegradable municipal waste to 35 per cent. in 2020 and to 30 per cent. in 2023. In this context, the Republic of Lithuania needs to develop and manage the necessary infrastructure for the public interests in order to attain the E.U. waste management goals and avoid possible liability of the Republic of Lithuania for failure to achieve the predefined reduction targets. The Commission promotes energy recovery from proper waste management and contribution to the E.U. strategy for smart, sustainable and inclusive growth. For the purpose of environmental protection, waste management must be carried out in accordance with a

number of waste prevention and management priorities.

Waste Hierarchy Principle

The Law of the Republic of Lithuania on Waste Management provides the basic terms and definitions related to waste management, such as the definitions of waste, recycling and recovery. It explains when waste ceases to be waste and becomes a secondary raw material (the so-called end-of-waste criteria), and how to distinguish between waste and by-products. In addition, the State Waste Management Plan for 2014 – 2020 adopted by the Government, establishes strategic state and municipal waste management objectives, tasks and tools, as well as the principal direction of national and E.U. level subsidies.

Making the avoidance and reduction of waste generation a high priority encourages the community, industry, and government to reduce the number of virgin materials extracted and used. The goal is to maximise efficiency and avoid unnecessary consumption through behaviours such as: selecting items with the least packaging or that require the fewest resources to produce, avoiding disposable goods or single-use materials, buying products that are recycled, recyclable, repairable, refillable, reusable or biodegradable and using leftover food rather than throwing it away.

The second priority according to the waste hierarchy principle is resource recovery, which maximises the options for re-use, recycling, reprocessing and energy recovery. Where avoiding and reducing waste is not possible, the next most preferred option is to re-use the materials without further processing, avoiding the costs of energy and other resources required for recycling. Re-use (without further processing) and recycling (processing waste materials to make the same or different products) keeps materials in the productive economy and benefits the environment by decreasing the need for new materials and waste absorption. Where further recycling is not feasible, it may be possible to recover energy from the material and feed that back into the economy where this is acceptable to the community. According to the waste management hierarchy, landfilling is the least preferable option and should be limited to the necessary minimum.

Requirements and Limitations for Waste-fired Power Plants

On 31 January 2014, the Law on Waste Management was amended and supplemented with provisions stating that only objects of national significance may use or plan to use municipal waste (which remains after the sorting of waste containing energy value and which is unsuitable for processing) for power generation purposes. The law also specifies the competence and discretion of the Government to set the criteria for acknowledging waste management facilities to be projects of national significance.

The requirement regarding the ownership of shares in waste management facilities of national significance was established by the Government Resolution of 19 February 2014 amending the Provisions of Establishment and Acknowledgement of Waste Managing Objects of National Significance. New cumulative criteria were established by the Resolution for newly developed waste management facilities to be acknowledged as projects of national significance:

- the facility manages or is intended to manage the municipal waste of more than one municipal waste management region;
- at least 51 per cent. of shares or voting rights attached to the shares of the company(ies) intending to establish such a facility are held by the Republic of Lithuania or a State-owned company;
- the facility uses or intends to use municipal waste (which remains after the sorting of waste containing energy value and which is unsuitable for processing) for combined power and heat generation (cogeneration));
- the facility is implementing the goals and objectives set out in the National Energy Independence Strategy approved by Resolution No. XI-2133 of the Parliament of the Republic of Lithuania, and these measures are considered to be implementing the National Heat Sector Development Programme; and
- the facility complies with the provisions of the National Waste Management Plan related to the use of municipal waste (which remains after the sorting of waste containing energy value and which is unsuitable for processing) as fuel for energy production.

In May 2014, the Government acknowledged that Vilnius and Kaunas CHP waste incineration projects developed by Group companies have national economic significance to the Republic of Lithuania.

TAXATION

The following is a general description, inter alia, of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The Republic of Lithuania Taxation

The information contained within this section is limited to Lithuanian withholding and income tax issues and prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Notes.

A “**resident individual**” means an individual whose permanent place of residence is in the Republic of Lithuania, or whose personal, social or economic interests are located in the Republic of Lithuania or who is present in the Republic of Lithuania for more than 183 days in the relevant tax period or more than 280 days in two consecutive tax periods and at least 90 days in one of these tax periods, and a “**resident entity**” means an entity which is legally established in the Republic of Lithuania, and a “**non-resident individual**” means an individual whose permanent place of residence is outside the Republic of Lithuania, whose personal, social or economic interests are located outside the Republic of Lithuania and who is present in the Republic of Lithuania for less than 183 days in the relevant tax period and less than 280 days in two consecutive tax periods or who is present in the Republic of Lithuania for more than 280 days in two consecutive tax periods, but less than 90 days in one of these tax periods, and a “**non-resident entity**” means an entity which is legally established outside the Republic of Lithuania. Taxation of interest income and capital gains received by non-resident entities acting through a permanent establishment in the Republic of Lithuania is the same as that of resident entities defined above, therefore, it is not separately outlined in the further sections of this Base Prospectus. For relevant details on the taxation of Lithuanian permanent establishments as Noteholders, please refer to the taxation of resident entities. Taxation of non-resident individuals acting through a fixed base in the Republic of Lithuania is the same as that of resident individuals defined above, if such a non-resident individual earns interest income performing activity through a fixed base in the Republic of Lithuania.

Withholding Tax, Income Tax

Taxation of interest

Payments to individuals

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident or non-resident individual will be subject to personal income tax at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by an individual during a calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (in 2020, this figure would be EUR 148,968) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by an individual during the calendar year, exceeding the aforementioned threshold. For non-resident individuals, the Lithuanian-sourced income that is taxable in the Republic of Lithuania includes interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in the Republic of Lithuania and capital gains from movable property registerable in the Republic of Lithuania.

The total amount of interest (including interest on the Notes) received during the calendar year not exceeding EUR 500 will not be subject to the personal income tax. The personal income tax is to be paid by the resident individual himself/herself.

When interest is earned by a non-resident individual, the Issuer, as a Lithuanian interest-paying entity, will withhold 15 per cent. personal income tax and if it turns out at the end of the year that a part of the amount was subject to 20 per cent. rate, the non-resident individual is to pay the difference himself/herself.

Separate double taxation treaties with the Republic of Lithuania can provide for a lower tax rate for non-residents.

Payments to entities

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes):

- (i) to a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to 15 per cent. corporate income tax (5 per cent. for small-sized entities). Banks and credit unions, including

branches of foreign banks in the Republic of Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5 per cent. corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

(ii) to a non-resident entity, which is registered or otherwise organised in a state of the European Economic Area or in a state with which the Republic of Lithuania has concluded and brought into effect a double tax treaty, will not be subject to withholding tax in the Republic of Lithuania.

(iii) to a non-resident entity other than those listed above will be subject to 10 per cent. withholding tax.

If the Issuer as an interest-paying entity is unable to identify the Noteholder and determine such Noteholder's eligibility for a lower tax rate or exemption from withholding tax, payments of interest in respect of the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to any such Noteholder will be subject to 15 per cent. personal income tax to be withheld by the Issuer.

Taxation on Disposition of Notes

Payments to individuals

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident individual will be subject to progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries (in 2020, this figure would be EUR 148,968) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during the calendar year, exceeding the aforementioned threshold. Any capital gains received from the sale of securities (including the Notes) during the calendar year not exceeding EUR 500 will not be subject to personal income tax. The tax exemption will not apply if the sale proceeds are received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven.

The disposition of Notes by non-resident individuals will not be subject to any Lithuanian income or capital gains tax.

Payments to entities

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to 15 per cent. corporate income tax (5 per cent. for small-sized entities). Banks and credit unions, including branches of foreign banks in the Republic of Lithuania, for the fiscal years 2020 – 2022 shall pay additional 5 per cent. corporate income tax on profits (subject to special calculation rules) exceeding EUR 2 million.

The disposition of Notes by non-resident entities will not be subject to any Lithuanian income or capital gains tax.

Registration and Stamp Duty

Transfers of Notes will not be subject to any registration or stamp duty in the Republic of Lithuania.

Luxembourg Taxation

The following is a general description of certain tax laws relating to the Notes as in effect and as applied by the relevant tax authorities as at the date of this Base Prospectus and is subject to changes in law and/or interpretation hereof. It does not purport to be a comprehensive discussion of the tax treatment of the Notes that may be relevant to make a decision to purchase, own or dispose of the Notes .

Prospective investors should consult their own professional advisors on the implications of making an investment in, holding or disposing of Notes and the receipt of interest with respect to such Notes under the laws of the countries in which they may be liable to taxation.

Under Luxembourg tax law currently in effect subject to certain exceptions (as described below), there is no Luxembourg withholding tax on payment of principal, premium and interest (including accrued but unpaid interest)

In accordance with the law of 23 December 2005, as amended (the "Law"), interest payments made by Luxembourg paying agents to Luxembourg individual residents, under the scope of the Law, are subject to a 20 per cent. withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including

secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional E.U. Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Lithuania) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payments" and Notes that are treated as debt for U.S. federal income purposes and that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of BNP Paribas, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, J.P. Morgan Securities plc and Luminor Bank AS (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 11 May 2020 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

Regulation S Category 1; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed, and each future Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA and UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one or more of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Republic of Lithuania

Each Dealer has represented, warranted and agreed, and each further dealer appointed (if any) will be required to represent, warrant and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy any Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in the Republic of Lithuania other than in compliance with the Law on Securities of the Republic of Lithuania and any other laws applicable in the Republic of Lithuania governing the issue, offering and sale of Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, (the "FIEA")). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") other than (1) to "professional investors" as defined in the SFO and any rules made under the SFO; or (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, whether in Hong Kong or elsewhere, and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Debt Securities, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Debt Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Each Dealer has represented, warranted and agreed, and each future Dealer appointed under the Programme will be required to represent, warrant and agree that, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GLOSSARY

| | |
|------------------------------------|--|
| Cross-border interconnection point | Refers to the location in the transmission system, on the border between two countries or territories, where natural gas is transferred from the transmission system of one country or territory to the transmission system of another country or territory. |
| NERC | National Energy Regulation Council (formerly known as National Control Commission for Prices and Energy). |
| Regulation power | Increasing or decreasing levels of electricity generation in accordance with TSO instructions when there is a deficit or surplus in the electricity system, respectively. |
| ROCE | Return on capital employed, which is equal to operating profit/(average amount of equity during the reporting period + average amount of borrowings during the reporting period). |
| ROE | Return on equity, which is equal to net comparable profit (loss) of a respective reporting period restated at annual value/average amount of equity during the reporting period. |
| SAIDI | Average duration of unplanned interruptions in electricity or gas transmission. |
| SAIFI | Average number of unplanned long interruptions per customer. |
| State-Aid | Any intervention by a State or through State resources which (1) gives the recipient an advantage on a selective basis (2) will or may distort competition and (3) is likely to affect trade between E.U. Member States. |
| Virtual trading point | Refers to the location in the transmission system where transfer of title to natural gas occurs (without the obligation to transfer natural gas to a physical location). |

GENERAL INFORMATION

Authorisation

1. The update of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 11 May 2020. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

2. Save as disclosed in "*Description of the Group—Legal Proceedings*" set out on pages 115 to 117 herein, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries (together, the "**Group**").

Significant/Material Change

3. Save as discussed under "*Risk Factors—5.2 COVID-19 could have a material adverse effect on the Group's results of operations and financial condition*" and "*Description of the Group—Recent Developments—Covid-19*", there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2019 and there has been no significant change in the position or financial performance of the Issuer or the Group since 31 December 2019.

Independent Auditors

4. The 2018 Restated Financial Statements have been audited by UAB PricewaterhouseCoopers, independent auditors, as stated in their auditors' report incorporated by reference herein.

The independent auditors' report issued by UAB PricewaterhouseCoopers on the 2018 Restated Financial Statements contains the following Emphasis of Matter: "We draw attention to Note 3.3 to these reissued years separate and consolidated financial statements, which describes the reason for the reissuance of the 2018 and 2017 separate and consolidated financial statements. Our opinion is not modified in respect of this matter."

UAB PricewaterhouseCoopers, with its registered office in Vilnius (J.Jasinskio 16B, LT—03163 Vilnius) is registered on the list of authorised Lithuanian audit companies, administered by the Lithuanian Chamber of Auditors, under certificate No. 001273.

5. The 2019 Financial Statements have been audited by UAB Ernst & Young Baltic, independent auditors, as stated in their auditors' report incorporated by reference herein.

UAB Ernst & Young Baltic, with its registered office in Vilnius (Subačiaus St. 7 LT-01302 Vilnius Lithuania) is registered on the list of authorised Lithuanian audit companies, administered by the Lithuanian Chamber of Auditors, under certificate No. 001335.

Documents on Display

6. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer at Žvejų g. 14, LT-09310, Vilnius, the Republic of Lithuania or at the website specified below for the 12 months from the date of this Base Prospectus:
 - (a) the constitutive documents of the Issuer (as the same may be updated from time to time) (available at: <https://www.ignitisgrupe.lt/en/operational-documents#t-1337>);
 - (b) the 2019 and 2018 consolidated and separate audited annual financial statements of the Group for the years ended 31 December 2019 and 2018, in each case together with the audit reports prepared

in connection therewith (available at: <https://www.ignitisgrupe.lt/en/reports-and-presentations#t-1205>);

- (c) the 2018 restated consolidated and separate audited annual financial statements of the Group for the year ended 31 December 2018, together with the audit report prepared in connection therewith (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>);
- (d) the Agency Agreement available for inspection at the Specified Offices of the Agent in accordance with the Conditions;
- (e) the Deed of Covenant (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>);
- (f) the Programme Manual (which contains the forms of the Notes in global and definitive form) (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>); and
- (g) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note or NSS form) (available at: <https://www.ignitisgrupe.lt/en/bond-programmes>).

Clearing of the Notes

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code, the International Securities Identification Number ("**ISIN**"), Financial Instruments Short Name ("**FISN**") and/or Classification of Financial Instruments ("**CFI**") code (as applicable) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Issue Price and Yield

8. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Passporting

9. In addition to the applications already described in this Base Prospectus, the Issuer may, on or after the date of this Base Prospectus, make applications for one or more further certificates of approval under Article 25 of the Prospectus Regulation to be issued by the CSSF to the competent authority in any Member State.

Dealers transacting with the Issuer

10. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their

customary risk management policies. Typically, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Legal Entity Identifier

11. The Legal Entity Identifier (LEI) code of the Issuer is 5493005RZJHJT5PNHY10.

Issuer website

12. The Issuer's website is www.ignitisgrupe.lt. Unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

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