

2018-04-30 No. SD-349

**CERTIFICATION STATEMENT**

Referring to the provisions of the Article 24 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Lietuvos energijos gamyba, AB Eglė Čiužaitė, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration, and Renata Baliūnaitė, Manager of Reporting of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, Lietuvos energijos gamyba, AB condensed Interim Financial Information for the three-month period ended 31 March 2018 prepared according to International Accounting Standard 34 "Interim financial reporting" adopted by the European Union, give a true and fair view of Lietuvos energijos gamyba, AB assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the three-month period includes a fair review of the activities business development as well as the condition of Lietuvos energijos gamyba, AB.

Chief Executive Officer



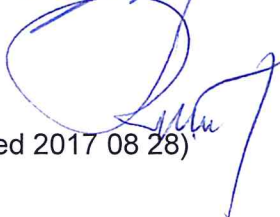
Eglė Čiužaitė

Director of Finance and Administration



Mindaugas Kvekšas

UAB Verslo aptarnavimo centras,  
Manager of Reporting,  
acting under Order No. IS17-80 (signed 2017 08 28)



Renata Baliūnaitė

# 2018

## LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



Translation note:

*This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.*

# CONTENTS

## CONDENSED INTERIM FINANCIAL INFORMATION

Condensed interim statement of financial position	3
Condensed interim statements of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 – 17


The condensed interim financial information was approved on 30 April 2018 by Lietuvos Energijos Gamyba, AB General Manager, Finance and Administration Director, and Manager of Reporting of Verslo Aptarnavimo Centras UAB (acting under Order No IS17-80 of 28 August 2017).



Eglė Ciuzaitė  
General Manager



Mindaugas Kvekšas  
Finance and Administration Director



Renata Baliūnaitė  
Manager of Reporting of Verslo  
Aptarnavimo Centras UAB, acting  
under Order No IS17-80 of 28 August  
2017

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**31 March 2018**

All amounts in EUR thousands unless otherwise stated

	Note	At 31 March 2018	At 31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	24,857	15,238
Property, plant and equipment	5	500,493	496,818
Investments in associates	6	1,634	1,535
Other non-current assets		5,300	3,236
Other financial assets		1,784	1,799
<b>Total non-current assets</b>		<b>534,068</b>	<b>518,626</b>
<b>Current assets</b>			
Inventories		5,387	5,580
Prepayments		3,411	3,479
Trade receivables		15,445	17,216
Other financial assets		6,265	15,757
Prepaid income tax		-	-
Loans granted	7,15	19,840	14,930
Cash and cash equivalents		70,435	60,700
<b>Total current assets</b>		<b>120,783</b>	<b>117,662</b>
<b>TOTAL ASSETS</b>		<b>654,851</b>	<b>636,288</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Authorised share capital	8	184,174	184,174
Share premium		85,660	85,660
Legal reserve		13,897	12,871
Revaluation reserve		6,533	2,289
Retained earnings		72,905	68,880
<b>Total equity</b>		<b>363,169</b>	<b>353,874</b>
<b>Non-current liabilities</b>			
Borrowings	10	29,736	34,039
Finance lease liabilities		138	172
Grants	11	175,846	177,875
Other non-current amounts payable and liabilities		6,937	6,704
Deferred income tax liabilities		19,057	17,475
<b>Total non-current liabilities</b>		<b>231,714</b>	<b>236,265</b>
<b>Current liabilities</b>			
Borrowings	10	21,208	21,208
Finance lease liabilities		138	138
Trade payables		13,432	17,380
Advance amounts received		75	1,135
Income tax payable		4,049	2,883
Provisions for emission allowances	12	965	528
Other amounts payable and liabilities	5,9	20,101	2,877
<b>Total current liabilities</b>		<b>59,968</b>	<b>46,149</b>
<b>Total liabilities</b>		<b>291,682</b>	<b>282,414</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>654,851</b>	<b>636,288</b>

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
For the three-month period ended 31 March 2018

All amounts in EUR thousands unless otherwise stated

	Note	1 January 2018 – 31 March 2018	1 January 2017 – 31 March 2017
<b>Revenue</b>			
Sales revenue		32,632	31,791
Other income		486	292
	13,14	<b>33,118</b>	<b>32,083</b>
<b>Expenses</b>			
Purchases of electricity or related services		(6,818)	(5,725)
Gas, biofuel and heavy fuel expenses		(7,429)	(7,665)
Depreciation and amortisation	5,11	(4,505)	(4,981)
Wages and salaries and related expenses		(2,169)	(1,947)
Repair and maintenance expenses		(602)	(912)
Emission allowance revaluation and release (expenses)/income		4,107	(3,025)
Impairment (expenses)/income of other non-current assets		2,064	(752)
Inventory (write-down allowance)/reversal		(226)	4
(Impairment) of property, plant and equipment/reversal		11	(1,085)
Other expenses		(1,333)	(1,344)
<b>Total expenses</b>		<b>(16,900)</b>	<b>(27,432)</b>
<b>OPERATING PROFIT</b>		<b>16,218</b>	<b>4,651</b>
<b>Finance income/(costs)</b>			
Finance income		30	54
Finance (costs)		(145)	(311)
		<b>(115)</b>	<b>(257)</b>
<b>Share of results of operations of associates</b>	6	<b>99</b>	<b>-</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>16,202</b>	<b>4,394</b>
Income tax benefit/(expenses)		(2,247)	(424)
<b>NET PROFIT FOR THE PERIOD</b>		<b>13,955</b>	<b>3,970</b>
<b>Items that will not be reclassified to profit or loss</b>			
Impact of accounting policy changes adapting new IFRSs		(21)	-
Revaluation income/(expenses) of emission allowances		5,002	-
Deferred income tax benefit/(expenses)		(750)	-
<b>Total other comprehensive income (costs)</b>		<b>4,231</b>	<b>-</b>
<b>COMPREHENSIVE INCOME (COSTS) FOR THE PERIOD</b>		<b>18,186</b>	<b>3,970</b>
<b>Basic and diluted earnings per share (in EUR)</b>		<b>0.022</b>	<b>0.006</b>
<b>Weighted average number of shares</b>		<b>635,083,615</b>	<b>635,083,615</b>

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the three-month period ended 31 March 2018

All amounts in EUR thousands unless otherwise stated

	Note	Authorised share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity Total
<b>Balance at 1 January 2017</b>		<b>184,174</b>	<b>85,660</b>	<b>1,033</b>	<b>10,872</b>	<b>73,827</b>	<b>355,566</b>
<b>Other comprehensive income (costs)</b>		-	-	-	-	-	-
Net profit for the reporting period		-	-	-	-	3,970	3,970
<b>Comprehensive income (costs) for the period</b>		-	-	-	-	<b>3,970</b>	<b>3,970</b>
Legal reserve		-	-	-	1,999	(1,999)	-
Depreciation of revaluation reserve		-	-	(9)	-	9	-
Dividends	9	-	-	-	-	(12,701)	(12,701)
<b>Balance at 31 March 2017</b>		<b>184,174</b>	<b>85,660</b>	<b>1,024</b>	<b>12,871</b>	<b>63,106</b>	<b>346,835</b>
<b>Balance at 1 January 2018</b>		<b>184,174</b>	<b>85,660</b>	<b>2,289</b>	<b>12,871</b>	<b>68,880</b>	<b>353,874</b>
Impact of accounting policy changes adapting new IFRSs		-	-	-	-	(21)	(21)
<b>Restated balance at 1 January 2018</b>		<b>184,174</b>	<b>85,660</b>	<b>2,289</b>	<b>12,871</b>	<b>68,859</b>	<b>353,853</b>
Revaluation income/(expenses) of emission allowances		-	-	4,252	-	-	4,252
<b>Other comprehensive income (costs)</b>		-	-	<b>4,252</b>	-	-	<b>4,252</b>
Net profit for the reporting period		-	-	-	-	13,955	13,955
<b>Comprehensive income (costs) for the period</b>		-	-	<b>4,252</b>	-	<b>13,955</b>	<b>18,207</b>
Legal reserve		-	-	-	1,026	(1,026)	-
Depreciation of revaluation reserve		-	-	(8)	-	8	-
Dividends	9	-	-	-	-	(8,891)	(8,891)
<b>Balance at 31 March 2018</b>		<b>184,174</b>	<b>85,660</b>	<b>6,533</b>	<b>13,897</b>	<b>72,905</b>	<b>363,169</b>

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
For the three-month period ended 31 March 2018

All amounts in EUR thousands unless otherwise stated

	Note	1 January 2018 – 31 March 2018	1 January 2017 – 31 March 2017
Net profit for the period		13,955	3,970
<b>Reversal of non-cash expenses (income) and other adjustments</b>			
Depreciation and amortisation expenses	5	6,656	7,744
Impairment of property, plant and equipment/(reversal)	5	(11)	1,085
Inventory write-down/(reversal)		226	(4)
Expenses/(income) of revaluation of emission allowances		(6,234)	3,791
Other impairments		(68)	-
Share of (profit) of associates	6	(99)	-
Income tax expense		1,416	134
Change in deferred income tax liability		831	290
Depreciation of grants	12	(2,151)	(2,763)
Increase/(decrease) in provisions		63	58
(Gain)/loss on disposal/write-off of non-current assets (other than financial assets)		20	(10)
(Gain) on disposal of a part of the business		(12)	-
Elimination of results of financing and investing activities:			
- Interest (income)		(30)	(33)
- Interest expense		142	310
<b>Changes in working capital</b>			
(Increase) decrease in trade receivables and other receivables		9,338	216
(Increase) decrease in inventories and prepayments		260	(31)
Increase (decrease) in amounts payable and advance amounts received		(5,057)	(6,358)
Income tax (paid)		(249)	-
<b>Net cash flows generated from operating activities</b>		<b>18,996</b>	<b>8,399</b>
<b>Cash flows from investing activities</b>			
(Acquisition) of property, plant and equipment and intangible assets		(1,899)	(516)
Disposal of property, plant and equipment and intangible assets		-	10
Loans granted		(4,910)	(1,198)
Disposal of a part of business		2,000	-
Interest received		29	33
<b>Net cash flows generated from investing activities</b>		<b>(4,780)</b>	<b>(1,671)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(4,303)	(8,299)
Finance lease payments		(34)	(34)
Interest (paid)		(142)	(310)
Dividends (paid)		(2)	(24)
<b>Net cash flows used in financing activities</b>		<b>(4,481)</b>	<b>(8,667)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>9,735</b>	<b>(1,939)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>60,700</b>	<b>99,045</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>70,435</b>	<b>97,106</b>

The accompanying notes form an integral part of this condensed interim financial information.



All amounts in EUR thousands unless otherwise stated

## 1 General information

Lietuvos Energijos Gamyba, AB is a public limited liability company registered in the Republic of Lithuania, Lietuvos Energijos Gamyba, AB (hereinafter referred to as the "Company") is a profit-seeking entity of limited civil liability, which was registered with the Register of Legal Entities managed by a public institution Centre of Registers. The Company's registration date is 20 July 2011, company code 302648707, VAT payer's code LT100006256115. The Company has been established for indefinite period. The Company's registered office address is: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania.

The authorised share capital of Lietuvos Energijos Gamyba, AB amounts to EUR 184,174,248,35 and it is divided into 635,083,615 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba, AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 31 March 2018 and 31 December 2017, the Company had not acquired its own shares.

As at 31 March 2018 and 2017, the Company was engaged in electricity generation and electricity trading activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

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

This condensed interim financial information contains condensed interim financial information of Lietuvos Energijos Gamyba, AB as a separate entity, This condensed interim financial information has been prepared according to the requirements of Article 60<sup>1</sup> of the Lithuanian Law on Companies.

As at 31 March 2018 and 2017, the Company had no subsidiaries.

The Company is part of the Lietuvos Energija group which is one of the largest state-owned groups of energy companies in the Baltic countries. Lietuvos Energija UAB (Parent company) owns 96,75 % shares of the Company.

As at 31 March 2018, the number of employees of the Company was 382 (31 December 2017: 392).

## 2 Accounting policies

### 2.1 Basis of preparation the condensed interim financial information

The Company's condensed unaudited interim financial information for the three-month period ended 31 March 2018 has been prepared according to International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

This condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Company's financial year coincides with the calendar year.

### 2.2 Accounting policies

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements for 2017.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.



All amounts in EUR thousands unless otherwise stated

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

The Company applies IFRS 9 starting from 1 January 2018 using the modified retrospective approach. The Company assessed the effect of adoption of the standard in relation to application of the expected credit loss model to the financial assets, which is equal to EUR 21 thousand and which presented in retained earnings (loss) in the financial statements for 2018, with current financial assets reduced accordingly. The Company assessed individually all material amounts receivable, and collectively all immaterial amounts.

The Company's financial assets and financial liabilities will be classified as follows:

- Loan and amounts receivable will be classified as financial assets measured at amortised cost;
- Financial assets at fair value through profit or loss will remain in the same category;
- Classification of financial liabilities will remain unchanged.

The adoption of IFRS 15, *Revenue from Contracts with Customers* and amendments thereto has no impact on the timing and scope of revenue recognition by the Company. The Company reviewed all material contracts with customers and did not identify multiple performance obligations, contract execution expenses and variances in timing of revenue recognition. The Company would adopt IFRS 15 using a modified retrospective approach, if such effects occurred.

*IFRS 16, Leases* (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company plans to adopt IFRS 16 *Leases* starting from 1 January 2019. The value of assets being transferred under the lease agreement and related lease liabilities will be stated in the Company's statement of financial position. The effect of the first-time adoption of the standard will be presented using the modified retrospective approach which requires adjustment to the balance of retained earnings in the statement of financial position. Future undiscounted payments under operating lease contracts are disclosed in Note 38 of the annual financial statements for the year ended 31 December 2017. The Company is currently assessing the impact of these amendments on its financial statements.

There are no other new or amended standards and interpretations that come into force from 1 January, 2018 that may have a material impact for the Company.

### 3 Critical accounting estimates and judgements

The preparation of the condensed interim financial information in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable. The significant management judgements regarding the application of the accounting policies and the main sources for determining uncertainties used in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2017.

Depreciation rates of property, plant and equipment

When assessing the remaining useful life of property, plant and equipment, management takes into consideration the conclusions provided by employees responsible for technical maintenance of assets.

The management has reviewed the depreciation of property, plant and equipment. Starting from 1 January, 2018 new depreciation rates are applied to Power generating units Nr. 7 and no. 8 for the remaining groups of fixed assets, for which depreciation rates were not shortened since 1 January 2017. Depreciation rates are shortened due to technical depreciation of the blocks and more stringent environmental pollution requirements, which will come into force in 2024.

Revaluation of property, plant and equipment

On 31 March 2018, no independent property valuation was performed in respect of the Company's assets carried at revalued amount, since, in the opinion of management, the fair value of assets did not differ significantly from the carrying amount.

On 31 December 2013, independent property valuers Turto ir Verslo Tyrimo Centras UAB and OBER-HAUS UAB determined the market value of the Company's assets stated at revalued amount. The valuation was performed using the comparable and cost method.

All amounts in EUR thousands unless otherwise stated

Impairment of property, plant and equipment

The Company makes an assessment, at least annually, whether there are any indications that the carrying amount of property, plant and equipment has been impaired.

The Company accounted for property, plant and equipment, except for the assets of the Hydro Power Plant, the Pumped Storage Power Plant, the Elektrėnai Complex (the Reserve Power Plant and the Combined-Cycle Unit) at the revalued amount in accordance with IAS 16, 'Property, Plant and Equipment'.

As at 31 December 2017, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets, and did not identify any impairment indicators in respect of property, plant and equipment of Kruonis Pumped Storage Power Plant, Kaunas Algirdas Brazauskas Hydroelectric Power Plant and the Elektrėnai Complex which is comprised of the Reserve Power Plant, the Combined-Cycle Unit and the new Biofuel and Steam Boiler Plants. The assessment of these factors in respect of this property, plant and equipment was also carried out on 31 March 2018 and no impairment indicators were identified.

As at 31 March 2018 wasn't recognised in respect of individual items of assets, Impairment was recognised in view of assets' market value.

Provisions for emission allowances

The Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulatory state authority within 4 months after the year-end. The provision recorded as at 31 December 2017 corresponded to the actual approved quantity of emission. Based on historical experience, management of the Company does not expect any material differences between the amount of estimated provisions as at 31 March 2018 and emission quantities which will be approved in 2019.

Accrual of income from PSO and capacity reserve services

Part of funds for PSO and tertiary capacity reserve services are allocated for the maintenance of infrastructure of the Elektrėnai Complex and for the compensation of the necessary trial costs of electricity generation facilities. Infrastructure maintenance costs cover fuel, emission allowance and other production costs that are incurred in the course of generation of heat which is necessary to support infrastructure, as well in the course of generation electricity which is consumed by the Elektrėnai Complex, and gas consumption capacity taxes.

Allocated amount of PSO funds and the price for capacity reserve services are determined for the next calendar year by the NCC in view of the projected costs of the Company. In the Company's financial statements, income from these services is recognised on accrual basis based on actually incurred costs.

As at 31 March 2018, the Company recognised PSO funds of EUR 5,794 thousand (31 December 2017: EUR 5,545 thousand) within 'Other non-current amounts payable and liabilities' to be refunded after 12 calendar months and of EUR 5,172 thousand must be repaid within 12 calendar months (31 December 2017: EUR 8,487 thousand). PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. Non-current amount payable was carried at amortised cost using the effective interest rate approach. When discounting the payable PSO funds during the period of refunding, a discount rate of 0.92% was used, and discounting effect of EUR 51 thousand was recognised within 'Other financial income'. Discounting effect was not adjusted as at 31 March 2018 as the effect of change was immaterial.

Legal disputes over the NCC's decisions related to regulated revenue

In 2014, the NCC adopted a resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market. Based on this resolution, the PSO funds approved for the Company for the year 2016 were reduced by judgement amount of EUR 2.51 million (2015: reduced by additional amount of EUR 5.44 million). On 17 October 2016, the LSAC adopted its judgement with respect to the administrative case investigated by the court of appeal on 7 September 2016 in relation to annulment of decision of Vilnius Regional Administrative Court (dated 30 April 2015) and adoption of a new decision. The Company's appeal was accepted, whereas the NCC's Resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market, was annulled. In view of this, as at 31 December 2016 when calculating deferred revenue from PSO funds the Company no longer adjusted profit from non-regulated (commercial) activities and reversed revenue of EUR 0.64 million that was not recognised in 2015. Based on its Resolution of 30 October 2017, the NCC approved the PSO funds in amount of EUR 5.44 million, which was designated to compensate for the decrease in PSO funds for 2015. In 2017, this amount was recognized as the Company's revenue and it will be received during 2018. As long as there is no NCC's resolution regarding the compensation of PSO funds not paid to the Company during 2016, revenue from PSO funds remain reduced by the amount that was not actually paid during 2016, i.e. EUR 2.51 million. As at 31 March 2018 and as at 31 December 2017, the Company's contingent assets related to the aforementioned NCC's Resolution amounted to EUR 2.51 million.

Disposal of a part of business

Based on the agreement on sale of part of electricity commercial wholesale business signed between the Company and Energijos Tiekimas UAB on 12 October 2015, the sales price premium of EUR 8 million (i.e. additional EUR 2,000 thousand per year) may be payable on achievement of target performance results of the disposed business during the period until 2019. Having assessed the likelihood of earning additional revenue in each year over the period until 2019, the Company estimated amount of additional revenue. The present value of additional revenue was estimated by discounting the sale price premium during the period until 31 March 2019 using the discount rate of 0.48%. The present value of sale price premium for the period ended 31 March 2018 amounted to EUR 1,484 thousand. As at 31 March 2018, the Company

All amounts in EUR thousands unless otherwise stated

accounted for amounts receivable of EUR 1,484 thousand within 'Other non-current amounts receivable'. At 31 March 2018, income of EUR 12 thousand related to change in the sale value of part of business was recognised within 'Other operating income'.

## 4 Financial risk management

In performing its activities, the Company may be exposed to financial risks, i.e, liquidity risk, market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows, securities price risk), credit risk.

This condensed interim financial information does not include all management's information relating to financial risks and disclosures mandatory in preparing the annual financial statements, therefore, it should be read in conjunction with the annual financial statements for the year ended 31 December 2017,

There have been no changes in risk management or risk management policy since 31 December 2017.

### Fair value of financial assets and financial liabilities

Trade and other amounts receivable, trade and other debts, non-current and current borrowings represent the major portion of the Company's financial assets and financial liabilities not carried at fair value.

To increase consistency and comparability in fair value measurements and related disclosures, a fair value hierarchy is established that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 (the most accurate) inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value is defined as the amount at which an asset or services could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. The fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The fair values of the Company's available-for-sale financial assets have been established using valuation models.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities:

- The carrying amount of cash and cash equivalents, current trade and other amounts receivable, current trade and other amounts payable and current borrowings approximates their fair value;
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile, The fair value of a non-current borrowing bearing variable interest rates approximates its carrying amount, provided that the margin on such loan corresponds to the margins currently prevailing in the market;
- The fair value of non-current amounts receivable and payable is based on the current market interest rate available for loan with the same maturity profile. As at 31 December 2017 and 31 March 2018, the discount rate applied to the Company's non-current amounts receivable and payable corresponded to the market interest rate.

All amounts in EUR thousands unless otherwise stated

## 5 Intangible assets and property, plant and equipment

The Company's intangible assets and property, plant and equipment as at 31 March 2018 comprised as follows:

	Intangible assets	Property, plant and equipment
<b>Period ended 31 December 2017</b>	<b>15,238</b>	<b>496,818</b>
Additions	1	10,516
Emission allowances received for free	157	-
Revaluation income/ (expenses) of emission allowances	9,510	-
Reclassification from inventories	-	(225)
Write-offs	-	(20)
Reversal of impairment	-	11
Amortisation/depreciation	(49)	(6,607)
<b>Balance as at 31 March 2018</b>	<b>24,857</b>	<b>500,493</b>

Following the initial recognition, emission allowances are remeasured at fair value based on the active market prices at the end of each reporting period. On revaluation of emission allowances, any increase in carrying amount, which is in excess of the acquisition cost, is added to the revaluation reserve within equity, whereas any decrease in carrying amount, which is excess of the previously accumulated amount in the reserve, is recognised through profit or loss. Emission allowances received on gratuitous basis and emission allowances acquired are accounted for by the Company separately. Upon the realisation of emission units, the positive balance in the revaluation reserve is recognised directly within retained earnings.

At 26 March, 2018 the Ordinary General Meeting of of the Company approved decision to increase the authorized capital of the Company by issuing new shares paid by the subscriber - Lietuvos Energija UAB, UAB - in a non-monetary contribution, i.e. transferring the assets complex of the Vilnius Thermal Power Plant to the Company's. The ownership of the assets complex of the Vilnius Thermal Power Plant of Vilnius was transferred to the Company in 31 March, 2018, the value is determined by independent valuers – EUR 8,061 thousand. The liability is recognized in the Condensed interim financial position report as "Other amounts payable and liabilities".

As at 31 March 2018, the Company's property, plant and equipment amounting to EUR 312,364 thousand was pledged to the banks as collateral.

All amounts in EUR thousands unless otherwise stated

## 6 Investments

As at 31 March 2018 and 31 December 2017, the Company's investments in associates comprised as follows:

Company	Registered office address	Ownership interest held at 31 March 2018	Ownership interest held at 31 Dec 2017	Principal activities
Geoterma UAB	Lypkių g. 53, LT-94100 Klaipėda, Lietuva	23.44%	23.44%	Production of geothermal energy
Technologijų ir Inovacijų Centras UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	20.01%	20.01%	IT services
Verslo Aptarnavimo Centras UAB	P. Lukšio g. 5B, LT-08221 Vilnius, Lithuania	15.00%	15.00%	Public procurement, accounting and employment relationship administration services

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

Movements of the Company's investments in associates at 31 March 2018 and at 31 December 2017:

2018-03-31	Acquisition cost	Impairment (decrease) increase	Company's share of result	Carrying amount
Geoterma UAB	2,142	(2,142)	-	-
Technologijų ir Inovacijų Centras UAB	1,287	96	72	1,455
Verslo Aptarnavimo Centras UAB	87	65	27	179
<b>Total</b>	<b>3,516</b>	<b>(1,981)</b>	<b>99</b>	<b>1,634</b>

2017-12-31	Acquisition cost	Impairment (decrease) increase	Company's share of result and dividends	Carrying amount
Geoterma UAB	2,142	(2,142)	-	-
Technologijų ir Inovacijų Centras UAB	1,287	116	(20)	1,383
Verslo Aptarnavimo Centras UAB	87	21	44	152
<b>Total</b>	<b>3,516</b>	<b>(2,005)</b>	<b>24</b>	<b>1,535</b>

Equity of Geoterma UAB was negative and the Company was not obliged to cover this loss. Accordingly, its part was not accounted for.

## 7 Loans granted

On 27 April 2016, the Company signed the Group account agreement under which the Company's current loans granted to the companies of the Lietuvos Energija UAB group amounted to EUR 19,840 thousand as at 31 March 2018 (31 December 2017: EUR 14,930 thousand). The market interest rate is applied to these loans.

## 8 Authorised share capital

As at 31 March 2018 and 31 December 2017, the share capital of the Company amounted to EUR 184,174,248 and it was divided into 635,083,615 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid.

As at 31 March 2018 and 31 December 2017, the Company's shareholder structure was as follows:

	Authorised share capital at 31 March 2018		Authorised share capital at 31 December 2017	
Shareholders	(in EUR)	%	(in EUR)	%
Lietuvos Energija, UAB	178,191,589	96.75	178,191,589	96.75
Other shareholders	5,982,659	3.25	5,982,659	3.25
<b>Total</b>	<b>184,174,248</b>	<b>100.00</b>	<b>184,174,248</b>	<b>100.00</b>

Lietuvos Energija, UAB is wholly owned by the State of Lithuania represented by the Lithuanian Ministry of Finance.

All amounts in EUR thousands unless otherwise stated

## 9 Dividends

At 26 March 2018 ordinary general meeting of shareholders of Lietuvos energijos gamyba, AB approved decision to pay out Eur 0.014 per share dividend for period of July – December 2017. Dividends payables are accounted for in the Condensed interim financial position report as "Other amounts payable and liabilities".

Dividends (EUR'000)	8,891
Weighted average number of shares (units)	635,083,615
<b>Dividends per share (EUR)</b>	<b>0.014</b>

On 24 March 2017, during the ordinary shareholders' meeting of Lietuvos Energijos Gamyba AB, a decision was made to pay out dividends of EUR 0.020 per share for the period July-December 2016, total in EUR 12,701 thousand. On 29 September 2017, during the extraordinary shareholders' meeting of Lietuvos Energijos Gamyba AB, a decision was made to pay out dividends of EUR 0.017 per share for the period January-June 2017, total in EUR 10,797 thousand.

## 10 Borrowings

The Company's borrowings grouped by maturity:

	At 31 March 2018	At 31 December 2017
<b>Non-current borrowings</b>		
Loan from Luminor Bank AB, EUR, to be repaid by 31 March 2027	9,807	10,114
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	19,929	23,925
<b>Total non-current borrowings</b>	<b>29,736</b>	<b>34,039</b>
<b>Current borrowings and current portion of non-current borrowings</b>		
Loan from Luminor Bank AB, EUR, to be repaid by 31 March 2027	1,226	1,226
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	19,982	19,982
<b>Total current borrowings and current portion of non-current borrowings</b>	<b>21,208</b>	<b>21,208</b>

On 21 February 2014 the Company concluded a loan agreement with SEB Bankas AB for maximum amount of EUR 158,000 thousand. The purpose of this agreement was to refinance three loans under the credit agreements with the banks operating in Lithuania and the European Bank for Reconstruction and Development. The loan is to be repaid by 23 February 2024. The Company made an early repayment of part of loan to SEB Bankas AB and signed a new credit agreement with the SEB Bankas AB on 5 July 2017 for the amount of EUR 60,000 thousand. The purpose of this agreement is in 2018 to refinance a long-term loan from SEB Bankas AB, under which, without making the rest of terms and conditions less favourable, the repayment term was extended and part of property, plant and equipment (CCU, Units 7 and 8 of the Reserve Power Plant) was released from pledge as collateral to secure the repayment of loan.

To secure the repayment of loans the Company pledged its property, plant and equipment (Note 5), cash balances and future inflows to bank accounts of Luminor Bank AB, cash balances at 31 March 2018 total in EUR 12,125 thousand.

All amounts in EUR thousands unless otherwise stated

## 11 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movements on grants account during the three-month period ended 31 March 2018 were as follows:

	Assets-related grants		Grants for emission allowances	Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards		
<b>Balance at 31 December 2017</b>	<b>26,780</b>	<b>149,896</b>	<b>1,199</b>	<b>177,875</b>
Grants received	-	-	157	157
Depreciat, of property, plant and equipment	(157)	(1,994)	-	(2,151)
Utilisation of grant for emission allowances	-	-	(35)	(35)
<b>Balance at 31 March 2018</b>	<b>26,623</b>	<b>147,902</b>	<b>1,321</b>	<b>175,846</b>

During the three-month period ended 31 March 2018, assets-related grants decreased by EUR 2,151 thousand, i.e, by the amount of depreciation of property, plant and equipment. Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

## 12 Provisions for emission allowances

Movements in provisions for emission allowances during the three-month period ended 31 March 2018 were as follows:

<b>Balance at 31 December 2017</b>	<b>528</b>
Emission allowances utilised	-
Revaluation of emission allowances utilised	338
Provisions for emissions*	99
<b>Balance at 31 March 2018</b>	<b>965</b>

\* For the purpose of the statement of comprehensive income, expenses of provisions for emissions were reported net of government grants.

## 13 Revenue

Revenue recognized from contracts with customers:

	1 January 2018 – 31 March 2018	1 January 2017 – 31 March 2017
Revenue from sale of electricity	13,604	10,946
Revenue from sale of balancing and regulatory	1,385	748
PSO income	3,963	8,117
Revenue from capacity reserve services	11,742	10,129
Revenue from sale of thermal energy	1,930	1,840
Other income	494	303
<b>Total revenue</b>	<b>33,118</b>	<b>32,083</b>



All amounts in EUR thousands unless otherwise stated

## 14 Segment reporting

In 2017, the management distinguished its operating segments based on the reports reviewed by the Board. The Board is the principal decision-making body on the Company level. With effect from 2012, the Board started analysing the operations in terms of profitability of the regulated and commercial activities of the Company. Adjusted EBITDA is a profitability measure analysed by the Board. When calculating this EBITDA indicator, as compared to EBITDA indicator disclosed in the Company's annual report, additional elimination of management's adjustments is made. The reports analysed by the Board are in line with the financial statements prepared in accordance with IFRSs, except for the format of presentation. In 2017, the changes were made in the segment reporting in view of how the Board analysed the Company's operations, i.e. operating profit was replaced with adjusted EBITDA. The comparative information was adjusted accordingly.

The Company's management analyses the Company's operations by separating them into regulated activities and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity generation, balancing and regulation, capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, electricity generation at Kaunas Algirdas Brazauskas Hydro Power Plant and Kruonis Pumped Storage Power Plant, the related balancing and regulation services. All revenue of segments represents revenue from external customers. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses.

Information on the Company's segments for the three-month period ended 31 March 2018 is presented in the table below:

2018	Regulated activities	Commercial activities	Total
<b>Total revenue of segments</b>	<b>17,544</b>	<b>15,574</b>	<b>33,118</b>
<b>Adjusted EBITDA</b>	<b>6,194</b>	<b>8,490</b>	<b>14,684</b>
<b>Management's adjustments</b>	-	-	-
<b>Other adjustments</b>	<b>2,925</b>	<b>(1,391)</b>	<b>1,534</b>
Depreciation and amortisation expenses of non-current assets	(3,309)	(1,196)	(4,505)
Impairment of non-current and other assets (increase in value)	-	(147)	(147)
Write-offs of non-current assets	-	(20)	(20)
Revaluation of emission allowances and provisions thereon	6,234	-	6,234
Write-offs of inventories	-	(28)	(28)
<b>Operating profit</b>	<b>9,119</b>	<b>7,099</b>	<b>16,218</b>
Finance income			30
Finance (costs)			(145)
Share of result of associates			99
<b>Profit before tax</b>			<b>16,202</b>

Information on the Company's segments for the three-month period ended 31 March 2017 is presented in the table below:

2017	Regulated activities	Commercial activities	Total
<b>Total revenue of segments</b>	<b>20,278</b>	<b>11,805</b>	<b>32,083</b>
<b>Adjusted EBITDA</b>	<b>8,732</b>	<b>5,772</b>	<b>14,504</b>
<b>Management's adjustments</b>	-	-	-
<b>Other adjustments</b>	<b>(7,580)</b>	<b>(2,273)</b>	<b>(9,853)</b>
Depreciation and amortisation expenses of non-current assets	(3,789)	(1,192)	(4,981)
Impairment of non-current and other assets (increase in value)	-	(1,081)	(1,081)
Write-offs of non-current assets	-	-	-
Revaluation of emission allowances and provisions thereon	(3,791)	-	(3,791)
<b>Operating profit</b>	<b>1,152</b>	<b>3,499</b>	<b>4,651</b>
Finance income			54
Finance (costs)			(311)
Share of result of associates			-
<b>Profit before tax</b>			<b>4,394</b>

All major items of revenue of the Company (including other operating income) were treated as earned inside Lithuania. Sales of electricity via the Lithuanian bidding area on Nord Pool Spot power exchange were not treated as revenue earned from outside Lithuania, since the end user of electricity sold on the power exchange was unknown.

All amounts in EUR thousands unless otherwise stated

## 15 Related-party transactions

The Company's transactions with related parties between January and March of 2018 and the balances arising on these transactions as at 31 March 2018 are presented below:

Related party	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	142	-	476	243	-
Companies of the Lietuvos Energija UAB group	788	1,503	19,364	1,742	56
Parent company Lietuvos Energija UAB	16,709	20	-	8,170	23
Companies of the state-owned EPSO-G Group	3,090	12,617	-	7,709	31,727
<b>Total</b>	<b>20,729</b>	<b>14,140</b>	<b>19,840</b>	<b>17,864</b>	<b>31,806</b>

The Company carries out the functions of a designated entity, i.e, bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 1,248 thousand during January–March 2018) and sales (EUR 10,247 thousand during January–March 2018) of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transaction in the Company's sales revenue.

Dividends payables (Note 9) to the parent company Lietuvos Energija, UAB are accounted for as amounts payable that also includes the amount outstanding for the non-monetary contribution (Note 5).

The Company's transactions with related parties between January and March of 2017 and the balances arising on these transactions as at 31 December 2017 are presented below:

Related party	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	85	-	402	226	3
Companies of the Lietuvos Energija UAB group	1,129	3,491	14,528	1,751	33
Parent company Lietuvos Energija UAB	1,135	3,963	-	92	39
Companies of the state-owned EPSO-G Group	3,070	15,968	-	6,989	33,613
<b>Total</b>	<b>5,419</b>	<b>23,422</b>	<b>14,930</b>	<b>9,058</b>	<b>33,688</b>

There were no guarantees or pledges given or received in respect of the related-party payables and receivables, except for guarantees to associate as disclosed in Note 17. Related-party payables and receivables are expected to be settled in cash or netted against payables/receivables to/from a respective related party.

## 16 Compensation to key management personnel

	1 January 2018 – 31 March 2018	1 January 2017 – 31 March 2017
Employment-related payments (EUR'000)	71	63
Whereof: other significant payments to key management personnel (EUR'000)	12	12
Number of key management personnel at 31 March	4	5

Key management personnel includes the general manager and directors of departments (including acting directors of departments).

The table lists the number of employees on the last day of the relevant reporting period. The number of executives in March 31 of 2018 and 2017 includes person who stays on target vacation. Meanwhile, at 29 March 2018 there was terminated employment relationship with manager who was granted with a statutory benefit. Against this background, in the first quarter of 2018 and 2017 the actual average number of executives was 4.

All amounts in EUR thousands unless otherwise stated

## 17 Commitments and contingencies

### ***Guarantees issued and received***

The Company had issued a guarantee for Kauno Energetikos Remontas UAB to Luminor Bank AB to secure an irrevocable and unconditional payment of EUR 1,883 thousand upon first written demand. The Company had issued a guarantee to the Bank for proper fulfilment of obligations by Kauno Energetikos Remontas UAB under credit agreement No KS 12/12/01 signed between the Bank and Kauno Energetikos Remontas UAB on 4 December 2012. With effect from 1 January 2016, Kauno Energetikos Remontas UAB was reorganised by way of merger into Energetikos Paslaugų ir Rangos Organizacija UAB. The warranty has expired at 2 February 2018 repaying the credit.

Between January and March of 2018, the Company did not sign any new guarantee agreements and no other guarantees were received by the Company from other entities.

### ***Legal disputes***

Dispute over resolutions adopted by the NCC relating to revenue from the regulated activities is disclosed in Note 3, There were no significant changes in legal disputes since 31 March 2018.

### ***Tax audits***

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year inspect the books and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

## 18 Events after the reporting period

At 26 March 2018 the Company's Ordinary General Meeting decided to issue 12,919,014 units of new shares with a nominal value of 0.29 EUR each, with an issue price of 0.624 EUR, a total value of 8,061,465 EUR. The agreement on shares and non-monetary contribution has been concluded with Lietuvos Energija, UAB. Authorized capital was registered with state authorities at 11 April, 2018.

There were no other significant events between 31 March 2018 and the date of approval of the condensed interim financial information.

\*\*\*\*\*

2018

# LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018



Lietuvos  
energija

GAMYBA



Lietuvos  
energija

# CONTENTS

INTERIM REPORT	
Key operating and financial indicators of Lietuvos Energijos Gamyba	4
Foreword from the chairwoman of the board	5
Most significant events during the reporting period	6
Analysis of performance and financial indicators	7
Information about the Company's authorised share capital and securities	11
The Company and its management bodies	14
Material events at the Company	19

### **Reporting period covered by the Interim Report**

The Interim Report provides information to shareholders, creditors and other stakeholders of Lietuvos Energijos Gamyba AB ("the Company") about the Company's operations for the period of January-March 2018.

### **Legal basis for preparation of the Interim Report**

The Interim Report of Lietuvos Energijos Gamyba AB has been prepared by the Company's Administration in accordance with the Lithuanian Law on Securities, actual edition of the Rules for Submission of Information approved under resolution of the Board of the Bank of Lithuania as well as Lithuanian Government Resolution on approval of the Guidelines for Ensuring Transparency of Operations of State-owned Entities and Appointment of a Coordinating Body and other legal acts.

### **Individuals responsible for information contained in the Interim Report**

<b>Job title</b>	<b>Full name</b>	<b>Telephone number</b>
Lietuvos Energijos Gamyba AB, CEO	Eglė Čiužaitė	+370 5 278 2907
Lietuvos Energijos Gamyba AB, Director of Finance and Administration	Mindaugas Kvekšas	+370 5 278 2907

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

The report and the documents, on the basis of which it was prepared, are available at the head office of Lietuvos Energijos Gamyba, AB (Elektrinės St. 21, Elektrėnai), on working days from Mondays through Thursdays 7:30–16:30, on Fridays 7:30–15:15.

The report is also available on the website of the Company at [www.gamyba.le.lt](http://www.gamyba.le.lt) and the website of NASDAQ Vilnius stock exchange at [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com).

All public announcements, which are required to be published by the Company according to the effective legal acts of the Republic of Lithuania, are published on the Company's website ([www.gamyba.le.lt](http://www.gamyba.le.lt)) and the website of NASDAQ Vilnius stock exchange ([www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)).

## KEY OPERATING AND FINANCIAL INDICATORS OF LIETUVOS ENERGIJOS GAMYBA

		3 months 2018	3 months 2017	Change	
				+/-	%
<b>KEY OPERATING INDICATORS</b>					
Electricity generation volume	TWh	0.25	0.24	0.01	2.99
<b>KEY FINANCIAL INDICATORS</b>					
Revenues	EUR'000	33,118	32,083	1,035	3.23
Costs of purchase of electricity, fuel and related services	EUR'000	14,247	13,390	857	6.40
Operating expenses <sup>1</sup>	EUR'000	4,190	4,189	1	0.02
EBITDA <sup>2</sup>	EUR'000	14,682	14,504	178	1.23
EBITDA margin <sup>3</sup>	%	44.3	45.2	-0.9 p. p.	
Adjusted EBITDA <sup>4</sup>	EUR'000	14,682	14,504	178	1.23
Adjusted EBITDA margin <sup>5</sup>	%	44.3	45.2	-0.9 p. p.	
Net profit (loss)	EUR'000	13,955	3,970	9,985	251.51
		At 31/03/2018	At 31/03/2017	Change	
				+/-	%
Total assets	EUR'000	654,851	805,837	-150,986	-18.74
Equity	EUR'000	363,169	346,835	16,334	4.71
Financial debts	EUR'000	51,220	124,574	-73,354	-58.88
Net financial debts <sup>6</sup>	EUR'000	-19,215	27,468	-46,683	-169.95
Return on equity (ROE) <sup>7</sup>	%	15.4	4.6	10.8 p. p.	
Equity level <sup>8</sup>	%	55.5	43.0	12.4 p. p.	
Net financial debts / 12-month EBITDA	%	-32.7	47.3	-80.1 p. p.	
Net financial debts / Equity	%	-5.3	7.9	-13.2 p. p.	

<sup>1</sup> Operating expenses less costs of purchase of electricity and related services, costs of fuel used for production, depreciation and amortisation costs, impairment losses, revenues/expenses of revaluation of emission allowances and costs of write-offs of property, plant and equipment.

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

<sup>3</sup> EBITDA / Revenues.

<sup>4</sup> EBITDA result is reported after the adjustments made by management by eliminating the impact of one-off factors. These adjustments are made aiming to disclose the results of the Company's operating activities after the elimination of the impact of non-typical, one-off factors or factors that are not directly related to the current reporting period. All adjustments made by management are disclosed in the Company's interim and annual reports.

<sup>5</sup> Adjusted EBITDA / Revenues.

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

<sup>7</sup> Net profit (loss), restated annual value // Equity at the end of the period.

<sup>8</sup> Equity at the end of the period / Total assets at the end of the period.



## FOREWORD FROM THE CHAIR OF THE BOARD

**Dear customers, shareholders, partners and employees,**

Lietuvos Energijos Gamyba generated more electricity in the first quarter of 2018 and successfully sold it on the exchange. This increased the Company's revenue and improved its profitability indicators.

The very watery period continued in the beginning of 2018 - in the first months, the Nemunas River supplied even more water to Kaunas Algirdas Brazauskas' Hydroelectric Power Plant than in the record-high beginning of 2017. This allowed the power plant to generate more electricity. Volumes of electricity generation in Kruonis Pumped Storage Hydroelectric Power Plant, which was managed efficiently in light of the market conditions, were also higher.

A significant drop in air temperatures in February and March created favourable conditions for the activities of all the power plants owned by the Company, especially for the sale of electricity which they generated. As a result, the demand for electricity increased significantly on the exchange. In presence of such a situation, the market also felt the need for the combined cycle unit in Elektrėnai. During the very cold period, the unit produced electricity for almost two days, also ensuring the provision of the tertiary reserve service necessary for the energy system.

In January-March 2018, 3 percent more of electricity was generated in the power plants of the Company and sold than in January-March 2017.

Due to higher production in power plants and significantly increased price of electricity on the exchange, the sales revenue increased by 2.6 percent in January-March 2018 and totalled EUR 32.6 million. At the same time the Company managed to maintain stable operating expenses.

The adjusted (comparative) EBITDA of the Company was EUR 14.7 million in January-March 2018, which is 1.1 percent more than in the beginning of the previous year. Net profit of the Company was almost EUR 14 million, or 3.5 time higher than the net profit in January-March 2017.

The Company's financial indicators and activity indicators are presented in more detail in the following report. In addition, the most important events of the quarter and management changes are reviewed.

In order to ensure accessibility and reliability of equipment, in January we started scheduled major repairs of the second hydropower unit of the Kruonis Pumped Storage Hydroelectric Plant, which has been in operation for more than 25 years. It is planned that the repairs will be finished in July.

During the first quarter, we announced the planned dismantling of two chimneys of the Elektrėnai complex that are no longer in use. In 2018, we plan to stop using fuel oil as backup fuel. It is all being done to avoid expenses related to the maintenance of equipment and infrastructure, which is no longer necessary for today's market.

Another area to which we devote many efforts and ideas is the development of new activities and efficient use of existing competences. During the first quarter, we supplied clients with desalinated water; we also provided metalworking, equipment maintenance, and territory lease services. By analysing the market, we will continue strengthening our service portfolio to become even more attractive to clients.

It is heartening that the focus on increasing the Company's revenues and managing its costs effectively, which improves profitability rates, is also reflected in other activities of the Company, not only in production.

**Eglė Čiužaitė**  
Chair of the Board and CEO  
of Lietuvos Energijos Gamyba

## MOST SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

**The exploitation of unit 7 of Lithuanian Power Plant has been terminated** from 1 January 2018. The unit is put into preservation mode. The decision has been taken on 11 December 2017, by the Board of the Company, having assessed the scope of services provided by Lithuanian Power Plant's units in 2018, the market situation of electricity production and system services, changes in the regulatory environment and prospects, taking into account the opinion of Supervisory Board.

The tertiary power reserve in the scope of 260 MW is ensured in 2018 by combined cycle unit, and the strategic reserve (in the scope of 212 MW) – by unit 8.

On 25 January 2018, **the European Commission approved partial financing of the pole field and infrastructure research of the Kruonis Pumped Storage Hydroelectric Plant** (hereinafter referred to as the Kruonis PSHP), which is managed by the Company. This is a further step in preparing for the expansion of the power plant by installing the fifth hydropower unit. The goal of the research was to evaluate whether the current condition of the pole field, where the new piping system would be built, complies with the design requirements.

On 20 February 2018 **the Company announced about the initiation of dismantling project of the two disused chimneys of the Elektrėnai Complex**. This decision was made after taking into consideration the actual condition of the chimneys: tests that were done last year showed that two out of three chimneys of the power plant are too affected by damaging environmental factors and are no longer safe.

On 1 March 2018, when as a result of very cold weather and low production of wind power stations the electricity price at the exchange increased dramatically, the combined cycle unit managed by the Company was switched on. The unit produced

electricity for almost two days non-stop. In 2018, the combined cycle unit operates commercially by using only residual power (the power left from the power allocated for the tertiary reserve service).

On 23 March 2018, at the convention of the Latvian Association for the Owners and Managers of Small Hydropower Plants, the Company presented the possibility of providing the service of maintenance of small hydropower plants. The first contract on such work has already been concluded in Lithuania.

The set of audited consolidated and annual financial statements of the Company and distribution of the Company's profit for 2017 was approved in the Ordinary General Meeting of Shareholders of the Company held on 26 March. Shareholders also adopted a decision to increase authorised capital of the Company by issuing new shares that shall be paid by Lietuvos Energija, UAB, as the subscriber of shares, by making contribution in kind, i.e. transfer of assets of Vilnius Third Combined Heat and Power Plant to the Company. The new version of the Articles of Association of the Company has been approved, the Supervisory Board recalled and new members of the Supervisory Board elected for 4 year term of office: Dominykas Tučkus, Živilė Skibarkienė and independent member Rimgaudas Kalvaitis.

On 30 March 2018 the Company and Lietuvos Energija, UAB, concluded the Share Subscription Agreement, which stipulates that the ownership of Vilnius Third Combined Heat and Power Plant will be transferred to the Company from 31 March 2018, 00:00 AM.

More information on these and other events important to the Company is available in the report below and on the Company's website at [www.gamyba.le.lt](http://www.gamyba.le.lt).

## ANALYSIS OF PERFORMANCE AND FINANCIAL INDICATORS

		3 months 2018	3 months 2017	3 months 2016 <sup>1</sup>	3 months 2015 <sup>1</sup>	3 months 2014 <sup>1</sup>
<b>FINANCIAL INDICATORS</b>						
Sales revenue	EUR'000	32,632	31,791	33,461	37,233	41,793
Other operating income	EUR'000	486	292	19,844	6,931	439
EBITDA <sup>2</sup>	EUR'000	14,682	14,504	9,558	18,407	16,116
Adjusted EBITDA <sup>3</sup>	EUR'000	14,682	14,504	9,558	18,407	16,116
Operating profit	EUR'000	16,218	4,651	18,119	17,828	10,247
Net profit (loss)	EUR'000	13,955	3,970	13,957	14,822	9,294
Profit before tax	EUR'000	16,202	4,394	17,809	17,190	10,586
Cash flows from operations	EUR'000	18,996	8,399	27,334	2,269	20,021
Liabilities to financial institutions	EUR'000	51,220	124,574	141,924	158,584	160,590
<b>RATIOS</b>						
Liabilities / equity		0.80	1.32	1.35	1.37	1.31
Financial liabilities / equity		0.14	0.36	0.40	0.41	0.39
Financial liabilities / assets		0.08	0.15	0.17	0.17	0.17
<b>LOAN COVERAGE RATIO</b>						
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) <sup>4</sup>		3.28	1.68	2.01	3.77	8.57
<b>PROFITABILITY RATIOS</b>						
Operating profit margin	%	48.97	14.50	33.99	40.37	24.26
Profit before tax margin	%	48.92	13.70	33.41	39.92	25.07
Net profit margin	%	42.14	12.37	26.18	33.56	22.01
Return on equity	%	15.37	4.58	15.64	15.51	9.14
Return on assets	%	8.52	1.97	6.65	6.54	3.96
Earnings per share	EUR	0.022	0.006	0.022	0.023	0.015
P/E (share price / earnings)		6.60	25.52	7.38	9.77	10.59

<sup>1</sup> Comparative indicators were not recalculated.

<sup>2</sup> Earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses + result on disposal of part of business.

<sup>3</sup> EBITDA result is reported after the adjustments made by management by eliminating the impact of one-off factors. These adjustments are made aiming to disclose the results of the Company's operating activities after the elimination of the impact of non-typical, one-off factors or factors that are not directly related to the current reporting period. All adjustments made by management are disclosed in the Company's interim and annual reports.

<sup>4</sup> Re-financed loans were not included in the calculation of the ratio.

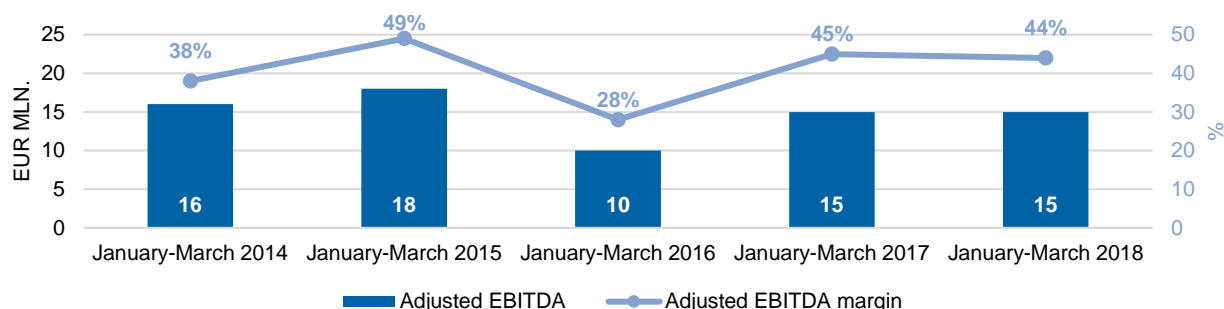
In January-March 2018, the Company's adjusted EBITDA margin remained relatively stable to those at the same period in 2017. The same can be also observed in the chart of EBITDA dynamics during January-March 2014-2018 (see Figure 1). Other profitability ratios of the Company (operating profit margin, profit before tax margin, net profit margin, return on equity) were higher in January-March 2018 compared to January-March 2017 due to a higher operating

profit, which has been increased by higher sales revenue (EUR 1 million higher, compared to January-March 2017) and a positive result of revaluation of emissions allowances.

In January-March 2018, the Company's adjusted EBITDA slightly increased compared to January-March 2017.

Figure 1

**The Company's adjusted EBITDA and adjusted BITDA margin dynamics**



\* Comparative indicators were not recalculated.

## Statement of financial position

The Company's liabilities to financial institutions amounted to EUR 51.2 million as at 31 March 2018. They included liabilities under long-term loan agreements.

## Statement of comprehensive income

### Revenue

The Company's sales revenue totalled EUR 32.6 million in January-March 2018. Income from electricity trading, balancing power, regulation power, power reserve and public service obligation (PSO) services as well as income from sale of heat energy accounted for the largest part of sales revenue. The Company's sales revenue increased by 2.6% in January-March 2018 compared to January-March 2017. The increase in revenue was mainly affected by higher production in Kaunas A. Brazauskas' HPP and Kruonis PSHP and significantly increased price of electricity on the exchange. In January-March 2018, the average price of electricity in the NordPool's Lithuanian price zone was by as many as 21.6% higher than the average price in January-March 2017.

The Company's regulated revenue for January-March 2018, i.e. electricity and heat energy generation at Elektrėnai Complex and power reserve services provided at Elektrėnai Complex and Kruonis PSHP, accounted for about 53% of the Company's total revenue (January-March 2017: 63%).

### Expenses

In January-March 2018, expenses incurred by the Company totalled EUR 16.9 million (not taking into account the revenue of revaluation of emissions allowances – EUR 23.1 million). Expenses of purchasing electricity and related services as well as expenses of purchasing fuel for electricity generation accounted for the major part of the Company's total expenses (EUR 14.2 million or 61.6% in January-March 2018 compared to EUR 13.4 million or 48.8% in January-March 2017). The main reason for increase in these expenses in January-March 2018 compared to the same period in 2017 was increased purchases for Kruonis PSHP loading and electricity price on the exchange. The Company's depreciation and amortisation expenses amounted to EUR 4.5 million in January-March 2018.

Operating expenses (excluding the expenses of purchases of electricity and related services, expenses of fuel for production, depreciation and amortisation expenses, expenses of revaluation of emission allowances and impairment expenses, amounted to EUR 4.2 million in January-March 2018 and remained in the same level as in January-March 2017.

### Profit

In January-March 2018 the Company's adjusted EBITDA was EUR 0.2 million higher compared to January-March 2017. Adjusted EBITA margin remained relatively stable in January-March 2017 and reached 44.3% compared to 45.2% in January-March 2017.

In January-March 2018 the Company's profit before tax totalled EUR 16.2 million, and net profit totalled EUR 14.0 million. In January-March 2017 the Company earned net profit of EUR 4.0 million.

Net profit of the Company increased as a result of higher electricity sales revenue, lower amortization and depreciation expenses, and a positive result of revaluation of emissions allowances (this factor contributed EUR 6.2 million to net profit of January-March 2018, and it accounted for EUR 3.8 million in additional expenses in the performance results of January-March 2017).

## Statement of cash flows

In January-March 2018 the Company's net cash flows from operating activities amounted to EUR 19.0 million compared to EUR 8.4 million in January-March 2017.

In January-March 2018, similarly as in January-March 2017, the Company's cash flows from financing activities were positive and amounted respectively to EUR 4.5 million and EUR 8.7 million.

## Investments in non-current assets

In January-March 2018 the Company invested EUR 2.5 million in non-current tangible and intangible assets, while this investment in January-March 2017 was EUR 0.2 million. Most of the sum in January-March 2018 was intended for the major repairs of the second hydro unit of Kruonis PSHP.

## Activities of the Company's power plants

The Company brings together state-owned electricity generating capacities – a reserve power plant and a combined cycle unit in the Elektrėnai complex, Kruonis Pumped Storage Hydroelectric Power Plant (Kruonis PSHP), Kaunas Algirdas Brazauskas' Hydroelectric Power Plant (Kaunas A. Brazauskas HPP) and Vilnius Third Combined Heat and Power Plant (Vilnius PP-3), which was taken over from Lietuvos Energija, UAB, since 31 March 2018. The main task of the Company is to contribute to ensuring energy security of the country by concentrating its production capacities.

In the biofuel power plant built in the Elektrėnai complex, the Company generates heat to meet the needs of the town of Elektrėnai and Kietaviškės greenhouses.

## Key performance indicators

### Indicators of electricity generation and system services in January-March 2018

In January-March 2018, the Company produced electricity and heat, provided strategic reserve and tertiary active power reserve assurance service in the Elektrėnai complex, the secondary emergency reserve service in Kruonis PSHP and other system services.

The Company has permits for indefinite term to engage in electricity generation activities. The amount of electricity produced at the power plants controlled by the Company in January-March 2018 remained similar to January-March 2017 (see Figure 2). In total 0.249 TWh of electricity produced at the power plants controlled by the Company was sold during January-March 2017, i.e. 3% more compared to 0.242 TWh in January-March 2017.

At the beginning of this year, large amounts of water accumulated in the Nemunas River. This allowed **Kaunas A. Brazauskas HPP** to generate more electricity. In January-February 2018, Kaunas A. Brazauskas HPP produced even 32% more electricity than in January-February 2017. However, in 2017 the spring flood was already observed in March, and in 2018 the country was frozen in the same month. So power generation in March 2018 decreased by 29% compared to March 2017. Overall, the amount of electricity generated by Kaunas A. Brazauskas HPP (0.134 TWh) remained similar in January-March as in January-March 2017 (0.132 TWh).

In January-March 2018, the average difference in day and night electricity prices on the exchange was almost by third bigger compared to January-March 2017. **Kruonis PSHP** operated efficiently in light of the market conditions, so the sales of electricity produced in this power plant increased by 3.8% in January-March 2018 – up to 0.108 TWh (0.104 in January-March 2017).

The amount of the sold regulation electricity (the service necessary to balance the surplus/ shortage of electricity in the system) increased by 72%. In January-March 2018, the Company sold 0.025 TWh and purchased 0.009 TWh of

Energijos Tiekimas UAB has been engaged in trade of electricity generated by the Company since 1 January 2016. Up until then, the Company sold electricity on the wholesale market (i.e. in the environment of communication between electricity producers and suppliers) by itself.

The Company provides balancing services and system services to the Lithuanian transmission system operator LIT-GRID AB (hereinafter – TSO).

There were no major changes in the activities of the power plants under the Company's control in the reporting period.

regulation electricity (compared to 0.014 TWh and 0.008 TWh in January-March 2017, respectively).

Another system service provided by Kruonis PSHP is secondary power reserve, i.e. the power of facilities or hydro-units maintained by the producer activated in 15 minutes. This service was needed 7 times in January-March 2018. In January-March 2017, this service aimed at ensuring security of electricity supply was activated as many as 5 times. The transmission system operator activates this reserve, for the provision whereof two Kruonis PSHP units (400MW) are attributed in 2018, when compensating a sudden reduction in the amount of electricity getting to Lithuania is necessary. In January-March 2018, the Company sold about 0.864 TWh of secondary power reserve, the same amount as in January-March 2017.

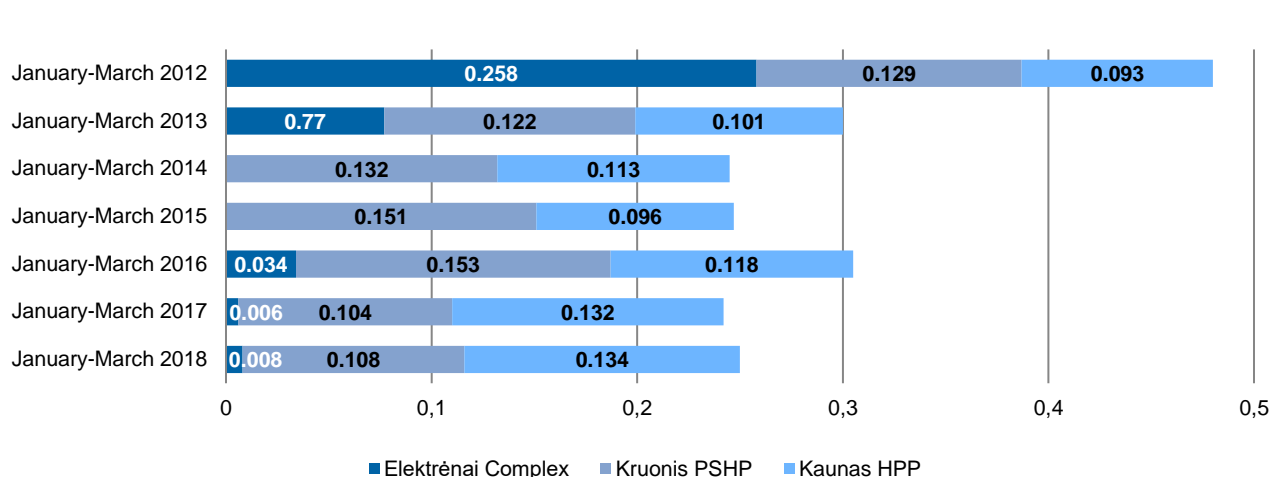
Units of the **Elektrėnai complex** produced 0.008 TWh of electricity in January-March 2018 (in January-March 2017 it produced 0.006 TWh)

In 2018, the tertiary power reserve in the scope of 260 MW is ensured by the most effective unit of Elektrėnai Complex – combined cycle unit. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. The reserve could be activated by the TSO. The unit is constantly ready to produce electricity, in order to contribute ensuring the security of the energy system. The production of the combined cycle unit on a commercial basis is only available with the residual power (the power remaining from designated for the service of tertiary reserve), but not less than technological unit minimum (160 MW). In January-March 2018, the Company sold approx. 0.561 TWh of tertiary power reserve compared to 1.045 TWh in January-March 2017.

In 2018, the strategic active power reserve (in the scope of 212 MW) is ensured by unit 8 of Elektrėnai Complex. In January-March 2018, neither the tertiary nor the strategic reserve has been activated.



Figure 2  
*Electricity produced at power plants controlled by the Company and electricity sold (TWh)*



### Other factors affecting the Company's financial indicators

The Company's operating environment was discussed in great detail in the [annual report of 2017](#). There were no significant changes in the Company's operating environment in January-March 2018.

The Company continues conducting its activities in accordance with the business strategy document of the Company for 2016–2020 approved by the Board of the Company in September 2016. This document defines the long-term strategy of the Company's operations, including its strategic directions and goals as well as indicators measuring the implementation of the strategy. More detailed information on the Company's strategy is available in semi-annual and annual reports, and on the Company's website at [www.gamyba.le.lt](http://www.gamyba.le.lt).

In January-March 2018, the Company continued the implementation of projects and investments, which were described in the annual report of 2017 according to the envisaged plans.

On 20 February 2018, the Company announced, that, taking into account the fact that two disused chimneys of the Elektrėnai Complex pose a greater threat to people's safety every year, initiates the chimneys dismantling project. The

chimneys were built in early 1960s when the Lithuania Power Plant was built. It is planned that the chimney in worse condition, that is, the 250 m high middle chimney, which was used to release the smoke emitted by the fifth and the sixth units that are being currently dismantled, will be dismantled first. This chimney is damaged because electrochemical corrosion of the fittings has begun and the chimney shows signs of a condemned building. It is planned that this chimney will be dismantled by the end of 2019. Later, the smaller 150 m high chimney, which was used to release the smoke of the now completely dismantled units one to four, will be dismantled as well. The Company plans to sign the contract for dismantling works in the end of 2018.

In January-March, 2018 There were no major changes in other projects, which were mentioned in the annual report of 2017.

In January-March 2018, there were no cases of manifestation of any significant risks of the Company described in detail in the annual report of 2017.

The Company plans to publish the report on progress of social responsibility of the Company in May 2018.

## INFORMATION ON THE COMPANY'S AUTHORISED SHARE CAPITAL AND SECURITIES

### Structure of authorised share capital and securities in issue

At the end of the reporting period (31 March 2018) the authorised share capital of the Company amounted to EUR 184,174,248.35 and was divided into 635,083,615 ordinary registered shares\* with par value of EUR 0.29 each. All the shares have been fully paid.

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

On 1 September 2011, the shares of the Company were admitted for listing on the Baltic Main List of NASDAQ Vilnius. The shares of the Company are traded on NASDAQ Vilnius Stock Exchange ("VSE").

ISIN code LT0000128571. Ticker - LNR1L.

The Company's shares are not traded on any other regulated markets.

The Company did not acquire, nor transferred its own shares during the reporting period. The Company had not acquired its own shares.

### Structure of authorised share capital (at 31 March 2018)\*

Class of shares	Number of shares	Par value per share, EUR	Total par value, EUR	% of authorised share capital
Ordinary registered shares	635,083,615	0.29	184,174,248.35	100.00

\* On 11 April 2018, the Register of Legal Entities registered the amended Articles of Association of the Company recording the increase of the Company's authorized capital up to EUR 187,920,762.41 (one hundred eighty seven million nine hundred twenty thousand seven hundred sixty two euros and forty one euro cents), which is divided into 648,002,629 (six hundred forty eight million two thousand seven hundred twenty nine) ordinary registered shares with par value of EUR 0.29 each. At the publishing date of this report the changes of shares were registered at Lithuanian central securities depository.

### The Company's share price and turnover dynamics

#### Statistics on trade in the Company's shares

		3 months 2014	3 months 2015	3 months 2016	3 months 2017	3 months 2018
Last trading session price, EUR		0.514	0.912	0.649	0.638	0.611
Maximum price, EUR		0.530	0.930	0.713	0.655	0.64
Minimum price, EUR		0.395	0.783	0.623	0.600	0.575
Average price, EUR		0.463	0.853	0.633	0.632	0.609
Turnover, shares		343,604	167,086	144,233	220,186	340,053
Turnover, EUR MLN		0.16	0.14	0.096	0.14	0.21
Capitalisation, EUR MLN	Company	393.75	579.19	412.17	405.18	368.35
	Baltic Main List	4,608.38	4,914.94	4,565.49	5,224.42	5,721.62



Figure 3  
*The Company's share price and turnover dynamics during the reporting period*

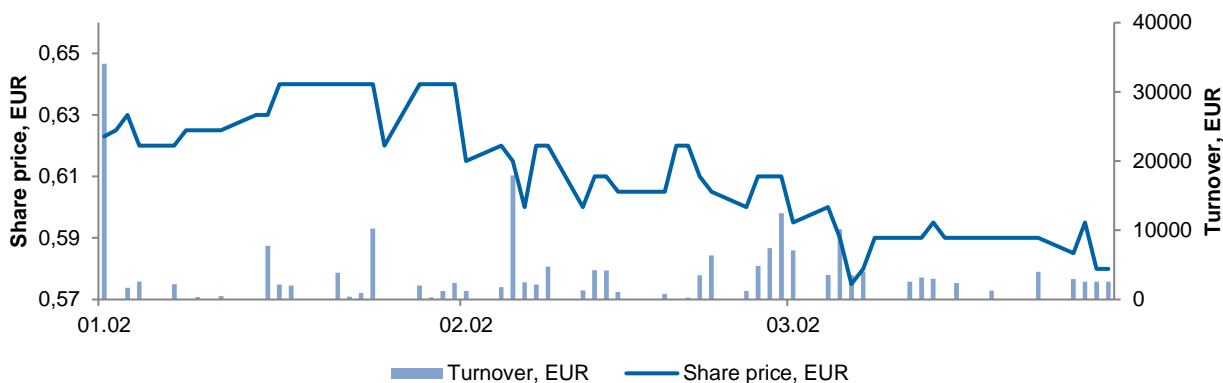
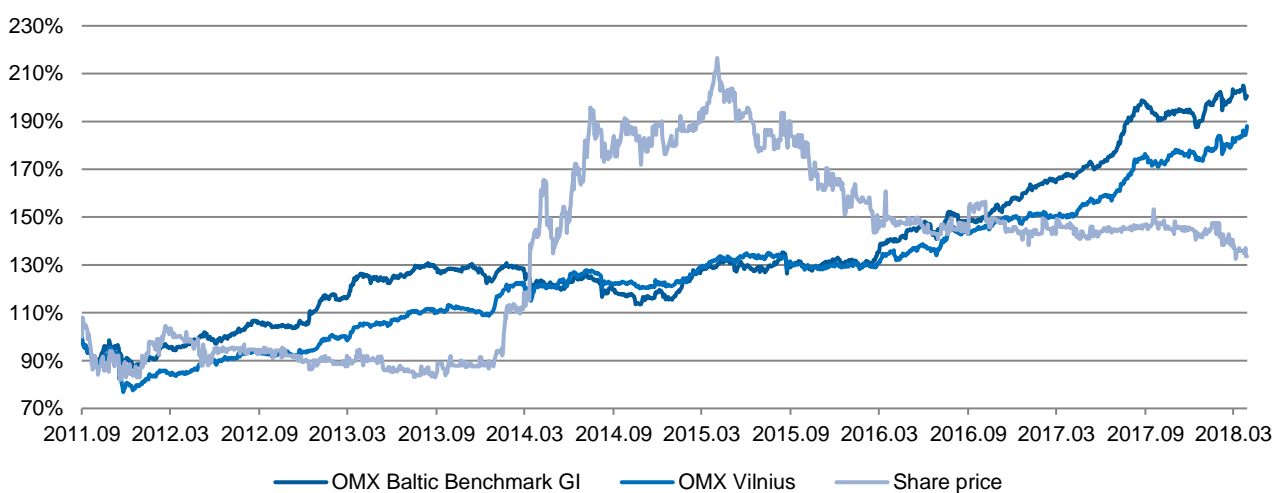


Figure 4  
*The Company's share price and turnover dynamics between the trading start date and end of the reporting period*



Figure 5  
*Dynamics of the Company's share price, OMX Vilnius and OMX Baltic Benchmark Indices*



## Shareholder structure

As at 31 December 2017, the Company had in total 5,904 shareholders.

As at 10 April 2018, at the record date of the rights of shareholders, the Company had in total 5,843 shareholders.

**Shareholders holding more than 5% of the Company's shares (as at 31 March 2018)\***

Name	Class of shares	Number of shares	% of authorised share capital	% of shares with voting rights
<b>Lietuvos Energija UAB</b> Company code – 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	614,453,755	96.75	96.75
Other shareholders	Ordinary registered shares	20,629,860	3.25	3.25
<b>TOTAL</b>	Ordinary registered shares	635,083,615	100	100

\* On 26 March 2018, the Ordinary General Meeting of Shareholders adopted a decision to increase authorised capital of the Company by issuing new shares, which are being paid up by the additional non-monetary contribution by the person subscribing the shares (Lietuvos Energija, UAB). The Company issued 12,919,014 (twelve million nine hundred nineteen thousand and fourteen) new shares with the nominal value of EUR 0.29 (twenty nine euro cents), their emission price being EUR 0.624 (six hundred twenty four thousandths of euro cent). The right to acquire (subscribe) all the new shares was granted to Lietuvos Energija, UAB. At the publishing date of this report the changes of shares were registered at Lithuanian central securities depository and Lietuvos Energija, UAB, owned 627,372,769 (six hundred twenty seven million three hundred seventy two thousand seven hundred sixty nine) shares (96.82% of authorised share capital).

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

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

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

**Restrictions on voting rights**

There were no restrictions on voting rights.

**Restrictions on transfer of securities**

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

**Information on agreement with intermediary of public trading in securities**

The agreement on keeping accounts of the Company's securities and management of personal security accounts,

which was concluded on 9 February 2016 with AB SEB bankas, is active.

**Dividends and dividend policy**

The **dividend policy** of Lietuvos Energija Group was approved in 2016, which also applies to the Company and is published on the Company's website under the section "[For Investors](#)".

**On 26 March 2018**, the General Meeting of Shareholders of the Company approved the distribution of the Company's profit (loss) of 2017. The plan is to pay EUR 8.9 million in dividends for the six-month period ended on 31 December 2017. EUR 0.014 in dividends per share is paid for this period. Persons, who were shareholders of the Company at the end of the 10<sup>th</sup> working day following the decision on the payment of dividends adopted by the General Meeting of Shareholder, i.e. at the end of the working day of 10 April 2018, received dividends.

Please be reminded that the dividends were paid on the basis of the decision of the Extraordinary General Meeting of Shareholders of the Company held on 29 September 2016,

whereby they decided on the allocation of dividends for a period shorter than the financial year to the shareholders of the Company. Dividends of EUR 0.017 per share (EUR 10.8 million in total) were allocated for the six-month period ended on 30 June 2017.

Net profit from continuing operations of the Company was EUR 20.52 million in 2017 with the indicator of dividends paid for this period/ net profit being 0.96.

## THE COMPANY AND ITS MANAGEMENT BODIES

### Information about the Company and its contact details

<b>Name</b>	Lietuvos Energijos Gamyba, AB (until 5 August 2013: Lietuvos Energija AB)
<b>Legal form</b>	Public company; private legal person with limited civil liability
<b>Registration date and place</b>	20 July 2011, Register of Legal Persons of the Republic of Lithuania
<b>Company code</b>	302648707
<b>Registered office address</b>	Elektrinės g. 21, LT-26108 Elektrėnai
<b>Telephone</b>	+370 5 278 2907
<b>Fax</b>	+370 5 278 2906
<b>E-mail</b>	<a href="mailto:info@le.lt">info@le.lt</a>
<b>Website</b>	<a href="http://www.gamyba.le.lt">www.gamyba.le.lt</a>

### The Company's main business activity

Energy generation and trade. The Company may engage in any other activities that are not in conflict with its objectives and the Lithuanian law.

### Information about the Company's branches and representative offices

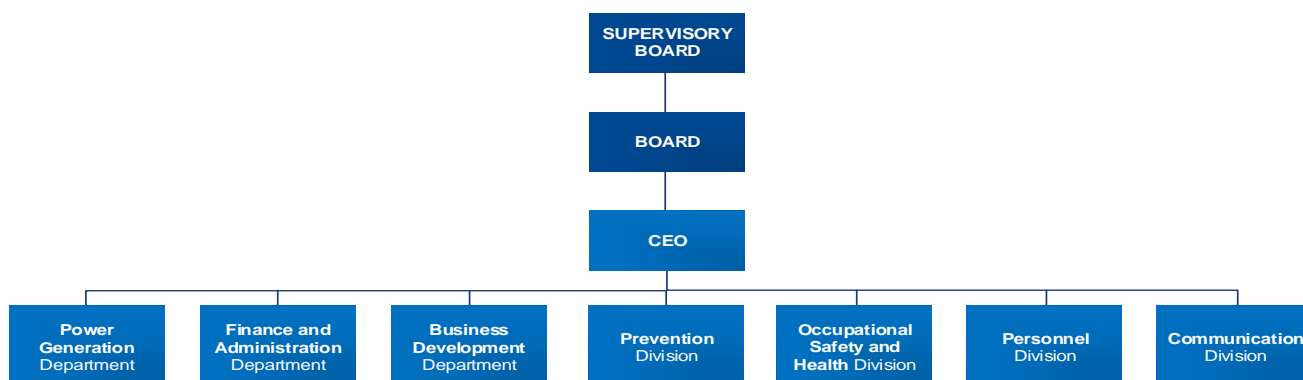
The Company has no branches or representative offices.

### Divisions of the Company

The Company operates all state-owned power generation facilities:

- Elektrėnai Complex with a reserve power plant (the former Lietuvos Elektrinė) and a combined cycle unit,
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas A. Brazauskas HPP);
- Vilnius Third Combined Heat and Power Plant (Vilnius PP-3) (since 31/03/2018).

Figure 6  
*Structure of the Company (as at 31 March 2018)\**



\* After the reporting period, on 3 April 2018 the renewed structure of the Company came into effect: the Business Development department was repealed, the divisions of Process Development and Sales became subordinate directly to chief executive officer.

### Information about ownership interest in other entities

As at 30 September 2017, the Company had ownership interest in the following entities: Geoterma UAB (23.44%), Technologijų ir Inovacijų Centras UAB (20.01%), Verslo Aptarnavimo Centras UAB (15%).

### Information about the Company's management bodies

Based on the Articles of Association effective as at 31 March 2018, the management bodies of the Company include as follows:

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

The Articles of Association of the Company are available on the Company's website under section Company Management

Information on the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius is available on Annual Report of the Company of 2016. There were no major changes in January-March 2018.

## Visuotinis akcininkų susirinkimas

One General Meeting of Shareholders of the Company were convened in January-March 2018:

1. The set of audited consolidated and annual financial statements of the Company and distribution of the Company's profit for 2017 was approved in the Ordinary General Meeting of Shareholders of the Company held on 26 March. The plan was to pay dividends for the six-month period ended on 31 December 2017. Shareholders also adopted a decision to increase authorised capital of the Company by issuing new shares that shall be paid by Lietuvos Energija, UAB, as the subscriber of shares, by making contribution in kind, i.e. transfer of assets of

Vilnius Third Combined Heat and Power Plant to the Company. The new version of the Articles of Association of the Company has been approved, the Supervisory Board recalled and new members of the Supervisory Board elected for 4 year term of office: Dominykas Tučkus, Živilė Skibarkienė and independent member Rimgaudas Kalvaitis.

Information on voting results of shareholders in this and previous General Meetings of Shareholders is available on the Company's website, under the section "[For Investors](#)".

## Supervisory Board of the Company

On 26 March 2018, at the ordinary general meeting of shareholders of the Company, the Company's Supervisory Board (with members Mindaugas Keizeris (chairman) and Dominykas Tučkus) has been recalled and new Supervisory Board elected for a 4 year term of office: Dominykas Tučkus,

Živilė Skibarkienė, Rimgaudas Kalvaitis (independent member).

More information on members of the Supervisory Board of the Company is available on the Company's website, under the section "[Company Management](#)".

### Members of the Supervisory Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)
<b>Dominykas Tučkus</b>	21/12/2015 – 5/8/2017		<ul style="list-style-type: none"> <li>- Lietuvos Energija UAB, Member of the Board, Director for Production and Services.</li> <li>- LITGAS UAB, Chairman of the Board.</li> <li>- Lietuvos Dujų Tiekimas UAB, Chairman of the Board.</li> <li>- Energijos Tiekimas UAB, Chairman of the Board</li> </ul>	
Member	10/8/2017 – 26/3/2018	–	<ul style="list-style-type: none"> <li>- Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (until 23/3/2018).</li> <li>- Eurakras UAB, Member of the Board.</li> <li>- Tuulueenergia OU, Member of the Board.</li> <li>- Vilnius Cogeneration Power Plan, Member of the Board (since 19/3/2018).</li> <li>- Smart Energy Fund powered by Lietuvos Energija KUB, Member of the Supervisory Committee.</li> </ul>	–
(chairman from 03/04/2018)	26/3/2018 – 26/3/2022			
<b>Mindaugas Keizeris</b>	20/11/2014 – 5/8/2017		<ul style="list-style-type: none"> <li>- Lietuvos Energija, UAB, Director for Strategy and Development, Chairman of the Board (until 01/02/2018), interim CEO (until 11/2/2018).</li> <li>- Energetikos Paslaugų ir Rangos Organizacija UAB, Member of the Board.</li> <li>- Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (until 24/4/2017).</li> </ul>	
Member	10/8/2017 – 26/3/2018	–	<ul style="list-style-type: none"> <li>- Vilniaus Kogeneracinė Jėgainė UAB, Chairman of the Board (until 19/3/2018).</li> <li>- Sponsorship Foundation of Lietuvos Energija UAB, Chairman of the Board.</li> <li>- NT Valdosa UAB, chairman of the Board.</li> <li>- Lietuvos Energija, UAB, Director for Corporate Management (since 2/2018).</li> </ul>	–
<b>Živilė Skibarkienė</b>	26/3/2018 – 26/3/2022		<ul style="list-style-type: none"> <li>- Lietuvos Energija, UAB, Member of the Board, Director for Organizational; Development.</li> <li>- Verslo Aptarnavimo Centras, UAB, Chairwoman of the Board (since 4/4/2018, chairman since 25/4/2018).</li> <li>- Technologijų Ir Inovacijų Centras, UAB, Chairwoman of the Board (member since 11/4/2018, chairwoman since 26/4/2018).</li> <li>- Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (from 23/3/2018).</li> </ul>	–
Member		–		

<b>Rimgaudas Kalvaitis</b> Independent Member	26/3/2018 – 26/3/2022	–	<ul style="list-style-type: none"> <li>- Technology Competence Center, UAB, CEO.</li> <li>- Lietuvos Radijo ir Televizijos Centras, UAB, Independent Member of the Board.</li> <li>- Luno, UAB, consultant.</li> </ul>	–
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#### Information on payments made to the members of the Supervisory Board during the reporting period

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

The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria,

are established at the General Meeting of Shareholders in accordance with the requirements set forth in the relevant legal acts and based on the best corporate governance practices.

An independent member has been elected on 26 March 2018. Until then there were no independent member in the composition of the Supervisory Board since 5 August 2017, so there were no payments made during the reporting period.

#### Board of the Company

There were no changes in the structure of the Board of the Company during the reporting period.

On 26 March 2018, at the General Meeting of Shareholders of the Company, the new version of the Articles of Association of the Company has been approved. It is stated in the new version of the Articles of Association of the Company, that the Board of the Company is composed of 3 members, elected for a 4 year term of office (it was 5 members until then).

After the reporting period, on 3 April 2018, the first meeting of the new Supervisory Board of the Company passed a decision to recall the Company's Board of 4 (four) members in corpore, and to elect for a term of office of 4 (four) years 3 (three) members – the current members of the Board: Ms. Eglė Čiužaitė (the area under supervision – strategy and management), Mr. Darius Kucinas (production and system

service management), and Mr. Mindaugas Kvekšas (finance and administration)

The newly elected Board of the Company commences its operations as of the end of the meeting of the Company's Supervisory Board.

On 11 April 2018, the Board of the Company taking into account the opinion of the Supervisory Board elected Ms. Eglė Čiužaitė as the Chairwoman of the Board and adopted a decision that the elected Chairwoman of the Board shall pursue the position of the Chief Executive Officer of the Company onwards.

The table below presents more detailed information on the members of the Board of the Company; the description of their education and professional experience is available online, under the section "Company Management".

#### Members of the Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)	Payment for the activities as the member of the Board, EUR
<b>Eglė Čiužaitė</b> Date of birth – 1979	17/9/2013 – 2/12/2015  19/2/2016 – 17/9/2017	–	<ul style="list-style-type: none"> <li>- Geoterma UAB (Lypkių str. 53, Klaipėda, Lithuania, c. c. 123540818), Member of the Board (until 23/3/2018).</li> <li>- Sponsorship Foundation of Lietuvos Energija (Žvejų str. 14, Vilnius, Lithuania, c. c. 303416124), Member of the Board.</li> <li>- Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 303200016), Member of the Board.</li> </ul>	–	4,344
Chairperson of the Board, CEO	22/9/2017 – 3/4/2018  3/4/2018 – 3/4/2022				

<b>Darius Kucinas</b>	17/9/2013 – 17/9/2017				
Date of birth – 1971	22/9/2017 – 3/4/2018	–	–	–	2,607
Member of the Board, Director of Production	3/4/2018 – 3/4/2022				
<b>Mindaugas Kvekšas</b>	31/12/2015 – 17/9/2017				
Date of birth – 1986	22/9/2017 – 3/4/2018	–	- Verslo Aptarnavimo Centras UAB (P. Lukšio str. 5B, Vilnius, Lithuania, c. c. 303359627), Member of the Board	–	2,607
Member of the Board, Director of Finance and Administration	3/4/2018 – 3/4/2022				
<b>Nerijus Rasburskis</b>	9/6/2017– 17/9/2017				
Date of birth – 1977	22/9/2017 – 3/4/2018	–	- Lietuvos Energija, UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 301844044), Head of Cogeneration Power Plants Division - Vilnius Cogeneration Power Plant UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 303782367), Member of the Board - Kaunas Cogeneration Power Plant UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 303792888), Member of the Board.	–	2,607
Member of the Board, Project Manager at Business Development Department					

**Information on payments made to the members of the Board (during the reporting period)**

	Total in January-March 2018, EUR
All members of the Board, total	12,165
Per member of the Board, average	3,041

**The Management**

The Chief Executive Officer is a one-man management body of the Company. The Chief Executive Officer organises and directs operations of the Company, acts on its behalf, and has the right to conclude transactions single-handedly, except for the cases established in the Articles of Association and prescribed by law. The scope of competence and the procedure for election and recalling of the Chief Executive Officer are prescribed by law, other legal acts and the Articles of Association of the Company.

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

	Work pay in January-March 2018, EUR	Variable part of work pay for the results of last year, paid during January-March 2018, EUR	Total in January-March 2018, EUR
To the CEO	13,033	3,646	16,679
Chief Financier*	–	–	–

\* As from 1 December 2014, the accounting function has been moved from the Company to Verslo Aptarnavimo Centras UAB, and accordingly, the Company no longer has accounting employees, nor the Chief Financier. Verslo Aptarnavimo Centras UAB performs a complete set of accounting services for the Company, starting with the recording of the source documents into the accounting software and ending with the preparation of the financial statements.

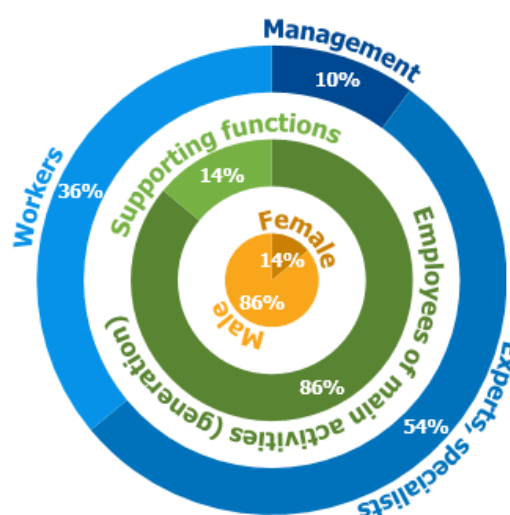
The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During January-March 2018, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

## Employees of the Company

On 31 March 2018, the Company had 382 employees (including employees on parental leave). There were 392 employees in the Company as at 31 December 2017. The number of employees decreased due to the natural change of employees, when the workplace remains unfilled after the employee retires, also due to less activities in some of the production divisions.

Figure 7 illustrates the composition of the staff. More information on the Company's employees, their salary, organizational culture, etc. is available in semi-annual and annual reports of the Company.

Figure 7  
*Employees of the Company*



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

	Breakdown of headcount by category of employees on 31 March 2018	Average work pay, EUR
CEO	1	5,623
Top level management	3	4,464
Middle-level management	34	2,152
Experts, specialists	207	1,389
Workers	137	930
<b>Total</b>	<b>382</b>	<b>1,327</b>



## MATERIAL EVENTS AT THE COMPANY

### Notifications on materials events during the reporting period

31/1/2018	<u>Lietuvos Energijos Gamyba, AB, preliminary financial results for 12 months of 2017</u>
28/2/2018	<u>Lietuvos Energijos Gamyba, AB, preliminary financial results for 1 month of 2018</u>
28/2/2018	<u>Regarding the agenda and proposed draft resolutions of Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
6/3/2018	<u>Regarding the supplement of the agenda and proposed draft resolutions of Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
14/3/2018	<u>Regarding the resolutions of Lietuvos Energijos Gamyba, AB, Supervisory Board</u>
26/3/2018	<u>Regarding the resolutions of Ordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>
30/3/2018	<u>Regarding the non-monetary contribution to the authorized capital of Lietuvos Energijos Gamyba, AB</u>
30/3/2018	<u>Lietuvos Energijos Gamyba, AB, preliminary financial results for 2 months of 2018</u>

### Other events during the reporting period

13/2/2018	<u>CORRECTION: Reporting dates in 2018</u>
28/2/2018	<u>Interim information of Lietuvos Energijos Gamyba for the twelve-month period of 2017: more electricity from water and sustainable profitability indicators</u>
2/3/2018	<u>Summary of Lietuvos Energijos Gamyba, AB, webinar on the results of 2017</u>
26/3/2018	<u>Lietuvos Energijos Gamyba, AB, Annual Information 2017</u>

### Notifications on materials events after the end of the reporting period

3/4/2018	<u>Chairman of the Supervisory Board and members of the Board of Lietuvos Energijos Gamyba, AB, were elected</u>
10/4/2018	<u>Procedure for the payment of dividends for the 6 months period, ended 31 December 2017</u>
11/4/2018	<u>The amended Articles of Association with the increased authorized capital of Lietuvos Energijos Gamyba, AB has been registered</u>
12/4/2018	<u>The Chairwoman of the Board of Lietuvos Energijos Gamyba, AB, has been elected</u>