

2018-10-30 No. **SD-864****CERTIFICATION STATEMENT**

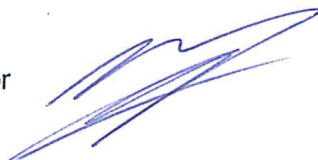
Referring to the provisions of the Article 23 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Lietuvos energijos gamyba, AB Eglė Čiužaitė, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration Department, and Joana Venclovienė, Head of Reporting Division of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, Lietuvos energijos gamyba, AB condensed Interim Financial Information for the nine-month period ended 30 September 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 nine-month period includes a fair review of the activities business development as well as the condition of Lietuvos energijos gamyba, AB and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer



Eglė Čiužaitė

Finance and Administration Director



Mindaugas Kvekšas

UAB Verslo aptarnavimo centras,
Head of Reporting Division,
acting under Order No. IS18-77 (signed 2018 08 13)



Joana Venclovienė

2018

LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH AND THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2018
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34,
'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)



Lietuvos
energija

GAMYBA



Lietuvos
energija

Group of energy
companies

www.le.lt

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.

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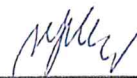
The condensed interim financial information was approved on 30 October 2018 by Lietuvos Energijos Gamyba AB General Manager, Finance and Administration Department Director, and Head of Reporting Division of Verslo Aptarnavimo Centras UAB (acting under Order No IS18-77 of 13 August 2018).



Eglė Čiužaitė
General Manager



Mindaugas Kvekšas
Finance and Administration Director



Joana Venclovienė
Head of Reporting Division of Verslo
Aptarnavimo Centras UAB, acting
under Order No IS18-77 of 13 August
2018

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

All amounts are in EUR thousands unless otherwise stated

	Note	At 30 September 2018	At 31 December 2017
ASSETS			
Non-current assets			
Intangible assets	5	41,804	15,238
Property, plant and equipment	5	483,882	496,818
Investments in associates	6	1,649	1,536
Other non-current assets		5,087	3,236
Investment property	5	4,212	-
Other financial assets		269	1,799
Total non-current assets		536,903	518,626
Current assets			
Inventories		5,593	5,580
Prepayments		3,675	3,479
Trade receivables		13,123	17,216
Other financial assets		4,526	15,757
Loans granted	7	18,854	14,930
Cash and cash equivalents		81,912	60,700
Total current assets		127,683	117,662
TOTAL ASSETS		664,586	636,288
EQUITY AND LIABILITIES			
Equity			
Authorised share capital	8	187,921	184,174
Share premium		89,975	85,660
Legal reserve		13,897	12,871
Revaluation reserve		15,194	2,289
Retained earnings		71,294	68,880
Total equity		378,281	353,874
Non-current liabilities			
Borrowings	10	21,130	34,039
Finance lease liabilities		69	172
Grants	11	173,815	177,875
Other non-current amounts payable and liabilities		9,202	6,704
Deferred income tax liabilities		22,658	17,475
Total non-current liabilities		226,874	236,265
Current liabilities			
Borrowings	10	21,208	21,208
Finance lease liabilities		138	138
Trade payables		14,873	17,380
Advance amounts received		102	1,135
Income tax payable		3,360	2,883
Provisions for emission allowances	12	716	528
Other amounts payable and liabilities		19,034	2,877
Total current liabilities		59,431	46,149
Total liabilities		286,305	282,414
TOTAL EQUITY AND LIABILITIES		664,586	636,288

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 nine-month period ended 30 September 2018

All amounts are in EUR thousands unless otherwise stated

	Note	1 January 2018– 30 September 2018	1 January 2017– 30 September 2017
Revenue			
Sales revenue		94,677	96,684
Other income		1,802	956
	13	96,479	97,640
Operating expenses			
Purchases of electricity or related services		(22,926)	(19,525)
Gas, biofuel and heavy fuel expenses		(22,361)	(25,256)
Depreciation and amortisation	5,11	(13,973)	(18,727)
Wages and salaries and related expenses		(6,269)	(5,842)
Repair and maintenance expenses		(2,284)	(4,091)
Emission allowance revaluation and release (expenses)/income		8,381	1,288
Other non-current assets impairment (expenses)/income		1,851	204
Inventory write-down allowance/reversal		(241)	5
(Impairment) of property, plant and equipment/reversal		30	(1,062)
Other expenses		(4,506)	(4,410)
Total operating expenses		(62,298)	(77,416)
OPERATING PROFIT		34,181	20,224
Finance income (costs)			
Finance income		92	215
Finance (costs)		(408)	(727)
		(316)	(512)
Share of results of operations of associates	6	184	195
PROFIT BEFORE INCOME TAX		34,049	19,907
Income tax and deferred income tax benefit/(expenses)		(7,289)	(222)
NET PROFIT FOR THE PERIOD		26,760	19,685
Other comprehensive income (loss) that will be subsequently reclassified to retained earnings (loss)		13,401	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		40,161	19,685
Basic and diluted earnings per share (in EUR)		0,042	0,031
Weighted average number of shares		643,270,389	635,083,615

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 30 September 2018

All amounts are in EUR thousands unless otherwise stated

	1 July 2018 – 30 September 2018	1 July 2017 – 30 September 2017
Revenue		
Sales revenue	34,663	33,378
Other income	662	490
	35,325	33,868
Operating expenses		
Purchases of electricity or related services	(10,922)	(8,266)
Gas, biofuel and heavy fuel expenses	(8,879)	(8,624)
Depreciation and amortisation	(4,637)	(6,286)
Wages and salaries and related expenses	(1,894)	(1,821)
Repair and maintenance expenses	(1,020)	(2,077)
Emission allowance revaluation and release (expenses)/income	2,863	3,641
Other non-current assets impairment (expenses)/income	(893)	812
Inventory write-down allowance/reversal	(1)	1
(Impairment) of property, plant and equipment/reversal	7	12
Other expenses	(1,793)	(1,364)
Total operating expenses	(27,169)	(23,972)
OPERATING PROFIT	8,156	9,896
Finance income (costs)		
Finance income	31	67
Finance (costs)	(127)	(169)
	(96)	(102)
Share of results of operations of associates	113	147
PROFIT BEFORE INCOME TAX	8,173	9,941
Income tax and deferred income tax benefit/(expenses)	(3,297)	(539)
NET PROFIT FOR THE PERIOD	4,876	9,402
Other comprehensive income (loss)	7,511	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,387	9,402
Basic and diluted earnings per share (in EUR)	0,008	0,015
Weighted average number of shares	648,002,629	635,083,615

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 nine-month period ended 30 September 2018

All amounts are in EUR thousands unless otherwise stated

	Authorised share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2017	184,174	85,660	1,033	10,872	73,827	355,566
Other comprehensive income for the period	-	-	-	-	-	-
Net profit for the reporting period	-	-	-	-	19,685	19,685
Total comprehensive income for the period	-	-	-	-	19,685	19,685
Legal reserve	-	-	-	1,999	(1,999)	-
Depreciation of revaluation reserve	-	-	(24)	-	24	-
Dividends (Note 9)	-	-	-	-	(23,498)	(23,498)
Balance at 30 September 2017	184,174	85,660	1,009	12,871	68,039	351,753
Balance at 1 January 2018	184,174	85,660	2,289	12,871	68,880	353,874
Effect of change in accounting policies following the adoption of new IFRS	-	-	-	-	(21)	(21)
Restated balance at 1 January 2018	184,174	85,660	2,289	12,871	68,859	353,853
Revaluation of emission allowances	-	-	13,401	-	-	13,401
Net profit for the reporting period	-	-	-	-	26,760	26,760
Total comprehensive income for the period	-	-	13,401	-	26,760	40,161
Increase in share capital (note 8)	3,747	4,315	-	-	-	8,062
Legal reserve	-	-	-	1,026	(1,026)	-
Emission allowances utilised	-	-	(473)	-	473	-
Depreciation of revaluation reserve	-	-	(23)	-	23	-
Dividends (Note 9)	-	-	-	-	(23,795)	(23,795)
Balance at 30 September 2018	187,921	89,975	15,194	13,897	71,294	378,281

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 nine-month period ended 30 September 2018

All amounts are in EUR thousands unless otherwise stated

	Note	1 January 2018– 30 September 2018	1 January 2017– 30 September 2017
Net profit for the period		26,760	19,685
Reversal of non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses	5	20,424	33,560
Inventory write-down/(reversal)		241	(5)
(Gain) on disposal of investments in subsidiaries and associates		-	-
Expenses/(income) of revaluation of emission allowances		(20,186)	(1,508)
Other impairments		(226)	(117)
Share of (profit) of associates	6	(184)	(195)
Income tax expenses		3,598	593
Change in deferred income tax liability		3,691	(371)
Depreciation of grants	11	(6,452)	(14,833)
Increase/(decrease) in provisions		373	16
Change in fair value of derivative financial instruments		-	-
Impairment of property, plant and equipment/(reversal)	5	(31)	1,062
(Gain)/loss on disposal/write-off of non-current assets (other than financial assets)		935	(24)
Elimination of results of financing and investing activities:			
- Interest (income)		(91)	(116)
- Interest expense		400	720
- Other finance (income) costs		7	-
- (Gain) on disposal of a part of the business		-	-
Changes in working capital			
(Increase) decrease in trade receivables and other receivables		11,060	6,841
(Increase) decrease in inventories and prepayments		(180)	315
Increase (decrease) in amounts payable and advance amounts received		8,173	(1,719)
Income tax (paid)		(3,235)	-
Net cash flows used in operating activities		45,077	43,904
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets		(3,844)	(1,439)
Disposal of property, plant and equipment and intangible assets		8	33
Loans granted		(3,926)	-
Loans repaid		-	3,204
Disposal of subsidiaries		-	-
Disposal of investments in associates		4,049	-
Disposal of a part of the business		2,000	2,000
Grants received during the period		-	74
Interest received		62	116
Dividends received		70	77
Net cash flows generated from (used in) investing activities		(1,581)	4,065
Cash flows from financing activities			
Repayments of borrowings		(12,909)	(72,909)
Finance lease payments		(110)	(103)
Interest (paid)		(400)	(720)
Dividends (paid)		(8,865)	(13,018)
Net cash flows used in financing activities		(22,284)	(86,750)
Net increase (decrease) in cash and cash equivalents		21,212	(38,781)
Cash and cash equivalents at the beginning of the period		60,700	99,045
Cash and cash equivalents at the end of the period		81,912	60,264

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

All amounts are 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 187,920,762.41 and it is divided into 648,002,629 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 30 September 2018 and 31 December 2017, the Company had not acquired its own shares.

During 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 Commission for Energy Control and Prices (hereinafter "the Commission"), Lietuvos Energijos Gamyba, AB obtained the 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 60¹ of the Lithuanian Law on Companies.

As at 30 September 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. Its parent company is Lietuvos Energija UAB, which owns 96.82% of the Company's shares.

As at 30 September 2018, the number of employees of the Company was 375 (31 December 2017: 392).

2 Accounting policies

2.1 Basis of preparation

The Company's condensed unaudited interim financial information for the nine-month period ended 30 September 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

When preparing these financial statements the Company applied revenue recognition accounting policies consistent with the requirements of IFRS 15 and IFRS 9. The other 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.

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

New standards, amendments and interpretations that were mandatory for the Company with effect from 2018 exerted impact on the Company's retained earnings at the beginning of the period, which amounted to EUR 21 thousand.

New standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2018 that were applied in preparing these financial statements are as follows:

All amounts are in EUR thousands unless otherwise stated

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018).

The new accounting policies applied starting from 1 January 2018 under IFRS 9 are set out in section 2.3.

Assessment as to when IFRS 9 affects the financial statements:

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

The effect of first-time adoption of IFRS 9 on the impairment of loans, trade receivables and other amounts receivable:

	Trade receivables	Other amounts receivable	Loans granted
Carrying amount as at 1 January	381	912	-
Effect of first-time adoption of IFRS 9 presented in retained earnings (loss)	21	-	-
Carrying amount upon adoption of IFRS 9	402	912	-

The effect of first-time adoption of IFRS 9 on the assessment of expected credit losses:

	Trade receivables	Trade receivables
Trade receivables assessed individually		
Expected credit losses, %	0.01%	0.01%
Trade receivables	17,240	17,240
Expected credit losses	163	163
Trade receivables assessed collectively		
Expected credit losses, %	63.00%	57.67%
Trade receivables	378	378
Expected credit losses	239	218

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

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

The effect of first-time adoption of IFRS 9 on the classification of financial assets and liabilities:

	IFRS 9	IAS 39
Financial assets - Loans and receivables (IAS 39)/Financial assets carried at amortised cost (IFRS 9)		
Trade receivables	17,216	17,216
Other amounts receivable	8,669	8,669
Loans granted	14,930	14,930
Cash and cash equivalents	60,700	60,700
Other non-current amounts receivable	315	315
Financial assets at fair value through profit or loss	7,521	7,521
Financial liabilities at amortised cost		
Loans received	55,247	55,247
Finance lease liabilities	310	310
Other non-current borrowings	723	723
Trade payables	17,380	17,380

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

The adoption of IFRS 15, *Revenue from Contracts with Customers* and amendments thereto have no impact on the timing and scope of revenue recognition by Company. The Company reviewed all material contracts with customers and did not identify a number of performance commitments, contract execution expenses and variances in timing of revenue recognition.

The new accounting policies applied starting from 1 January 2018 under IFRS 15 are set out in section 2.4.

All amounts are in EUR thousands unless otherwise stated

New standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2019, yet not applied in preparing these financial statements are as follows:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Company is currently assessing the impact of these amendments on its financial statements.

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 required adjustment to the balance of retained earnings in the statement of financial position.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. This IFRS will have no impact on the Company's financial position or results of operations.

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgements or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgement or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgements and estimates required by the Interpretation. The Company is currently assessing the impact of the amendment to the interpretation on its financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company is currently assessing the impact of the amendment to the standard on its financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The Company is currently assessing the impact of the amendment to the standard on its financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised

All amounts are in EUR thousands unless otherwise stated

IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. 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 are not yet effective and that may have a material impact for the Company.

2.2.1. Investment property

Investment property, which consists of the Company's buildings and constructions, is held to earn rentals or for capital appreciation. Investment property is initially recognised at acquisition cost and subsequently carried at fair value. The fair value of investment property is estimated by independent valuers. Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Some properties may be partially occupied by the Company, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company can be sold separately, the Company accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held to earn rentals is accounted for under IAS 40.

2.2.2. Property, plant and equipment

The list of the categories of property, plant and equipment set out in the accounting policies was supplemented with the category of buildings and structures of the thermal power plant. The category includes Vilnius Thermal Power Plant No 3 that the Company acquired in 2018. Assets in this category are stated at acquisition cost less subsequent accumulated depreciation and impairment.

2.3 Financial assets

Following the adoption of IFRS 9, *Financial Instruments*, the Company classifies its financial assets into the following 3 new categories:

- (i) financial assets subsequently measured at amortised cost;
- (ii) financial assets subsequently measured at fair value through other comprehensive income; and
- (iii) financial assets subsequently measured at fair through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's management regarding separate instruments has no effect on the applied business model. The Company may apply more than one business model to manage its financial assets.

The business model for managing financial assets is a matter of fact and not merely an assertion. It is typically observable through the activities that the Company undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Company justifies its decision not by a single factor or activity, but in view of all relevant evidence that is available at the date of the assessment. (

The Company recognises a financial asset in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

At initial recognition, the Company measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Loans granted by the Company and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the date of the statement of financial position. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

Financial assets at fair value through profit or loss

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The Company measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.

The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis. The Company's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

The lifetime expected credit losses of trade receivables are recognised at the recognition of amounts receivable.

When granting the loan the Company assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Company records all lifetime expected credit losses of the loan. The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- a) significant financial difficulty of the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties;
- f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contrary account of doubtful receivables.

The Company derecognises loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

Derecognition of financial assets

The Company derecognises financial assets in case of the following:

- the rights to receive cash flows from the asset have expired;
 - the Company has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
 - the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:
- if the Company has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
 - if the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control. In all other cases, the Company has retained control.

The accounting policies and principles applicable to financial liabilities remain the same as presented in the annual financial statements.

2.4 Revenue recognition

The Company recognises revenue at the time and to the extent that the transfer of goods or services promised to customers would show the amount which would correspond to a consideration, the right to which is expected to be obtained by the Company in exchange for those goods or services. When recognising revenue the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

Revenue from the provision of PSO services

The Company commits to render the services that serve the public interest in accordance with the procedures and terms established by the regulatory legal acts, including ensuring the electricity system reserves in the specified power plants the operation of which is critical in assuring state energy security. The benefits of the services of ensuring power system reserves are brought to customers throughout the period of the service, during which, accordingly, the seller carries out its performance obligation.

When concluding the agreement, the customer commits to compensate the expenditures necessary for maintaining the reserve (including the expenditure incurred during electricity production tests). In view of the above, the progress of fulfilment of the performance obligation is assessed considering the actual duration of provision of the service that ensures the electricity system reserve.

In the agreement concluded with the customer, the consideration paid to the seller comprises the fixed part payable in equal portions throughout the period of provision of the service.

Revenue from trade in electricity

The sales of electricity produced using own resources are conducted at the Nord Pool Spot exchange (hereinafter "Exchange") by submitting electricity sale offers to the Exchange. On Nord Pool's Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller's performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller's offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller is fixed. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be retained by trading intermediaries representing the Company at the Exchange.

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Revenue from electricity-related services

Other revenue from the services related to energy supply comprise the following: (1) revenue from generation of electricity of the active power reserve, (2) revenue from assurance of the power reserve, (3) revenue from reactive power and voltage management services, (4) system recovery after the total accident (hereinafter "Services").

The customer receives the benefits of other services related to energy supply at the same time the service is actually rendered to the customer. The customer may consume the benefits of the services separately or together with other services rendered to the customer. In the agreement, the services to be rendered to the customer are defined separately from other services stipulated under the agreement. Since the services are interrelated and provided per customer, the performance obligation of the seller comprises one complex service that is the provision of additional services and supply of regulating electricity. The performance obligation under the agreement concluded with the customer is to be carried out throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volume of services rendered, stated at power measurement units (kWh, MW/h, etc.).

Under the agreement concluded with the customer, the customer is provided an option to acquire additional services and regulating electricity on demand. The customer is not obligated to acquire from the seller any amount of additional services defined (in the agreement). The fixed consideration for the service of system recovery after the total accident is to be paid to the seller as per agreement. The seller is entitled to 1/12 of the total price of the service each month. In view of the above, the whole of the agreement concluded with the customer is assessed at the moment of signing the agreement and the total consideration is attributed to the identified performance obligation.

For the purpose of its performance obligations, the seller recognises revenue pursuant to the provisions of IFRS 15 (paragraphs B39–B43) regarding *customer options for additional goods or services*, under which the revenue recognised is actually consistent with the invoices issued to the customer for the services relating to the supply and assurance of the active power and management of the reactive power rendered over time. Moreover, the seller additionally recognises 1/12 of the total price of the agreement that the seller intends to pay for the services of system recovery after the total accident throughout the term of validity of the agreement, i.e. within one year.

Revenue from supply of thermal energy

Under the agreement concluded with the customer, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Under the agreement concluded with the customer, the single performance obligation that the seller commits to is the supply of thermal energy. The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller carries out its performance obligation. The seller carries out its performance obligation throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

In the agreement concluded with the customer, the consideration paid to the Company comprises the fixed part and the variable part. The variable part comprises the customer's payments for the actually supplied thermal energy. The variable part arises due to default interest (interest on late payment) to be paid by the customer to the seller in cases where the customer fails to timely reimburse for the services rendered.

The Company recognises revenue considering the volumes of thermal energy actually produced and supplied to the customer at the price calculated with reference to the methodology on the establishment of the heating price as approved by the Commission.

Services of purchase of electricity generated by wind farms

Under IFRS 15, the Company does not receive consideration for the purchase of electricity from renewable energy resources and the payment of PSO funds to energy producers. The administrator of PSO funds only reimburses the expenditures of the seller; however, since the seller does not receive any consideration for the performance of the purchase function itself, the seller does not account for any proceeds related to the functions of the purchasing company that are served by the Company under the agreement concluded with the administrator of PSO funds.

There were no changes in other principles of revenue recognition.

3 Critical accounting estimates and judgments

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

In assessing the remaining useful life of property, plant and equipment, management takes into account conclusions presented by the employees responsible for technical maintenance of assets.

Management has reviewed the depreciation rates used for property, plant and equipment. As from 1 January 2018, new depreciation rates of energy units No 7 and 8 of the Reserve Power Plant were established for the remaining categories of property, plant and equipment that

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depreciation rates were not reduced for from 1 January 2017. The rates were reduced in view of technical depreciation and introduction of more stringent requirements applicable as from 2024.

Revaluation of property, plant and equipment

On 30 September 2018, no independent valuation was performed for the Company's assets stated at revalued amount, because, in the management's opinion, the fair value of assets did not differ significantly from the carrying amount.

On 31 December 2013, the 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.

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 Combined-Cycle Unit and the Reserve Power Plant, Thermal Power Plant No 3) at the revalued amount in accordance with IAS 16, 'Property, Plant and Equipment'.

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. When the recoverable amount of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

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 recognised EUR 31,384 thousand of impairment losses for energy units No 7 and 8 of Elektrėnai Complex, EUR 757 thousand of impairment losses for two fuel oil reservoirs, and EUR 339 thousand of impairment losses for a tank. No impairment indications were identified for the remaining property, plant and equipment or, upon the impairment test, it was determined that the recoverable amount exceeded its carrying amount, less grants.

The same impairment test carried out in relation to this property, plant, and equipment on 30 September 2018 also revealed no indications of impairment.

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 quantity of actual emissions is approved by a responsible state authority during four months after the end of the year. The provision accounted for as at 31 December 2017 was consistent with actual quantities of emissions. Based on historic experience, the Company's management does not expect any significant differences to arise between the estimated provision at 30 September 2018 and the quantity of emissions which will be approved in 2018.

Accrual of income from public service obligation (hereinafter "PSO") services and capacity reserve services

A part of fees received for PSO and tertiary capacity reserve services is allocated for the maintenance of the infrastructure of the Elektrėnai Complex and for the covering of expenses related to the testing of the necessary 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.

Accrual of income from public service obligation (hereinafter "PSO") services and capacity reserve services (continued)

Allocated amount of PSO funds and the price for capacity reserve services are determined for the next calendar year by the Commission 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 30 September 2018, the Company recognised PSO funds of EUR 5,796 thousand (31 December 2017: EUR 5,034 thousand) within 'Other non-current amounts payable and liabilities' to be refunded after 12 calendar months. PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. As at 31 December 2017, 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 as at 31 December 2017 was recognised within 'Other financial income'. Discounting effect was not restated as at 30 September 2018 as the effect of change was immaterial.

As at 30 September 2018, receivable amount of EUR 2,627 thousand (31 December 2017: EUR 8,198 thousand), which will be compensated in 2018, was recognised within current amounts receivable. In 2017, the Commission inspected the PSO funds allocated to the Company during 2010-2015, and in 2017 introduced changes in the principles for determination of allocated PSO funds, with relevant changes in the regulatory framework. In 2014, the Commission adopted a resolution, by which the Company was declared as an undertaking with significant power in the

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electricity generation market. Based on this resolution, earnings from sale of electricity generated at the Company's hydroelectric plants were subject to restriction by deducting the respective amount from the PSO funds approved for the Company. On 17 October 2016, the Supreme Administrative Court of Lithuania announced its judgement based on which the aforementioned resolution of the Commission was repealed. At the end of 2017, as part of implementation of the court judgement, the Commission allocated to the Company EUR 5.438 million of PSO funds for the year 2018, which will compensate the Company's revenue not received in 2015. This amount was recognised within amounts receivable as at 31 December 2017.

Accrued revenue from capacity reserve services

As at 30 September 2018, based on *Methodology for establishing the prices for electricity and capacity reserve services* approved by Resolution No. O3-229 of the Commission, the Company's management accounted for EUR 2,223 thousand (31 December 2017: EUR 511 thousand) of PSO funds to be refunded in under the line item 'Other non-current amounts payable and liabilities'. As at 30 September 2018, the Company also accounted for EUR 73 thousand (31 December 2017: EUR 289 thousand) of amount receivable to be compensated in 2018 under the line item 'Other current amounts receivable'.

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

As at 30 September 2018, the amount of the Company's contingent assets related to the legal dispute concerning the Commission's decision, by which the Company was declared as an undertaking with significant power in the electricity generation market and thus the amount of the payable PSO funds was additionally reduced by EUR 2.51 million, amounted to EUR 2.51 million and remains unchanged from 31 December 2017.

4 Financial risk management

The Company is exposed to financial risks in its operations, i.e. liquidity risk, market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows, securities price risk) and 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. The fair value of the Company's financial assets and financial liabilities designated as at fair value through profit or loss is based on prices in the active market.

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

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, short-term loans granted, current trade and other accounts 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. As at 30 September 2018, the Company had non-current borrowings from Luminor and SEB Bank bearing variable interest rates. The fair value of non-current borrowings a bearing variable interest rate approximates their carrying amount, provided that the margin on such loans corresponds to margins currently prevailing in the market.
- The fair value of non-current amounts receivable and payable is determined with reference to the current interest rates available for the loans with the same maturity profile. As at 30 September 2018, the discount rate applied to the Company's non-current amounts receivable and payable approximated the market interest rate.

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5 Intangible assets and property, plant and equipment

The Company's intangible assets and property, plant and equipment as at 30 September 2018 comprised as follows:

	Intangible assets	Property, plant and equipment
At 31 December 2017		
Opening net book amount	15,238	496,818
Additions	74	7,615
Sales	2,554	-
Write-offs	(907)	-
Reversal of impairment	24,993	-
Impairment	-	(8)
Reclassifications between groups	-	(30)
Reclassification to intangible assets	-	29
Reclassification from/to inventories	-	(265)
Depreciation	(148)	(20,277)
Net book amount at 30 September 2018	41,804	483,882

On 30 March 2018, after Lietuvos Energija UAB, a shareholder of Lietuvos Energijos Gamyba AB, paid for the new issue of 12,919,014 shares by way of in-kind contribution, the non-current assets, a part of which under the accounting policies is attributable to investment property, were transferred to the Company. Investment property includes buildings and constructions with permanently installed fixtures and fittings.

	Buildings	Constructions	Machinery and equipment	Other fixtures, fittings, tools and equipment	Total
Net book amount at 31 December 2017	-	-	-	-	-
Additions	3,731	100	4	377	4,212
Net book amount at 30 September 2018	3,731	100	4	377	4,212

6 Investments

As at 30 September 2018 and 31 December 2017, the Company's investments in associates were as follows:

Company	Registered office address	Company's ownership interest 30 September 2018	Company's ownership interest At 31 December 2017	Profile of activities
Geoterma UAB	Lypkių g. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy generation
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 relations administration services

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

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Movements of the Company's investments in associates:

	Carrying amount at 31 December 2017	Impairment	The Company's share of results of operations	Dividends received	Carrying amount at 30 September 2018
Geoterma UAB	-	-	-	-	-
Technologijų ir Inovacijų Centras UAB	1,383	-	105	(30)	1,458
Verslo Aptarnavimo Centras UAB	152	-	79	(40)	191
Total	1,535	-	184	(70)	1,649

	Acquisition cost	Impairment	The Company's share of results of operations	Carrying amount at 31 December 2017
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
Total	3,516	(2,005)	24	1,535

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 18,854 thousand as at 30 September 2018 (31 December 2017: EUR 14,930 thousand). The market interest rate is applied to these loans.

8 Authorised share capital

On 26 March 2018, the General Meeting of the Company's Shareholders was held during which a decision was passed to increase the Company's authorised share capital by EUR 3,747 thousand through the issue of 12,919,014 shares with the nominal value of EUR 0.29 each. As the issue price was set at EUR 0.624 per share, Lietuvos Energijos Gamyba AB accounted for share premium in the amount of EUR 4,314,950.94. Lietuvos Energija UAB committed to pay for the acquired shares by way of an in-kind contribution, i.e. Vilnius Thermal Power Plant No 3, as a whole complex of technological equipment and territories, the value of which was EUR 8,061,465.

As at 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 30 September 2018 and 31 December 2017, the Company's shareholder structure was as follows:

Shareholders	Authorised share capital At 30 September 2018		Authorised share capital At 31 December 2017	
	(in EUR)	%	(in EUR)	%
Lietuvos Energija UAB	181,938,103	96.82	178,191,589	96.75
Other shareholders	5,982,659	3.18	5,982,659	3.25
Total	187,920,762	100.00	184,174,248	100.00

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

9 Dividends

During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 26 March 2018, a decision was made to pay out dividends of EUR 0.014 per share for July–December 2017. During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 28 September 2018, a decision was made to pay out dividends of EUR 0.023 per share for January–June 2018.

Dividends (EUR '000)	23,795
Weighted average number of shares (units)	643,108,108
Dividends per share (EUR)	0,037

General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 29 September 2017, a decision was made to pay out dividends of EUR 0.017 per share for January–June 2017, amounting to EUR 10,797 thousand in total.

All amounts are in EUR thousands unless otherwise stated

10 Loans received

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

	At 30 September 2018	At 31 December 2017
Non-current borrowings		
Loan from Luminor Bank AB Lithuania branch, in EUR, to be repaid by 31 March 2027	9,194	10,114
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	11,936	23,925
Total non-current borrowings	21,130	34,039
Current borrowings and current portion of non-current borrowings		
Loan from Luminor Bank AB Lithuania branch, in 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
Total current borrowings and current portion of non-current borrowings	21,208	21,208

As at 30 September 2018 and 31 December 2017, the Company had balances of borrowings that were not withdrawn pursuant to the new credit line agreement signed with SEB Bankas AB on 5 July 2017.

The Company has pledged property, plant and equipment amounting to EUR 304,733 thousand in total, cash, and future cash inflows to bank accounts to secure the repayment of the loans granted.

11 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movements on grants account during the nine-month period ended 30 September 2018 were as follows:

	Asset-related grants			
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	Total
Balance at 1 January 2017	27,408	241,843	507	269,758
Grants received during the period	74	-	1,128	1,202
Depreciation of immovable property, plant and equipment	(472)	(14,361)	-	(14,833)
Utilisation of grant for emission allowances	-	-	(412)	(412)
Balance at 30 September 2017	27,010	227,482	1,223	255,715
Balance at 1 January 2018	26,780	149,896	1,199	177,875
Grants received during the period	-	-	2,555	2,555
Depreciation of immovable property, plant and equipment	(480)	(5,971)	-	(6,451)
Utilisation of grant for emission allowances	-	-	(164)	(164)
Balance at 30 September 2018	26,300	143,925	3,590	173,815

During the nine-month period ended 30 September 2018 asset-related grants decreased by EUR 6,451 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.

All amounts are in EUR thousands unless otherwise stated

12 Provisions for emission allowances

Movements in provisions for emission allowances were as follows:

	2018	2017
Balance at 1 January	528	1,316
Emission allowances utilised	(907)	(932)
Revaluation of emission allowances utilised	379	(384)
Provisions for emissions*	716	428
Balance at 30 September	716	428

* For the purpose of the statement of comprehensive income, expenses of provisions for emissions were reported net of government grants (Note 11).

13 Revenue

Recognised revenue from contracts with customers:

	1 January 2018– 30 September 2018	1 January 2017– 30 September 2017
Revenue from sale of electricity	42,348	40,031
Revenue from balancing and regulation	4,345	1,413
Revenue from PSO services	10,837	22,472
Revenue from capacity reserve services	34,478	30,068
Revenue from sale of thermal energy	2,650	2,681
Other sales revenue	19	19
Total sales revenue	94,677	96,684
Other income	1,802	956
Total revenue	96,479	97,640

14 Segment information

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

Information on the Company's segments for the period between January and September 2018 is presented in the table below.

2018	Regulated activities	Commercial activities	Total
Total revenue of segments	51,341	45,138	96,479
Adjusted EBITDA	16,935	20,928	37,863
Management's adjustments			-
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(10,162)	(3,811)	(13,973)
Increase (decrease) in value of non-current and other assets	-	(493)	(493)
Revaluation of emission allowances and provisions	-	10,784	10,784
Operating profit	6,773	27,408	34,181
Finance income			92
Finance (costs)			(408)
Share of results of operations of associates			184
Profit before income tax			34,049

All amounts are in EUR thousands unless otherwise stated

Information on the Company's segments for the period between January and September is presented in the table below.

2017	Regulated activities	Commercial activities	Total
Total revenue of segments	60,731	36,909	97,640
Adjusted EBITDA	24,660	13,730	38,390
Management's adjustments	-	-	-
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(15,145)	(3,582)	(18,727)
Increase (decrease) in value of non-current and other assets	-	(947)	(947)
Revaluation of emission allowances and provisions	-	1,508	1,508
Operating profit	9,515	10,709	20,224
Finance income			215
Finance (costs)			(727)
Share of results of operations of associates			195
Profit before income tax			19,907

15 Related-party transactions

The Company's transactions with related parties between January and September of 2018 and the balances arising on these transactions as at 30 September 2018 are presented below:

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	104	1	740	767	5
Companies of the Lietuvos Energija UAB group	687	1,501	18,114	5,891	154
Parent company Lietuvos Energija UAB	14,479	-	-	8,436	24
Companies of the state-owned EPSO-G Group	3,228	11,907	-	21,625	88,052
Total	18,498	13,409	18,854	36,719	88,235

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 3,506 thousand during January– September 2018, EUR 3,490 thousand during January–September 2017) and sales (EUR 60,775 thousand during January–September 2018, EUR 36,351 thousand during January–September 2017) of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transactions in the Company's sales revenue.

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

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	137	2	514	784	5
Companies of the Lietuvos Energija UAB group	1,751	2,691	14,380	7,724	159
Parent company Lietuvos Energija UAB	11,590	3,924	-	340	9
Companies of the state-owned EPSO-G Group	2,847	12,649	-	23,639	96,777
Total	16,325	19,266	14,894	32,487	96,950

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 by set-off against payables/receivables to/from a respective related party.

All amounts are in EUR thousands unless otherwise stated

16 Compensation to key management personnel

	1 January 2018– 30 September 2018	1 January 2017– 30 September 2017
Employment-related payments (EUR '000)	194	186
Whereof: other significant payments to key management personnel (EUR '000)	31	36
Number of key management personnel at 30 September	4	4

In 2018 and 2017, key management personnel included the general manager and directors of services (including acting directors of services).

17 Commitments and contingencies

Guarantees issued and received

The Company has provided a guarantee to Luminor Bank AB, by which it irrevocably and unconditionally guaranteed for the payment of Kauno Energetikos Remontas UAB in the amount of EUR 1,883 thousand after the receipt of the first written request. The Company has guaranteed to the bank for the proper fulfilment of obligations of 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. As from 1 January 2016, Kauno Energetikos Remontas UAB was reorganised to Energetikos Paslaugų ir Rangos Organizacija UAB by way of merger. The guarantee expired. The credit was repaid on 2 February 2018.

Between January and September of 2018, the Company did not sign any new guarantee agreements.

As at 30 September 2018, no other guarantees were received by the Company from other entities.

Litigations

Dispute over resolutions adopted by the Commission relating to revenue from the regulated activities is disclosed in Note 3. There were no significant changes in litigations as from 31 December 2017.

Tax audits

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

18 Events subsequent to the end of the reporting period

On 26 October 2018, the National Commission for Energy Control and Prices (hereinafter – the Commission) adopted the Resolution “Regarding the Electricity Transmission Service Prices and Publication of their Application Procedure” whereby it publishes in the Register of Legal Acts the electricity transmission service prices and their application procedure approved by Decision No. 2 (Minutes No. 24) of the Board of LITGRID AB. Compared to the procedure valid to this day, clause 7 of the published procedure no longer contains the provision according to which the transmission service and system service price was not paid for the amount of electricity transferred for loading the Kruonis Pumped Storage Hydroelectric Power Plant. The Company is assessing the potential impact of the adopted legal act on its activities and results as well as further solutions.

There were no other significant post-balance sheet events during period from 30 September 2018 to the date of approval of these financial statements.

2018

LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018



Lietuvos
energija

GAMYBA



Lietuvos
energija

Group of energy
companies

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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-September 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

Job title	Full name	Telephone number
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 and the website of NASDAQ Vilnius stock exchange at 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) and the website of NASDAQ Vilnius stock exchange (www.nasdaqbaltic.com).

KEY OPERATING AND FINANCIAL INDICATORS OF LIETUVOS ENERGIJOS GAMYBA

		9 months 2018	9 months 2017	Change	
				+/-	%
KEY OPERATING INDICATORS					
Electricity generation volume	TWh	0.68	0.85	-0.17	-20.33
KEY FINANCIAL INDICATORS					
Revenues	EUR'000	96,479	97,640	-1,161	-1.19
Costs of purchase of electricity, fuel and related services	EUR'000	45,287	44,781	506	1.13
Operating expenses ¹	EUR'000	13,329	14,469	-1,140	-7.88
EBITDA ²	EUR'000	37,863	38,390	-527	-1.37
EBITDA margin ³	%	39.2	39.3	-0.1 p. p.	
Adjusted EBITDA ⁴	EUR'000	37,863	38,390	-527	-1.37
Adjusted EBITDA margin ⁵	%	39.2	39.3	-0.1 p. p.	
Net profit (loss)	EUR'000	26,760	19,685	7,075	35.94
		30/9/2018	30/9/2017	Change	
				+/-	%
Total assets	EUR'000	664,586	736,539	-71,953	-9.77
Equity	EUR'000	378,281	351,753	26,528	7.54
Financial debts	EUR'000	42,545	59,550	-17,005	-28.56
Net financial debts ⁶	EUR'000	-39,367	-714	-38,653	5,413.59
Return on equity (ROE) ⁷	%	9.4	7.5	2 p. p.	
Equity level ⁸	%	56.9	47.8	9.2 p. p.	
Net financial debts / 12-month EBITDA	%	-78.0	-1.4	-76.6 p. p.	
Net financial debts / Equity	%	-10.4	-0.2	-10.2 p. p.	

¹ 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.

² 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.

³ EBITDA / Revenues.

⁴ 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.

⁵ Adjusted EBITDA / Revenues.

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

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

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

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD

Dear customers, shareholders, partners and employees,

In January-September 2018, results of Lietuvos Energijos Gamyba were significantly affected by unpredictable natural conditions, important repair works planned in advance and the situation of electricity prices having formed in the market.

The summer of 2018 was very dry. We felt this intensively at the Kaunas Algirdas Brazauskas' Hydroelectric Power Plant, where production volumes have been rapidly decreasing since May as a result of a low water inflow. But the overall volume of production for the nine months did not change significantly. The first months of the year were watery, thus the power plant produced 11 percent less electricity during this period compared to the same period of last year. And when it comes to the financial perspective, the results of the power plant improved as the price of electricity grew in the market.

It would be more difficult for Kruonis PSHP to catch up with the results of the previous year, as works of major repairs were carried out in the power plant for the first time in its history, leading to one of four units being unavailable for six months. Despite this, the power plant reliably provided power regulation and secondary reserve services. The demand of power regulation nearly doubled compared to last year, secondary reserve has been activated twice as more.

These months were also very active in the Elektrėnai complex. After the transmission system operator agreed to provide the tertiary active power reserve service using Unit 8 of the Elektrėnai complex at the time of repairs of the NordBalt interconnection with Sweden, the combined cycle unit reliably provided electricity system reserve, the so-called strategic reserve, service, during this period, and increased the supply of electricity in the market. Also, in August 2018, we successfully completed tests of monitoring of emissions in the operating Elektrėnai complex units.

The power plants of the Company produced 20.3% less of electricity in January-September 2018, however, high wholesale electricity prices formed throughout this period in the exchange led to income and profitability indicators of the Company remaining stable.

In January-September 2018, compared to the same months of 2017, the Company's sales revenue decreased by 2.1 percent to EUR 94.7 million. The adjusted (comparative) EBITDA of January-September 2018 totaled EUR 37.9 million and was by a mere 1.4 percent lower than in January-September of last year.

Please find a more detailed presentation of financial and performance indicators of the Company below in this report.

After the parent company Lietuvos Energija announced the performance strategy of the Group LE 2030 in May of 2018, we are planning to update our own strategy this year, and we have started taking the first steps in that direction.

One of those steps – in September 2018, we announced about the initiated project for the installation of the experimental solar power plant in the upper reservoir of Kruonis PSHP. We plan to implement this unique project in cooperation with scientists from Kaunas University of Technology. Having collected and assessed performance data of the experimental power plant, the possibility to cover the entire basin in the floating solar module structure will be considered. If the project is implemented, such a power plant would help exploiting the synergy of two renewable energy sources – sunlight and water currents – in the provision of services needed for the electricity system.

The reliable and efficient provision of services necessary for the system in particular remains our key priority both in the remaining months of 2018 and looking into 2019 and subsequent years.

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 (hereinafter – CCU), 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 CCU managed by the Company was switched on**. The unit produced electricity for almost two days non-stop. In 2018, the CCU 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.

During the first sitting of the Company's Supervisory Board of the new composition held on 3 April 2018 it was decided to **elect Dominykas Tučkus as the Chairman of the Supervisory Board**. During this sitting, in accordance with the new version of the Articles of Association, **the Company's Board members**, who previously served as the Company's Board members, **were elected for the new term of office**: Eglė Čiužaitė (in charge of strategy and management), Darius Kucinas (in charge of production and system services

management), Mindaugas Kvekšas (in charge of finances and administration).

On 11 April 2018, **the Company's Articles of Association containing the amendment on the increase in the Company's authorised share capital up to EUR 187,920,762.41** were registered with the Register of Legal Entities.

On 11 April 2018, the Company's Board, in view of the opinion of the Supervisory Board, **elected the Company's Board member Eglė Čiužaitė as the Chairwoman of the Company's Board** and passed a decision that the elected Chairwoman of the Board would continue serving as the Company's Chief Executive Officer.

On 27 April 2018, **the Company announced that reserve heavy fuel oil will no longer be used in the facilities of the Elektrėnai Complex**. Reserve fuel will be replaced with natural gas and currently held heavy fuel oil is planned to be sold. The Company estimates that it could save around EUR 0.5 million per year.

On 23 May 2018, **parent company of the Group Lietuvos Energija announced the updated strategy LE2030**. The state-owned Group of energy companies Lietuvos Energija plans to undergo substantial transformation over the upcoming twelve years: increase production capacities in green energy, expand to international markets, develop and implement innovations in the energy sector. The implementation of these plans will ensure a stable return expected to reach EUR 1.6 billion in 2018-2030 and retain the best price and quality to clients.

On 14 June 2018, with the aim of further strengthening the implementation of the transparency principle across the Group companies in 2018, a decision of the Board of Lietuvos Energija was announced on the discontinuance of the provision of support and **initiation of the termination of the activities of the Sponsorship Fund of Lietuvos Energija**. This fund also distributed support provided by the Company.

On 29 June 2018, **the Company published the social corporate responsibility progress report**. The report reviews the Company's activities in 2017 and progress in the field of social responsibility. The report focuses on relationship with employees and their involvement in the Company's activities, cooperation with local communities and the society, environmental protection and activities in the market.

After LEG obtained the approval of transmission system operator Litgrid (hereinafter – TSO) to have tertiary active power reserve services provided by Unit 8 of Elektrėnai Complex during the repair of intersystem power link connecting the Lithuanian and Swedish power transmission systems NordBalt, **electricity reserve services (the so called “strategic reserve”) were provided by the CCU**.

In July 2018 the Company completed major repair works of second hydro unit of Kruonis PSHP, which were started in February 2018. Such repair works was carried out for the first time in the history of the power plant, which is unique in the Baltic States. The work will not only help to prevent major failures of the unit, but will also allow the safe operation of the unit to last for more than 15 years.

In August 2018, the Company **successfully conducted emissions monitoring tests in the operating units** of the Elektrėnai complex.

On 27 September 2018, decision of shareholders to allocate dividends for January-June 2018 was adopted in the Extraordinary General Meeting of Shareholders.

On September 2018, the Company announced its plans to build an experimental floating photovoltaic solar power plant in Kruonis PSHP.

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

ANALYSIS OF PERFORMANCE AND FINANCIAL INDICATORS

		9 months 2018	9 months 2017	9 months 2016	9 months 2015 ¹	9 months 2014 ¹
FINANCIAL INDICATORS						
Sales revenue	EUR'000	94,677	96,684	100,883	168,055	181,151
Other operating income	EUR'000	1,802	956	20,451	10,277	1,652
EBITDA ²	EUR'000	37,863	38,390	31,599	39,189	48,418
Adjusted EBITDA ³	EUR'000	37,863	38,390	31,599	39,189	48,418
Operating profit	EUR'000	34,181	20,224	28,952	30,551	33,692
Net profit (loss)	EUR'000	26,760	19,685	22,007	26,459	27,958
Profit before tax	EUR'000	34,049	19,907	28,453	29,071	33,166
Cash flows from operations	EUR'000	45,077	43,904	51,765	20,067	57,262
Liabilities to financial institutions	EUR'000	42,545	59,550	132,766	149,978	163,320
RATIOS						
Liabilities / equity		0.76	1.09	1.48	1.41	1.61
Financial liabilities / equity		0.11	0.17	0.39	0.41	0.45
Financial liabilities / assets		0.06	0.08	0.16	0.17	0.17
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) ⁴		2.84	0.52	2.25	2.72	5.13
PROFITABILITY RATIOS						
Operating profit margin	%	35.43	20.71	23.86	17.13	18.43
Profit before tax margin	%	35.29	20.39	23.45	16.30	18.14
Net profit margin	%	27.74	20.16	18.14	14.84	15.29
Return on equity	%	9.43	7.46	8.69	9.55	10.30
Return on assets	%	5.37	3.56	3.51	3.97	3.95
Earnings per share	EUR	0.041	0.031	0.035	0.042	0.044
P/E (share price / earnings)		10.62	15.49	14.59	14.04	13.90

¹ Comparative indicators were not recalculated.

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

³ 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.

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

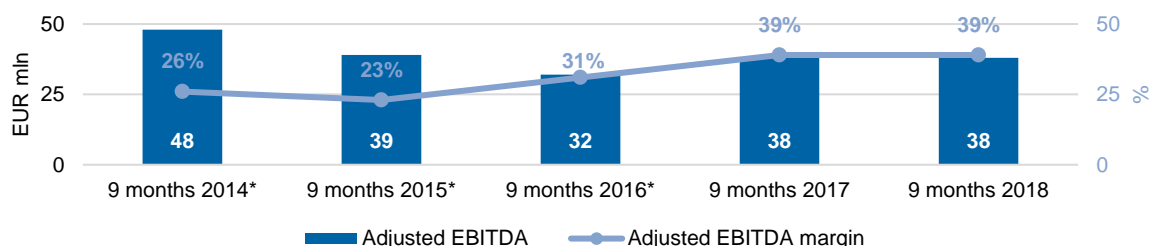
In January-September 2018, the Company's adjusted EBITDA margin remained stable compared to the same period of 2017. This change is illustrated by Figure 1 which presents EBITDA dynamics during January-June of 2014-2018. Other profitability ratios of the Company (operating profit margin, profit before income tax margin, net profit margin, return on equity) are significantly higher in January-September 2018 compared to ratios in January-September 2017 due to higher operating profit that resulted from lower

depreciation expenses and a positive result of the revaluation of emission allowances.

As a result of higher sales revenue of Kaunas A. Brazauskas HPP and better performance indicators of Kruonis PSHP, the overall adjusted EBITDA of the Company remained relatively stable compared to the same period of 2017, irrespective of decline in revenue from regulated activities of the Elektrėnai Complex.

Figure 1

The Company's EBITDA and EBITDA margin dynamics



* Comparative indicators were not recalculated.

Statement of financial position

The Company's liabilities to financial institutions amounted to EUR 42.5 million as at 30 September 2018. They included liabilities under long-term loan agreements.

Statement of comprehensive income

Revenue

The Company's sales revenue totalled EUR 94.7 million in January-September 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 decreased by 2.1% compared to January-September 2017. Such decrease was mostly caused by decrease in electricity production volumes at the Elektrėnai Complex and decrease in revenue from regulated activities of the Elektrėnai Complex.

The Company's regulated revenue for January-September 2018, i.e. electricity and heat energy generation at the Elektrėnai Complex and power reserve services provided at the Elektrėnai Complex and Kruonis PSHP, accounted for 53% of the Company's total revenue (January-September 2017: 62%).

Expenses

In January-September 2018, expenses incurred by the Company totalled EUR 62.3 million (EUR 73.1 million before revenue from revaluation of emission allowances). 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 expenses (EUR 45.3 million or 72.7%). In January-September 2017, these expenses amounted to EUR 44.8 million and made up 57.8% of total expenses. In January-September 2018, the Company's depreciation and amortisation expenses amounted to EUR 14.0 million.

Operating expenses (excluding expenses of purchasing electricity and related services, expenses of fuel for electricity generation, depreciation and amortisation expenses, expenses of

revaluation of emission allowances and impairment expenses) amounted to EUR 13.3 million in January-September 2018, i.e. decreased by 8% or EUR 1.1 million compared to the same period of 2017. Mainly due to bigger repair and maintenance expenses.

Profit

In January-September 2018, the Company's adjusted EBITDA remained stable compared to this ratio in January-September 2017. Adjusted EBITDA margin reached 39.2% in January-September 2018 (January-September 2017: 39.3%).

In January-September 2018, the Company's profit before tax totalled EUR 34.0 million, and net profit totalled EUR 26.8 million. In January-September 2017, the Company earned net profit of EUR 19.7 million.

The Company's net profit increased in January-September 2018 due to lower depreciation and amortisation expenses and the positive revaluation result of emission allowances.

Statement of cash flows

In January-September 2018, the Company's net cash flows from operating activities amounted to EUR 45.1 million compared to EUR 43.9 million in January-June 2017.

In January-September 2018, the Company's cash flows from financing activities were negative similarly as in January-September 2017 and amounted to EUR 22.3 million compared to EUR 86.8 million in January-September 2017.

Investments in non-current assets

In January-September 2018, the Company's investments in property, plant and equipment and non-current intangible assets totalled EUR 3.8 million compared to EUR 1.3 million in the same period of 2017. In January-September 2018, investments were mainly allocated for major repair works of the second unit of Kruonis PSHP.

Overview of activities of the Company's power plants

The Company brings together the state-owned electricity generating facilities, namely, the reserve power plant and the combined cycle unit (CCU) in Elektrėnai Complex, Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP) and Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP).

The Company's main objective is to contribute to ensuring the country's energy security by consolidating production capacity.

The biofuel boiler house built in the Elektrėnai Complex enables the Company to produce heat energy to satisfy the needs of

Elektrėnai town and Kietaviškės greenhouses, and the needs of its own.

As from 1 January 2016, trade in electricity produced by the Company is conducted under the agreement by Energijos Tiekimas UAB. Before that date, the Company used to conduct trading on the wholesale electricity market on its own (i.e. within the communication environment between the producers and suppliers of electricity).

The Company provides balancing services, as well as system services to the Lithuanian transmission system operator Litgrid AB (the TSO).

On July-October 2018, during the repair of intersystem power link NordBalt, electricity reserve services (the so called "strategic reserve" services) will be provided by the CCU operated by the Company.

Key performance indicators

Electricity generation indicators for January-September 2018

The Company has permits for indefinite term to engage in electricity generation activities. Electricity production volumes at the power plants controlled by the Company decreased in January-September 2018 compared to January-September 2017 (see Figure 2). In total, 0.678 TWh of electricity produced at the power plants controlled by the Company was sold during January-September 2018, i.e. 20.3% less compared to 0.851 TWh in January-September 2017.

A large amount of water was accumulating in the Nemunas river at the beginning of this year. This allowed improving electricity generation conditions at **Kaunas A. Brazauskas HPP**. In January-February 2018, the volumes of electricity produced at Kaunas A. Brazauskas HPP increased by even more than 32% compared to January-February 2017. However, very cold weather that prevailed in the country in March 2018 caused a 29% decline in the hydroelectric power plant's production volumes compared to March 2017.

Due to heavy rainfall the volumes of electricity produced at Kaunas A. Brazauskas HPP increased by 16% in April 2018 compared to the same month of 2017. With the start of hot and dry weather conditions in Lithuania in May, the water level in the Nemunas river began to decline and in May-June 2018, compared to the same months of 2017, the electricity production volumes at Kaunas A. Brazauskas HPP dropped by 28%. In July-September 2018 the weather remained very dry, so the production of the power plant during these months, compared with the same months in 2017, decreased by 34%.

In January-September 2018, electricity production volumes at Kaunas A. Brazauskas HPP decreased by 11% compared to January-September 2017 and totalled 0.283 TWh (January-September 2017: 0.318 TWh)

Due to planned repair works of the second hydro unit of **Kruonis PSHP**, that were started in February and continued until July, sales of electricity produced at this power plant decreased by 18.4% in January-September 2018 compared to January-September 2017 and totalled 0.330 TWh (January-September 2017: 0.404 TWh).

The possibility to offer electrical power generated by the CCU to the market occurred after LEG obtained the approval of TSO to have tertiary active power reserve services provided by Unit 8 of Elektrėnai Complex during the repair of NordBalt.

After the auction which was held in autumn 2017, this year, by means of the CCU (with 260 MW capacity), the Company has provided tertiary active power reserve services intended for the control of voltages in the transmission network of 330 kV and for the restoration of the secondary emergency power reserve. Meanwhile, public interest services (Lith. VIAP) – 212 MW power capacity electrical energy system reserve – has been ensured by means of Unit 8 by decision of the Government.

LEG initiated the substitution during the period of NordBalt connection repair taking into consideration the fact that with the 700 MW connection inoperative a considerable amount of electrical power from the fourth price zone (SE 4) in Sweden of the Nordic exchange Nord Pool will be unable to reach Lithuania and energy supply will reduce.

In January-September 2018, the volumes of regulation power produced and sold at Kruonis PSHP (a service necessary to balance electricity surplus/shortage in the energy system) increased twice, compared to January-September 2017. In January-September 2018 the Company sold 0.059 TWh and bought 0.028 TWh of regulation power compared to 0.029 TWh and 0.014 TWh, respectively, in January-September 2017.

Another type of system services provided at Kruonis PSHP is the secondary active power reserve, i.e. the power maintained by the producer at installations or hydroelectric units, which is activated within 15 minutes. This type of system services were used 21 times during January-September 2018. Whereas in January-September 2017, this type of services designated to ensure the safety of electricity supply were activated even 10 times. The TSO activates this reserve (the provision of which was assigned to two units of Kruonis PSHP (400 MW) in 2018) only when it is necessary to compensate a sudden drop in electricity supplied to Lithuania. In January-September 2018, the Company sold approx. 2.62 TWh of secondary power reserve – the same amount as in January-September 2017.

In 2018, the most efficient facility of the **Elektrėnai Complex** – the CCU – provided the tertiary active power reserve service (260 MW), i.e. power maintained by the producer at power generating sources, which is activated within 12 hours. This reserve is activated by the TSO. The unit is always ready for bringing in operation in order to significantly contribute to ensuring the security of the energy system. In January-September 2018, the Company sold approx. 1.703 TWh of tertiary power reserve compared to 3.17 TWh in January-September 2017.

Commercial production at the CCU is possible with the use of the residual capacity (which remains after the provision of the designated tertiary reserve service), however not at the lower capacity than the unit's technological minimal level, i.e. 160 MW. Conditions suitable for the production at the CCU occurred in March when cold weather entered all Scandinavian and Baltic countries and caused rise in electricity consumption. Moreover, the production volumes at wind power plants declined significantly. In the warm seasons of the year the residual capacity of the CCU becomes too low due to the impact

of temperature, therefore offers for electricity production at this unit are not placed to the market.

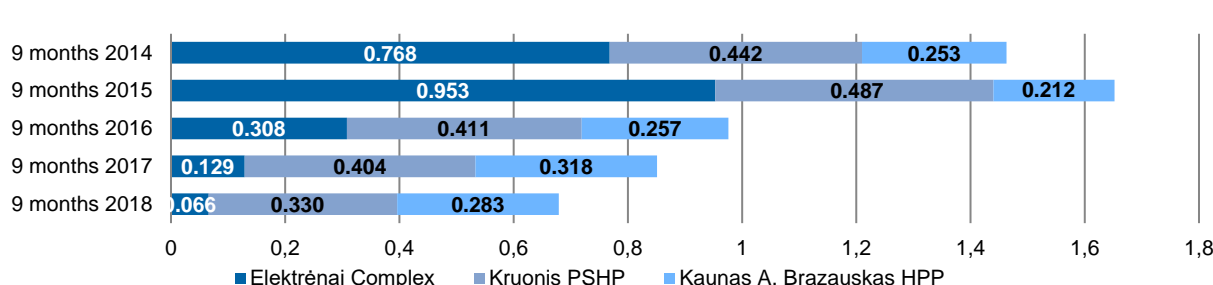
In 2018, Unit 8 of the reserve power plant ensures the electricity system reserve, the so-called strategic reserve.

In July-October 2018, during the planned repair of the interconnection with Sweden NordBalt, the CCU provided the strategic reserve service. The possibility to offer electricity produced at the CCU to the market occurred when the Company obtained permission from the TSO allowing to provide the tertiary active

power reserve service using Unit 8 of the Elektrėnai Complex during the repair of NordBalt interconnection. During July-October 2018 the CCU was activated 8 times for the commercial production. After the repair of NordBalt, CCU provides tertiary reserve service again, Unit 8 – strategic reserve service.

In January-September 2018, 0.066 TWh of electricity was produced at the Elektrėnai Complex compared to 0.129 TWh produced during January-September 2017.

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



Factors determining the financial indicators of the company

Business environment

The Company's operating environment was discussed in great detail in the report of the first half of 2018. There were no significant changes in the Company's operating environment in July-September 2018.

The Company's strategy

In September 2016, the Company's Board approved the Company's business strategy for 2016-2020 (hereinafter "the Strategy"). The Strategy defines the long-term business strategy of the Company: the strategic directions and objectives and the indicators for measuring the implementation of the Strategy.

Holding company Lietuvos energija, UAB on May 23, 2018 announced the updated strategy LE2030. In response to this, during 2018 the company plan to review and update the Company's strategy. Strategy LE 2030 could be found at www.le.lt.

Research & development projects

In July-September 2018, the Company continued the implementation of projects and investments, which were described in the report of first half of 2018 according to the envisaged plans.

Major repairs of the second hydro unit of Kruonis PSHP, which started in February 2018, were completed until 23 July 2018. During the performance of major repair works the unit was inoperative for 6 months. The internal (metal) part of the external pipeline of the hydro unit was also renovated during this period.

Implementing the decision to discontinue the use of reserve heavy fuel oil in the facilities of the Elektrėnai Complex, the Company concluded the agreement on uninterrupted supply of gas. Reserve gas will be stored at the Inčukalns gas storage facility. The Company estimates that it could save around EUR 0.5 million per year. The Company continues the procedures of the replacement of reserve fuel and the discontinuance of the storage of burned heavy fuel oil and operation of its supply infrastructure at the Elektrėnai Complex.

There were no major changes in other projects in July-September 2018.

Risk factors and their management

In July-September 2018, there were no cases of manifestation of any significant risks of the Company described in detail in the report of first half of 2018.

Social Responsibility

Social responsibility activities of the Company, its initiatives and achievements in the field of environmental protection are briefly described in the report of first half of 2018. These topics will be

discussed in detail in the annual report and the progress report on social responsibility of the Company which will be published in spring 2019.

INFORMATION ON THE COMPANY'S AUTHORISED SHARE CAPITAL AND SECURITIES

Structure of authorised share capital and securities in issue

The authorised share capital of the Company amounts to EUR 187,920,762.41 and it is divided into 648,002,629 ordinary registered shares with par value of EUR 0.29 each. All the shares have been fully paid.

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

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

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.

Structure of authorised share capital

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

The Company's share price and turnover dynamics

Statistics on trade in the Company's shares

		9 months 2014	9 months 2015	9 months 2016	9 months 2017	9 months 2018
Last trading session price, EUR		0.816	0.780	0.674	0.640	0.585
Maximum price, EUR		0.854	0.940	0.713	0.665	0.640
Minimum price, EUR		0.395	0.751	0.611	0.600	0.540
Average price, EUR		0.616	0.836	0.658	0.629	0.592
Turnover, shares		1,362,493	492,558	820,097	694,960	653,838
Turnover, EUR MLN		0.84	0.41	0.54	0.44	0.39
Capitalisation, EUR MLN	Company	518.23	495.37	428.05	406.45	379.08
	Baltic Main List	4,495.51	4,756.25	4,896.61	5,551.01	5,935.36

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

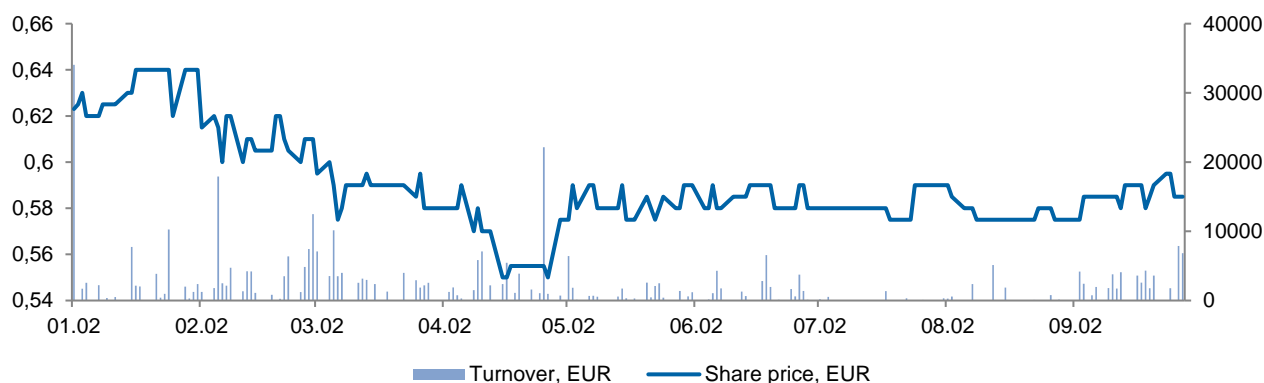


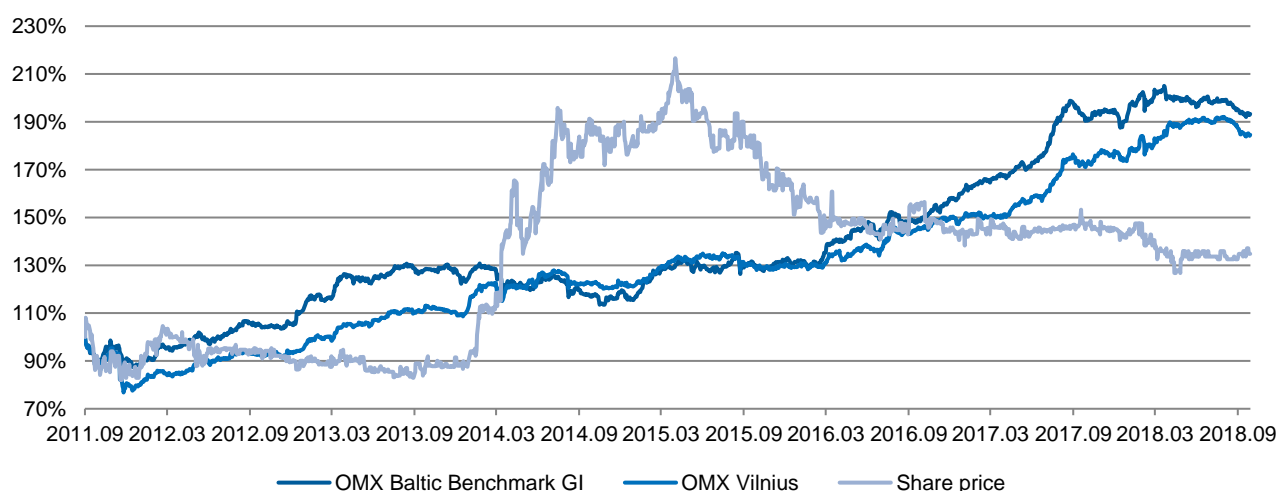
Figure 4

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 30 September 2018, the Company had in total 5,891 shareholders.

Shareholders holding more than 5% of the Company's shares (as at 30 September 2018)*

Name	Class of shares	Number of shares	% of authorised share capital	% of shares with voting rights
Lietuvos Energija UAB Company code – 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	627,372,769	98.82	96.82
Other shareholders	Ordinary registered shares	20,629,860	3.18	3.18
TOTAL	Ordinary registered shares	648,002,629	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 with AB SEB bankas on keeping accounts of the Company's securities and management of personal security accounts is active.

AB SEB bankas contacts:

Gedimino pr. 12, LT-01103 Vilnius, Lithuania

Tel. 1528 or +370 5 268 2800

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 almost 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 10th 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 2017, 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.

A decision to allocate EUR 0.023 dividends per share for the six-month period ended on 30 June 2018 (EUR 14.9 million in total) was adopted in the Extraordinary General Meeting of Shareholders of the Company held on **27 September 2018**. Persons, who were shareholders of the Company at the end of the 10th working day following the decision on the payment of dividends adopted by the General Meeting of Shareholder, i.e. at the end of the working day of 11 October 2018, received dividends.

Net profit from continuing operations of the Company was EUR 21.9 million in January-June 2018, with the indicator of dividends paid for this period/ net profit being 0.68.

THE COMPANY AND ITS MANAGEMENT BODIES

Information about the Company and its contact details

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

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.

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 (CCU),
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP),
- Vilnius Third Combined Heat and Power Plant (Vilnius PP-3) (since March 31, 2018).

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

Information about the Company's branches and representative offices

The Company has no branches or representative offices.

Information about ownership interest in other entities

The Company belongs to state capital group of companies Lietuvos Energija, which is one of the biggest group of energy companies in Baltic countries. Lietuvos Energija holds 96.82% of the Company's share.

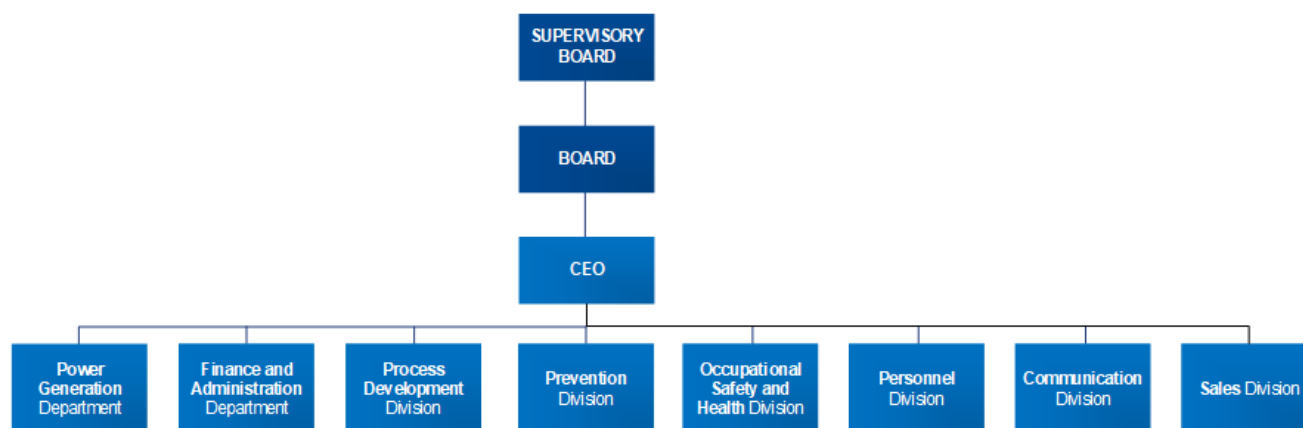
As at 30 September 2018, the Company had no daughter companies and had ownership interest in the following entities: Geoterma UAB (23.44%), Technologijų ir Inovacijų Centras UAB (20.01%), Verslo Aptarnavimo Centras UAB (15%).

	Technologijų ir inovacijų centras UAB	Verslo aptarnavimo centras UAB	Geoterma UAB
Name	A. Juozapavičiaus g. 13, Vilnius, Lithuania	P. Lukšio g. 5B, Vilnius, Lithuania	Lypkių g. 17, Klaipėda, Lithuania
Registration date	4 December 2013	30 July 2014	1 March 1996
Company code	303200016	303359627	123540818
Contacts	+370 5 278 2272, info@etic.lt	+370 5 259 4400, vac@le.lt	+370 46 326 163, info@geoterma.lt
Website	www.etic.lt	http://vac.le.lt	www.geoterma.lt
Shares	29,01%	22,25%	23,44%
Main activities	Provision of information technology and telecommunication services to energy companies.	Organization and execution of public procurement, provision of accounting, labor relations administration, customer service, human resources administration, legal services, performance consulting and training.	Gheothermal heating plant.

Information on larger related party transactions

Information on related party transactions is available in Interim Financial Statements of January-September 2018.

Figure 6
Structure of the Company (as at 30 September 2018)



Information about the Company's management bodies

Based on the Articles of Association effective as at 30 September 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. Changes in management of the Company are described below.

The General Meeting of Shareholders

Two General Meetings of the Company's Shareholders were held during January-September 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.

2. The Extraordinary General Meeting of Shareholders held on 27 September 2018 made a decision to allocate dividends for shareholders of the Company for the six-month period ended on 30 June 2018.

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

The Supervisory Board

As stated in the Articles of Association of the Company, the Supervisory Board is a collegial body exercising supervision over operations of the Company consisting of three members – natural persons. At least one-third of the Supervisory Board's members are independent members. The Supervisory Board is elected for the period of four years by the General Meeting of Shareholders. The Chairman of the Supervisory Board is elected by the members of the Supervisory Board from among themselves. The Supervisory Board and its members start and terminate their activities according to the procedures established in relevant legal acts.

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). On 3 April 2018, at the first meeting of the new supervisory board, Dominykas Tučkus was elected as its chairman.

The expected end of term of office of the current Supervisory Board of the Company is 26 March 2022.

Overall 8 meetings of the Supervisory Board were held in January-September 2018. All of them were attended by all elected members.

More details about the members of the Company's Supervisory Board are available on the Company's website under section "Company Management".

Members of the Supervisory Board (during the reporting period)

Name	Term of office	Share-holding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)
Mindaugas Keizeris Chairman	10 August 2017 – 26 March 2018	-	<ul style="list-style-type: none"> - Lietuvos Energija UAB, Member of the Board, Director for Strategy and Development (until February 1, 2018), acting director (until February 11, 2018). - Energetikos Paslaugų ir Rangos Organizacija UAB, Member of the Board. - Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (until April 24, 2017). - Vilniaus Kogeneracinė Jėgainė UAB, Chairman of the Board (until March 19, 2018). - Sponsorship Foundation of Lietuvos Energija UAB, Chairman of the Board. - NT Valdosa, UAB, Chairman of the Board. - „Lietuvos energija“, UAB, Director of Corporate Management Korporatyvinio valdymo direktorius (from February, 2018). 	–
Dominykas Tučkus Chairman	10 August 2017 – 26 March 2018 26 August 2018 – 26 August 2022	-	<ul style="list-style-type: none"> - Lietuvos Energija UAB, Member of the Board, Director for Infrastructure and Development. - LITGAS UAB, Chairman of the Board. - Lietuvos energijos Tiekimas UAB, Chairman of the Board (until August 28 2018), Member of the Board (from August 28 2018). - Energijos Tiekimas UAB, Chairman of the Board (until June 14 2018), Member of the Board (from June 14 2018). - Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board. - Eurakras UAB, Chairman of the Board - Tuulueenergia OU, Chairman of the Board - Vilnius Third Combined Heat and Power Plant, Member of the Board (from March 19, 2018) - KŪB Smart Energy Fund powered by Lietuvos Energija, Member of the Advisory Committee. 	–
Živilė Skibarkienė Member	26 March 2018 – 26 March 2022	–	<ul style="list-style-type: none"> - Lietuvos Energija, UAB, Member of the Board, Director for Organizational Development. - Verslo Aptarnavimo Centras, UAB, Chairwoman of the Board (since April 4, 2018, chairman since April 25, 2018). - Technologijų Ir Inovacijų Centras, UAB, Chairwoman of the Board (until September 26, 2018). - Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (from March 23, 2018). 	–
Rimgaudas Kalvaitis Independent Member	26 March 2018 – 26 March 2022	–	<ul style="list-style-type: none"> - Technology Competence Center, UAB, CEO. - Lietuvos Radijo ir Televizijos Centras, UAB, Independent Member of the Board. - Luno, UAB, consultant. 	–

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

Based on Articles 21 and 25 of the Company's Articles of Association, at least 1/3 (one third) of members of the Supervisory Board must be independent members. Remuneration for work at the Supervisory Board can be paid only to the independent members of the Supervisory Board and upon the decision of the General Meeting of Shareholders. The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria,

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

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. From this date until the end of the reporting period, independent member received a remuneration of EUR 5,229 for the activities of the Supervisory Board.

The Board

The Board is a collegial body of the Company. The scope of competence and the procedure for making the decisions, election of members and their removal from office is prescribed by law, other legal acts, the Articles of Association, and the Work Regulations of the Board.

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).

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. The expected end of term of office of the current Supervisory Board of the Company is 26 March 2022.

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](#)".

Overall 29 meetings of the Board were held in January-September 2018. All of them were attended by all elected members.

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
Eglė Čiužaitė Date of birth – 1979 Chairperson of the Board, CEO	22 September 2017 – 3 April 2018 3 April 2018 - 3 April 2022	–	<ul style="list-style-type: none"> - Geoterma UAB (Lypkių str. 53, Klaipėda, Lithuania, c. c. 123540818), Member of the Board. - Sponsorship Foundation of Lietuvos Energija (Žvejų str. 14, Vilnius, Lithuania, c. c. 303416124), Member of the Board. - Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 303200016), Member of the Board. 	–	13,032
Darius Kucinas Date of birth – 1971 Member of the Board, Director of Production Department	22 September 2017 – 3 April 2018 3 April 2018 - 3 April 2022	–	–	–	7,821
Mindaugas Kvekšas Date of birth – 1986 Member of the Board, Director of Finance and Administration Department	22 September 2017 – 3 April 2018 3 April 2018 - 3 April 2022	–	<ul style="list-style-type: none"> - Verslo Aptarnavimo Centras UAB (P. Lukšio str. 5B, Vilnius, Lithuania, c. c. 303359627), Member of the Board 	–	7,821
Nerijus Rasburskis Date of birth – 1977 Member of the Board, Project	22 September 2017 – 3 April 2018	–	<ul style="list-style-type: none"> - Lietuvos Energija, UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 301844044), Head of Cogeneration Power Plants Division 	–	2,694

Manager at Business Development Department	<ul style="list-style-type: none"> - 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
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Information on payments made to the members of the Board (during the reporting period)

	Remuneration in January-September 2018, EUR	Other payments in January-September 2018, EUR	Total in January-September 2018, EUR
All members of the Board, total	141,737	31,368	173,105
Per member of the Board, average	35,434	7,842	43,276

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)

	Remuneration in January-September 2018, EUR	Other payments in January-September 2018, EUR	Total in January-September 2018, EUR
To the CEO	42,461	12,057	54,518
Vyr. finansininkui*	–	–	–

* 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-September 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.

Information about the Committees

For the purpose of effective fulfilment of its functions and obligations, the Supervisory Board of Lietuvos Energija UAB (hereinafter "Lietuvos Energija") forms the committees the activities of which apply to Lietuvos Energija UAB and its directly and indirectly controlled subsidiaries, including the Company, as well as other legal persons with different legal status, over which Lietuvos Energija UAB may have significant influence.

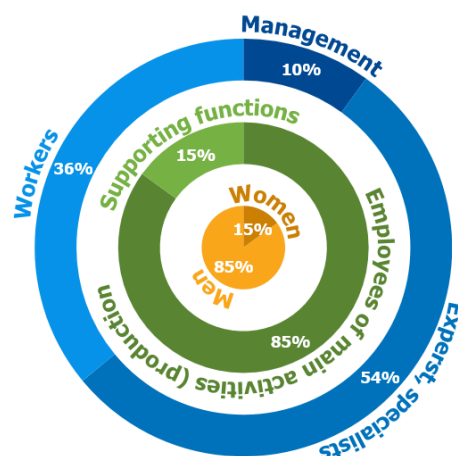
Detailed information on the functions and composition of the committees are provided in the Company's annual and half-year reports.

The Company's employees

As at 30 September 2018, the Company had 375 employees (including those on child care leave). In the end of 2017, the Company had 392 employees. The number of employees changed because several employees retired, several employees left the Company after having decided to change their place of work or for other reasons.

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 30 September 2018	Average work pay in January-September 2018, EUR
CEO	1	6,058
Top level management	3	4,647
Middle-level management	35	2,339
Experts, specialists	203	1,468
Workers	133	1,007
Total	375	1,426

Significant arrangements

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

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

Detrimental transactions

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

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>
3/4/2018	<u>Chairman of the Supervisory Board and members of the Board of Lietuvos Energijos Gamyba, AB, were elected</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>
30/4/2018	<u>Information regarding shares and authorized capital</u>
30/4/2018	<u>Results of Lietuvos Energijos Gamyba for 3 months of 2018 - 3 percent increase in generation of electricity and revenue</u>
31/5/2018	<u>Lietuvos Energijos Gamyba, AB, preliminary financial results for 4 months of 2018</u>
29/6/2018	<u>Lietuvos Energijos Gamyba preliminary financial results for 5 months of 2018</u>
31/7/2018	<u>Lietuvos Energijos Gamyba preliminary financial results for 6 months of 2018</u>
31/8/2018	<u>Lietuvos Energijos Gamyba preliminary financial results for 7 months of 2018</u>
4/9/2018	<u>Regarding the agenda and proposed draft resolutions of Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
12/9/2018	<u>Regarding the resolutions of the Supervisory Board of Lietuvos Energijos Gamyba, AB</u>
27/9/2018	<u>Regarding the resolutions of Extraordinary General Meeting of Lietuvos Energijos Gamyba, AB, Shareholders</u>
28/9/2018	<u>Lietuvos Energijos Gamyba preliminary financial results for 8 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>
10/4/2018	<u>Procedure for the payment of dividends for the 6 months period, ended 31 December 2017</u>
29/6/2018	<u>The Report on Social Responsibility of 2017 of Lietuvos Energijos Gamyba</u>
20/7/2018	<u>CORRECTION: Reporting dates in 2018</u>
31/8/2018	<u>Lietuvos Energijos Gamyba, AB, audited interim financial information for the first six months of 2018</u>

Notifications on materials events after the end of the reporting period

29/10/2018	<u>Regarding the Adopted Resolution on the Public Service Obligation Funds and the Setting of the Price for 2019</u>
29/10/2018	<u>Regarding the Decision Adopted by National Commission for Energy Control and Prices</u>