

2016-05-31 No. 50-569

CERTIFICATION STATEMENT

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania, we, the undersigned Eglė Čiužaitė, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration Department, and Giedruolė Guobienė Head of Reporting, Tax Accounting and Control 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 three month period ended 31 March 2016 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 Report for the three-month period includes a fair review of the development and performance of the business.

Chief Executive Officer



Eglė Čiužaitė

Director of Finance and Administration Department



Mindaugas Kvekšas

Verslo aptarnavimo centras UAB,
Head of Reporting, Tax Accounting and Control Division,
acting under Order No. V-050A (signed 2016 03 25)



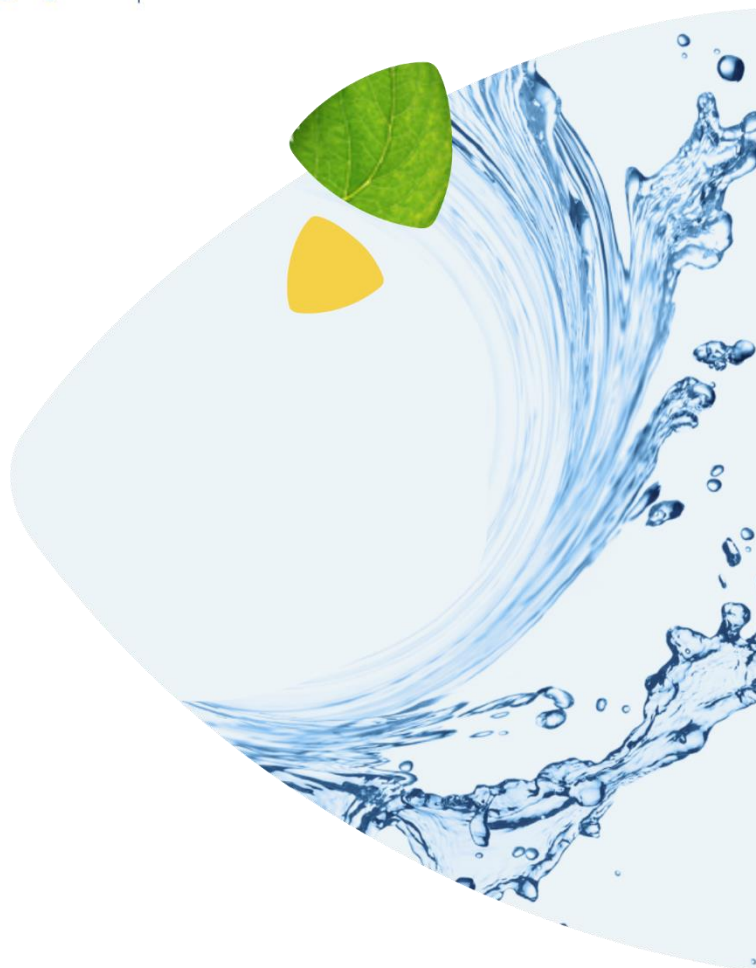
Giedruolė Guobienė

2016

LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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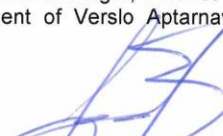
Condensed interim financial information was approved on 31 May 2016 by Lietuvos energijos gamyba AB General Manager, Finance and Administration Department Director, and Head of Financial Reporting, Tax Accounting and Control Department of Verslo Aptarnavimo Centras UAB (acting under Order No V-050A of 25 March 2016):



Eglė Čiužaitė
General Manager



Mindaugas Kvekšas
Finance and Administration Department
Director



Giedruolė Guobienė
Head of Financial Reporting, Tax
Accounting and Control Department of
Verslo Aptarnavimo Centras UAB,
acting under Order No V-050A of 25
March 2016

Lietuvos energijos gamyba, AB, company code: 302648707, address: Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

(All amounts in EUR thousands unless otherwise stated)

	Notes	As at 31 March 2016	As at 31 December 2015
ASSETS			
Non-current assets			
Intangible assets	4	10.844	16.819
Property, plant and equipment	4	666.596	673.900
Investments in associates		1.374	1.374
Other non-current assets		2.080	3.288
Other amounts receivable		10.983	8.435
Total non-current assets		691.877	703.816
Current assets			
Inventories		6.281	6.997
Prepayments		1.353	9.651
Trade receivables		14.466	20.059
Other amounts receivable	5	35.082	22.888
Prepaid income tax		1.741	3.887
Cash and cash equivalents		88.453	66.176
Total current assets		147.376	129.658
TOTAL ASSETS		839.253	833.474
EQUITY AND LIABILITIES			
Equity			
Share capital		184.174	184.174
Share premium		85.660	85.660
Legal reserve		10.872	10.872
Revaluation reserve		1.055	1.063
Retained earnings		75.096	61.131
Total equity		356.857	342.900
Non-current liabilities			
Borrowings		124.160	128.462
Finance lease liabilities		414	448
Grants		277.668	280.343
Other non-current amounts payable and liabilities		12.593	8.418
Deferred income tax liabilities		20.211	18.162
Total non-current liabilities		435.046	435.833
Current liabilities			
Borrowings		17.212	17.212
Finance lease liabilities		138	138
Trade payables		11.867	13.827
Advance amounts received		12.976	14.671
Provisions for emission allowances		2.462	3.735
Other amounts payable and liabilities		2.695	5.158
Total current liabilities		47.350	54.741
Total liabilities		482.396	490.574
TOTAL EQUITY AND LIABILITIES		839.253	833.474

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

Lietuvos energijos gamyba, AB, company code: 302648707, address: Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the three-month period ended 31 March 2016

(All amounts in EUR thousands unless otherwise stated)

	Notes	1 January 2016- 31 March 2016	1 January 2015- 31 March 2015
Revenue			
Sales revenue		33.461	37.233
Other operating income	7	19.844	6.931
		53.305	44.164
Operating expenses			
Purchase of electricity and related services		(6.761)	(11.318)
Gas, biofuel and heavy fuel expenses		(12.883)	(2.788)
Depreciation and amortisation		(5.114)	(5.614)
Wages and salaries and related expenses		(1.978)	(2.206)
Repair and maintenance expenses		(907)	(990)
Emission allowance revaluation (expenses)/income		(4.744)	(373)
Impairment of other non-current assets		(1.208)	(305)
Reversal of inventory write-down allowance		4	(1)
Other expenses		(1.595)	(2.741)
Total operating expenses		(35.186)	(26.336)
OPERATING PROFIT		18.119	17.828
Finance income (costs):			
Other finance income		118	93
Other finance (costs)		(428)	(731)
		(310)	(638)
PROFIT BEFORE INCOME TAX		17.809	17.190
Current income tax (expense)		(1.803)	(904)
Deferred income tax income/(expense)		(2.049)	(1.464)
		(3.852)	(2.368)
NET PROFIT FOR THE PERIOD		13.957	14.822
Other comprehensive income (expense)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13.957	14.822
Basic and diluted earnings per share (in EUR)		0,022	0,023
Weighted average number of shares		635.083.615	635.083.615

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

Lietuvos energijos gamyba, AB, company code: 302648707, address: Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the three-month period ended 31 March 2016

(All amounts in EUR thousands unless otherwise stated)

	Authorised share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance as at 1 January 2015	183.933	85.660	1.097	10.872	85.716	367.278
Total other comprehensive income	-	-	-	-	-	-
Net profit for the period	-	-	-	-	14.822	14.822
Total comprehensive income for the period	-	-	-	-	14.822	14.822
Depreciation of revaluation reserve	-	-	(11)	-	11	-
Result of redenomination of the nominal value of shares to EUR	241	-	-	-	-	241
Balance as at 31 March 2015	184.174	85.660	1.086	10.872	100.549	382.341
Balance as at 1 January 2016	184.174	85.660	1.063	10.872	61.131	342.900
Total other comprehensive income	-	-	-	-	-	-
Net profit for the period	-	-	-	-	13.957	13.957
Total comprehensive income for the period	-	-	-	-	13.957	13.957
Depreciation of revaluation reserve	-	-	(8)	-	8	-
Balance as at 31 March 2016	184.174	85.660	1.055	10.872	75.096	356.857

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

Lietuvos energijos gamyba, AB, company code: 302648707, address: Elektrinės st. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF CASH FLOWS
for the three-month period ended 31 March 2016

(All amounts in EUR thousands unless otherwise stated)

	1 January 2016- 31 March 2016	1 January 2015- 31 March 2015
Net profit	13.957	14.822
Reversal of non-monetary expenses (income) and other adjustments		
Depreciation and amortisation expense	7.881	8.427
Inventory write-down (reversal)	(4)	-
(Gain) on disposal of investments in subsidiaries and associates	-	(5.566)
Loss on revaluation of emission allowances	4.744	428
Other impairments/(reversals)	1.211	316
Income tax expense	1.803	904
Change in deferred income tax liability	2.049	1.465
(Income) from grants	(2.767)	(2.813)
(Decrease) increase in provisions	(1.273)	60
(Gain) loss on disposal/write-off of non-current assets (other than financial assets)	(26)	-
Elimination of results of financing and investing activities:		
- Interest (income)	(60)	-
- Interest expense	421	489
- Other finance costs (income)	(51)	149
Changes in working capital		
(Increase) decrease in trade receivables and other amounts receivable	(9.133)	33
Decrease (increase) in inventories and prepayments	9.018	(1.779)
(Decrease) in amounts payable and advance amounts received	(424)	(14.343)
Income tax (paid)	(12)	(323)
Net cash generated from operating activities	27.334	2.269
Cash flows from investing activities		
(Acquisition) of property, plant and equipment and intangible assets	(266)	(6.482)
Disposal of property, plant and equipment and intangible assets	28	-
Interest received	39	-
Net cash (used in) investing activities	(199)	(6.482)
Cash flows from financing activities		
Repayments of borrowings	(4.302)	(4.303)
Finance lease payments	(37)	-
Interest (paid)	(417)	(575)
Dividends (paid out)	(102)	(2)
Net cash (used in) financing activities	(4.858)	(4.880)
Net increase (decrease) in cash flows	22.277	(9.093)
Cash and cash equivalents at the beginning of the period	66.176	75.750
Cash and cash equivalents at the end of the period	88.453	66.657

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

(All amounts in EUR thousands unless otherwise stated)

1 General information

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

As at 31 March 2016, the Company had no subsidiaries. On 31 March 2015 the Company sold ordinary registered shares of Kauno Energetikos Remontas UAB and Energijos Tiekimas UAB. After the completion of the transaction, the Company lost control over indirectly controlled subsidiaries Geton Energy SIA, Geton Energy OU and Gotlitas UAB.

Company's investments in associates as at 31 March 2016 and 31 December 2015 were as follows:

Company	Registered office address	Company's ownership interest as at 31 March 2016	Company's ownership interest as at 31 December 2015	Profile of activities
Geoterma UAB	Lypkių st. 53, LT-94100 Klaipėda, Lithuania	23,44 %	23,44 %	Geothermal energy production
Technologijų ir Inovacijų Centras UAB	Juozapavičiaus st. 13, Vilnius, Lithuania	20,01 %	20,00 %	IT services
Verslo Aptarnavimo Centras UAB	P. Lukšio st. 5B, LT-08221 Vilnius	15,00 %	15,00 %	Public procurement, accounting and employment relations administration services

This condensed interim financial information is the stand alone Company's condensed interim financial information, as the Company had no subsidiaries as at 31 March 2016, and share of results of associates, attributable to the Company, is not significant in the opinion of the management. Company's share of results of associated companies for the period ended 31 March 2016 and Company's accumulated share of results of associated companies till 31 December 2015 were as follows:

	Acquisition cost	Participation (ownership interest, %)	Share of results of associates for the period ended 31 March 2016 attributable to the Company	Accumulated share of results of associates till 31 December 2015 attributable to the Company
Geoterma UAB	2.142	23,44	19	(2.473)
Technologijų ir inovacijų centras UAB	1.287	20,01	76	39
Verslo aptarnavimo centras UAB	87	15,00	(2)	(17)
Total	3.516		94	(2.451)

2 Accounting principles

2.1 Basis of preparation of condensed interim financial information

The Company's condensed unaudited interim financial information for the three-month period ended 31 March 2016 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 financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial year of the Company coincides with the calendar year.

2.2 Accounting policies

The accounting principles applied in preparing condensed interim financial information are the same as those applied in preparing annual financial statements for 2015.

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

(All amounts in EUR thousands unless otherwise stated)

3 Critical accounting estimates

Income from sale of part of business

Agreement on sale of the commercial part of wholesale electricity trade business signed on 12 October 2015 between the Company and Energijos Tiekimas UAB provides that additional amount of EUR 8 million (i.e. EUR 2 million per year) may be paid during the period until 2019, depending on the results of the disposed activities. The Company's management estimated an additional amount of income by assessing the probabilities to obtain additional income each year for the period up to 2019. Net present value of additional amount of income was estimated by discounting additional amount of income for the period up to 31 March 2019 using discount rate of 0,71%. Net present value of additional amount of income amounted to EUR 6.434 thousand and was accounted for in Other operating income for the period ended 31 March 2016.

(All amounts in EUR thousands unless otherwise stated)

4 Non-current intangible assets and property, plant and equipment

The movement of the Company's non-current intangible assets and property, plant and equipment is presented below:

	Intangible assets	Property, plant and equipment
Period ended 31 March 2016		
Balance at the beginning of the period	16.819	673.900
Additions	-	529
Grants received	101	-
(Expenses) from revaluation of emission allowances	(6.028)	-
Disposals	-	(2)
Reclassification from inventories	-	2
Amortisation/depreciation	(48)	(7.833)
Balance as at 31 March 2016	10.844	666.596

5 Other amounts receivable

The Company's other current amounts receivable as at 31 March 2016 and 31 December 2015 comprised as follows:

	As at 31 March 2016	As at 31 December 2015
Receivables for sale of shares	20.783	20.791
Receivable excise on heavy fuel	690	690
VAT receivable from the state budget	560	-
Receivables for IT and telecommunications services	1	1
Other receivables (Note 7) *	13.262	1.619
Total	35.296	23.101
Less: allowance for doubtful receivables	(214)	(213)
Carrying amount as at 31 March 2016	35.082	22.888

* Other receivables as at 31 March 2016 increased due to the fact that Company sold part of commercial part of wholesale electricity trade business to Energijos tiekimas UAB.

6 Segment reporting

In 2016, the management distinguished operating segments based on the reports reviewed by the Board. The Board is the principal decision-making body on the Company level. With effect from 2012, the Board started analysing the operations in terms of profitability of the regulated and commercial activities of the Company. Operating profit (loss) is a profitability measure analysed by the Board. The reports analysed by the Board are in line with the financial statements prepared in accordance with IFRSs, except for the format of presentation. Changes were made in segment information in view of how the Board analysed the Company's operations.

As at 31 March 2016 and 31 December 2015, the Company's management analysed the Company's operations by separating them into regulated activities and commercial activities. The regulated activities include the Elektrėnai Complex'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 Hydro Power Plant named after Algirdas Brazauskas and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses.

Information on the Company's segments for the three-month period ended 31 March 2016 is presented in the table below:

2016	Regulated activity	Commercial activity	Total
Total revenue of segments	19.351	33.954	53.305
Total expenses of segments	(26.770)	(8.416)	(35.186)
Whereof: depreciation and amortisation expenses	(3.847)	(1.267)	(5.114)
Operating (loss) profit	(7.419)	25.538	18.119
Finance income	-	118	118
Finance (costs)	(428)	-	(428)
(Loss) profit before income tax	(7.847)	25.656	17.809
Income tax			(3.852)
Net profit			13.957

(All amounts in EUR thousands unless otherwise stated)

6 Segment reporting (continued)

Regulated activity result before income tax for three month period ended 31 March 2016 is worse than the result of corresponding period of 2015 for the following main reasons:

- Influence of resolutions made by the National Control Commission for Prices and Energy (hereinafter – “the Commission”) was not reflected in condensed interim financial information for the I quarter of 2015. Due to abovementioned resolutions in respect of verification of Company’s activities for the year 2010-2012 and Company’s acknowledgement as an operator with significant influence in the electricity generation market, Company’s income from public service obligation (PSO) fees and capacity reserve services has decreased, accordingly part of income from regulated activity is not recognised in the condensed interim financial information. The Company did not recognize such income in interim condensed financial information according to auditor’s recommendations, however the Company continue to defend actively its position regarding recognition of such income and seeks to annul aforementioned Commission’s resolutions in the court. According to preliminary estimates if impact of Commission’s resolutions would be eliminated then Company’s regulated activity result before income tax would improve by EUR 5.8 million.
- Revaluation expenses of emission allowances (intangible assets) and impairment expenses of a right to receive emission allowances in the future (other non-current assets) are EUR 5.2 million bigger compared to corresponding period of 2015. It was influenced by decrease of market price of emission allowances.

Recognized result from sale of the commercial part of wholesale electricity trade business (EUR 19.5 million) had a positive impact on commercial activity result before income tax, while in I quarter of 2015 there was recognized gross profit of EUR 5.6 million from sale of subsidiaries. On the other hand, after the sale of the commercial part of wholesale electricity trade business the Company did not receive income from this activity since 1 January 2016.

Information on the Company’s segments for the three-month period ended 31 March 2015 is presented in the table below:

2015	Regulated activity	Commercial activity	Total
Total revenue of segments	17.387	26.777	44.164
Total expenses of segments	(12.062)	(14.274)	(26.336)
Whereof: depreciation and amortisation expenses	(4.046)	(1.568)	(5.614)
Operating profit	5.325	12.503	17.828
Finance income	-	93	93
Finance (costs)	(484)	(247)	(731)
Profit before income tax	4.841	12.349	17.190
Income tax			(2.368)
Net profit			14.822

7 Other operating income

For the period ended 31 March 2016 and 2015 the Company’s other operating income comprised as follows:

	31 March 2016	31 March 2015
Income from the sale of part of business *	19.534	-
Sale of metal scrap	196	59
Gain on disposal of property, plant and equipment	26	2
Disposal of subsidiary	-	6.666
Other income	88	204
Total	19.844	6.931

* On 12 October 2015, the Company and Energijos Tiekimas UAB (hereinafter “Energijos Tiekimas”) signed an agreement on sale-purchase of the commercial part of wholesale electricity trade activities. The part of business sold to Energijos Tiekimas covered trade in derivative financial instruments not related to physical electricity trading, and provision of balancing services. The title of ownership to the part of business (representing the commercial part of wholesale electricity trade activities) passed to Energijos Tiekimas on 1 January 2016. Until that day, these activities were pursued by the Company. In 2015, the Company’s revenue from these activities were allocated to the segment of commercial activities. Based on the terms of the agreement, Energijos Tiekimas will make partial cash payments to the Company until 31 March 2017, totalling EUR 13.1 million. Additional amount of EUR 8 million (i.e. EUR 2 million per year) may be paid during the period until 2019, depending on the results of the disposed activities. The total final amount of the transaction may reach EUR 21.1 million, provided all the contractual covenants are met.

(All amounts in EUR thousands unless otherwise stated)

8 Related party transactions

The Company's transactions with related parties between January and March of 2016 and the balances arising on these transactions as at 31 March 2016 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Company	80	5	198	6
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija, UAB)	694	15.705	3.301	19.586
Lietuvos Energija, UAB	87	28.271	182	87
LITGRID AB	406	4.669	672	10.989
BALTPPOOL UAB	1	7.079	1	16.202
AB Amber Grid	3.629	-	9.472	-
UAB GET Baltic	-	650	770	-
Total	4.897	56.379	14.596	46.870

The Company's transactions with related parties between January and March of 2015 and the balances arising on these transactions as at 31 December 2015 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Company	127	3	345	4
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija, UAB)	975	11.564	2.162	41.859
Lietuvos Dujos, AB	4	-	9	-
Lietuvos Energija, UAB	-	28.254	91	11.662
LITGRID AB	654	1.621	1.435	4.003
BALTPPOOL UAB	1	6.352	-	11.955
AB Amber Grid	77	-	423	-
UAB GET Baltic	-	232	375	-
Total	1.838	48.026	4.840	69.483

In the table of transactions with related parties in 2015, the Company's sales to LESTO AB (since 1 January 2016 Energijos skirstymo operatorius, AB), which is indirectly controlled by the Lithuanian Ministry of Finance, and to Energijos Tiekimas UAB cover the total amount of sale transactions, whereas the Company's statement of comprehensive income the part of sales transactions reflects only revenue earned from intermediation services, because the Company renders intermediation services under the service provision agreements signed with LESTO AB (2015) and Energijos Tiekimas UAB (2015).

The major sale transactions with related parties during the period from January to March 2016 and 2015 comprised transactions with LITGRID AB and BALTPPOOL UAB. Transactions with state-owned entities other than those controlled by the Lithuanian Ministry of Finance included regular business transactions and therefore they have not been disclosed.

9 Compensation to key management personnel

	1 January 2016- 31 March 2016	1 January 2015- 31 March 2015
Employment-related payments	53	70
Whereof: other significant payments to key management personnel	13	15
Number of key management personnel	4	5

In 2016 and 2015, key management personnel includes general manager and directors of departments (including the acting director of the department).

10 Events after the reporting period

There were no significant events after 31 March 2016 and until the date of approval of the condensed interim financial information.

2016

LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016



Lietuvos
energija

GAMYBA



Lietuvos
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Reporting period for which the Interim Report has been prepared

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 three-month period ended 31 March 2016.

Legal basis for the preparation of the Interim Report

The Interim Report of Lietuvos Energijos Gamyba, AB has been prepared by the Administration of the Company in accordance with Republic of Lithuania Law on Securities, Resolution of the Board of the Bank of Lithuania No 03-48 of 28 February 2013 "Concerning approval of the Rules for Preparation and Submission of Periodic and Additional Information" (edition: 11 February 2016, No 03-22), and Resolution of the Government of the Republic of Lithuania of 7 March 2012 (No 258) "Concerning approval of the Guidelines for Ensuring Transparency of Operations of State-Controlled Companies and appointment of a managing body".

Persons responsible for the information provided in the Interim Report

Title	Name	Telephone
Chief Executive Officer of Lietuvos Energijos Gamyba, AB	Eglė Čiužaitė	+370 5 278 2907
Director of Finance and Administration Department of Lietuvos Energijos Gamyba, AB	Mindaugas Kvekšas	+370 5 278 2907

KEY INDICATORS OF LIETUVOS ENERGIJOS GAMYBA

		2016 1Q	2015 1Q	Change	
				+/-	%
KEY OPERATING INDICATORS					
Electricity generation volume	TWh	0.31	0.25	0.06	23.2
KEY FINANCIAL INDICATORS					
Revenues	EUR'000	53,305	44,164	9,141	20.7
Costs of purchase of electricity, fuel and related services	EUR'000	19,644	14,106	5,538	39.3
Operating expenses ¹	EUR'000	4,570	6,084	-1,514	-24.9
EBITDA ²	EUR'000	9,558	18,407	-8,849	-48.1
EBITDA margin ³	%	28.3%	41.7%	-13.4 p. p.	
Net profit (loss)	EUR'000	13,957	14,822	-865	-5.8
		31/3/2016	31/3/2015	Change	
				+/-	%
Assets total	EUR'000	839,253	906,657	-67,404	-7.4
Equity	EUR'000	356,857	382,340	-25,483	-6.7
Financial debts	EUR'000	141,924	158,584	-16,660	-10.5
Net financial debts ⁴	EUR'000	53,471	91,927	-38,456	-41.8
Return on equity (ROE) ⁵	%	15.6	15.5	0.1 p. p.	
Equity level ⁶	%	42.5	42.2	0.4 p. p.	
Net financial debts / 12-month EBITDA	%	139.9	124.9	15.0 p. p.	
Net financial debts / Equity	%	15.0	24.0	-9.1 p. p.	

¹ Operating expenses (OPEX) = operating expenses less costs of purchase of electricity and related services, depreciation and amortisation costs, impairment losses and costs of non-current tangible asset write-offs.

² EBITDA (earnings before interest, tax, depreciation and amortisation) = profit (loss) before tax + interest costs – interest income – dividend received + depreciation and amortisation costs + impairment losses + non-current tangible asset write-offs.

³ EBITDA margin = EBITDA / Revenues.

⁴ Net financial debts = 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.

⁵ Return on equity (ROE) = Net profit (loss), restated annual expression / Equity at the end of the period.

⁶ Equity level = Equity at the end of a period / Total assets at the end of the period.

CEO FOREWORD

In 2016 1Q, the national energy producer Lietuvos Energijos Gamyba effectively availed of the potentials of the managed power generation facilities to conduct competitive production and provided services necessary for the energy system in a reliable manner. Unaudited financial performance results of the Company reveal that its operation was more effective. Still a considerable negative effect of the regulatory provisions disputed by the Company can be felt.

In 2016 1Q, all three power plants managed by the Company produced 25% more power than during the same period last year (305 GWh and 247 GWh, accordingly). Higher amount of water determined the 22.6% increase in production of power by Kaunas Algirdas Brazauskas' Hydroelectric Power Plant (Kaunas HPP) – up to 118 GWh. Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP) maintained similar level of production (produced 153 GWh), meanwhile, the unit of combined cycle which functioned in a competitive manner produced 34 GWh. During the first quarter of last year, no power was produced in Elektrėnai at all.

We prepared for 2016 responsibly because we knew that once subsidised electricity generation quotas are removed and new links occur, we will have to operate in a changed market. Consequently, we produced more power during the first quarter of the year, power plants managed to operate reliably even when the weather abruptly became cold or where the link with Sweden NordBalt was disconnected and we had to ensure stable power supply and contribute to energy price stabilisation on the market. All this shows that we successfully adapt to changes.

Despite the successful operation of the Company, by decision of the National Commission for Energy Control and Prices (NCC), part of the result of the Company's commercial activity had to reduce the earnings the Company receives from funds of public services obligations. This was the main reason the Company's sales income reduced (drop of 10.1% from EUR 37.23 million in 2015 1Q to EUR 33.46 million in 2016 1Q) as well as earnings before interest, tax, depreciation and amortisation (EBITDA) which amounted to EUR 9.56 million in 2016 1Q and was by 48.1 % lower than EBITDA of 2015 1Q (EUR 18.41 million).

The impact of the NCC decisions excepted, the Company's EBITDA would be by EUR 5.8 million higher. Most of this amount, namely, EUR 4.8 million, is part of the earnings from commercial activity of Kruonis PSHP and Kaunas HPP, which, by decision of NCC, is currently directed towards covering the Company's fixed costs while providing public services.

It should be recalled that the influence of the NCC decisions was not reflected in the statements of 2016 1Q a year ago. These decisions regarding the results of the inspection of the Company's performance during the 2010-2012 period and the recognition of the Company as having considerable impact in the power generation market reduce the amount the Company receives from funds of public service obligations and the income from services of ensuring capacity reserves, i.e. part of income from regulated activities are not recognised. The Company does

not include this income in the financial statements referring to the auditor's recommendations, however, it continues to actively defend its position regarding their recognition and seeking to annul the above mentioned decisions of the NCC in the court.

Unaudited net earnings of the Company in 2016 1Q amounts to EUR 13.96 million, meanwhile, the net profit in 2015 1Q was EUR 14.82 million. The net result was largely determined by the sale of part of the wholesale power business. It should be recalled that Energijos Tiekimas UAB, which bought this part of the business will have to pay the Company EUR 13.1 million in cash in instalments by 31 March 2017. Moreover, EUR 8 million in addition (EUR 2 million per year) may have to be paid subject to the results of the sold activity in the period until 2019. The final price of the transaction, if all terms and conditions specified in the agreement are fulfilled, may amount to EUR 21.1 million. However, the sale of the wholesale electricity business share has negative impact on the Company's EBITDA because having sold this share of business on 1 January 2016 it no longer receives any income from this activity.

Tangible benefit in improving the results of the Company in 2016 1Q was the result of the effort of all employees who aimed at becoming a more flexible and effective energy production company. We will continue focusing on ensuring the reliability of facilities. Operating costs are reducing due to faster repairs and changes in work organisation, besides, the costs of business support services also fall down.

Eglė Čiužaitė
Chairwoman of the Board and CEO
Lietuvos Energijos Gamyba, AB

MOST-SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Since the start of 2016, decommissioning activities with regard to units 5 and 6 of the reserve power plant operating in the Elektrėnai Complex have been carried out. The start of their dismantling is planned following the end of dismantling of units 1 and 2. For more information see section [Important Events In The Company's Activities](#) of this report.

Since 1 January 2016, the ownership of the share of the commercial power wholesale business sold by the Company was transferred to Energijos Tiekimas UAB. The sold share of business includes sale of derived financial instruments and the provision of the balancing services both not related to the physical sale of electricity. Having sold this part of business the Company will continue receiving income for the power produced in the power plants operated by it and for the provision of system services. For more information see [this report on the corporate action](#).

In January 2016, the combined cycle unit was launched after electricity prices went up in the Lithuanian bidding area of the power market Nord Pool. As no quotas are allocated for the generation of power, the unit operated as a competitive facility and contributed to price stabilisation.

On 9 February 2016, in accordance with the resolution of the Government of the Republic of Lithuania, share redemption procedure was launched in terms of the shares of the former public limited liability company LIETUVOS ELEKTRINĖ. For more information see section [Important Events In The Company's Activities](#) of this report and the [website of the Company](#).

On 19 February 2016, the Supervisory Board of the Company:

- Taking into consideration the request by Juozas Bartlingas, removed him from the office of the Chief Executive Officer of the Company and the chairman of the Management Board;
- Removed Vidmantas Salietis from the office of a member of the Management Board of the Company;
- Appointed Eglė Čiužaitė to the Management Board of the Company, who was elected to take the office of the Chief Executive Officer of the Company by the Management Board the same day.

For more information see section of this report [Company and Its Management Bodies](#) and [Important Events In The Company's Activities](#).

On 25 February 2016, the new version of the collective agreement of the Company was approved which will be in force for two years. For more information see section [Employees of the Company](#) of this report.

On 29 March 2016, general shareholders' meeting of the Company approved the set of audited consolidated financial statements of the Company 2015, the 2015 annual report and the profit (loss) distributions. No distributions of dividends were provided. For more information see [this report on the corporate action](#).

During downtime of the electricity connection NordBalt with Sweden, which started operating in 2016 in pilot mode, firstly the emergency reserve of Kruonis Pumped Storage Hydroelectric Plant was activated. The power plant which launches within 2 minutes guarantees uninterruptible power supply until other sources capable of providing the missing amount of power are found. For more information visit the [website of the Company](#).

ANALYSIS OF FINANCIAL INDICATORS OF THE COMPANY

		2016 1Q	2015 1Q	2014 1Q
FINANCIAL INDICATORS				
Sales revenue	EUR`000	33,461	37,233	41,793
Other operating income	EUR`000	19,844	6,931	439
EBITDA ¹	EUR`000	9,558	18,407	16,116
Operating profit	EUR`000	18,119	17,828	10,247
Net profit (loss)	EUR`000	13,957	14,822	9,294
Profit before tax	EUR`000	17,809	17,190	10,586
Cash flows from operations	EUR`000	27,334	2,269	20,021
Liabilities to financial institutions	EUR`000	141,924	158,584	160,590
RATIOS				
Liabilities / equity		1.35	1.37	1.31
Financial liabilities / equity		0.40	0.41	0.39
Financial liabilities / assets		0.17	0.17	0.17
LOAN COVERAGE RATIO				
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) ²		2.01	3.77	8.57
PROFITABILITY RATIOS				
Operating profit margin	%	33.99	40.37	24.26
Profit before tax margin	%	33.41	38.92	25.07
Net profit margin	%	26.18	33.56	22.01
Return on equity	%	15.64	15.51	9.14
Return on assets	%	6.65	6.54	3.96
Earnings per share	EUR	0.022	0.023	0.015
P/E (share price / earnings)		7.38	9.77	10.59

¹ Earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses.

² Re-financed loans were not included in the calculation of the ratio.

Profitability ratios of both the Company and the Group for the In 2016 1Q, the profit margin of the Company was lower than of the same period in 2015. However, the ROA (return on assets) and the ROE (return on equity) indicators slightly improved.

The Company's EBITDA kept falling because of the decisions of the National Commission for Energy Control and Prices (hereinafter referred to as the "NCC") regarding the results of the inspection of the Company's performance during the 2010-2012 period and the recognition of the Company as having considerable impact in the power generation market that are currently challenged in the court. Due to these decisions, the Company was subject to the fixation of reduced prices for regulated services in 2016.

Negative effects resulting from this action on EBITDA and net profit in 2016 1Q amounts to EUR 5.8 million and EUR 4.9 million accordingly. Financial statements on the comparative period, namely, 2015 1Q, do not reflect the effect of these decisions of the NCC on the performance results.

The biggest positive effect on the Company's net result of 2016 1Q was caused by the sale of the share of of business related to the wholesale electricity trading. The total final price of this transaction, if all terms and conditions specified in the agreement are fulfilled, can amount to EUR 21.1 million. However, the sale of the wholesale electricity business share has negative impact on the Company's EBITDA because having sold this share of business on 1

January 2016 it no longer receives any income from this activity.

In 2016 1Q, the income from regulated activities, i.e. generation of electrical power and thermal energy in the Elektrėnai Complex and the capacity reserve services provided by the Elektrėnai Complex and Kruonis PSHP accounted for about 36% of the total Company's income (39% in the first 3 months of 2014).

Statement of Financial Position

On 31 March 2016, the Company's liabilities to financial institutions totalled EUR 141.9 million. These are liabilities according to long-term loan agreements.

The most significant changes in the organisation of the Company's assets occurred due to impairment loss recognised for long-term tangible assets of Units 5 and 6 of the reserve power plant in late 2015 (on 7 December 2015, the Management Board of the Company adopted the decision to terminate the use of units 5 and 6 as of 1 January 2016) and also because of the sale of business part which affected the changes in revolving capital.

Statement of Comprehensive Income

Revenue

Sales revenue of the Company totalled EUR 33.5 million in 2016 1Q. Income from electricity trading, balancing power, regulation power, capacity reserve and PSO services as well as income from sale of heat energy account for the largest part of revenue. Compared with 2015 1Q there has been a 10.1% decrease in the Company's revenue. This has been mainly determined by the mentioned decisions of NCC.

Expenses

In 2016 1Q, costs incurred by the Company amounted to EUR 35.2 million. Costs of purchasing electricity and related services and costs of purchasing fuel for electricity generation accounted for the largest part of the Company's costs (EUR 19.6 million or 55.8%). The same costs over the corresponding period of 2015 accounted for 53.6% of the operating costs or EUR 14.1 million. Depreciation and amortisation costs of the Company amounted to EUR 5.1

million in 2016 1Q and compared to the corresponding period of 2015 reduced by EUR 0.5 million.

Operating expenses of the Company during 2016 1Q, excluding purchases related to electricity and its generation, depreciation and amortisation costs, costs of revaluation of emission allowances and impairment losses, totalled EUR 4.6 million; compared with 2015 1Q, they decreased by EUR 1.5 million. In 2015 1Q, the Company sold the shares of its subsidiary Kauno Energetikos Remontas, UAB, for this reason, the expenses of this period reflected the loss from the sale of the aforementioned shares. The operating expenses of 2016 1Q also decreased due to lower repairs costs and changes in work organisation, besides, the expenses of services for business administration (procurement, accounting etc.) decreased.

Profit

EBITDA of the Company for 2016 1Q is lower by EUR 8.8 million compared with the same period of 2015. The EBITDA margin, excluding the income from the sale of business part, decreased by 13.4 p. p. and was 28.3% in 2016 1Q.

In 2016 1Q, the Company earned EUR 17.8 million as profit before tax and the net profit amounted to EUR 14.0 million.

Statement of Cash Flows

Net cash flows from operating activities of the Company were EUR 27.3 million in 2016 1Q. In 2015 1Q, the net cash flows of the Company were EUR 2.3 million.

Lower cash flows of investing activities of 2016 1Q reveal smaller volumes of investment in fixed assets due to the completion of the construction project of heat facilities in Elektrėnai in 2015. The Company's cash flow from financial activity was negative both in 2016 1Q and 2015 1Q and amounted to EUR 4.9 million.

Investments in Non-Current Assets

In 2016 1Q, the Company's investments in non-current tangible and intangible assets amounted to EUR 0.5 million, meanwhile, in the corresponding period of 2015 it amounted to EUR 1.8 million.

ANALYSIS OF OPERATING INDICATORS

Performance and Prospects

The Company brings together the state-controlled electricity generating facilities, namely, the reserve power plant and the combined-cycle unit in the Elektrėnai Complex, Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP), and Kaunas Algirdas Brazauskas' Hydroelectric Power Plant (Kaunas HPP). The main objective of the Company is to contribute to ensuring the country's energy security by mobilising production capacity (see Fig. 1).

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

Since 1 January 2016, the electricity generated by the Company is sold by Energijos Tiekimas, UAB according to a corresponding agreement. Before that, the Company conducted trading on the wholesale electricity market itself (i.e. in the environment of communication between power producers and suppliers).

The Company provides balancing services, also system services to the Lithuanian transmission system operator LITGRID AB (TSO).

Figure 1
Operations and prospects of the Company

Elektrėnai Complex	Kruonis Pumped Storage Hydroelectric Plant	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	Electricity trading
Reserve power plant and combined-cycle unit			
			
Capacity: 1055 MW*	Capacity: 900 MW	Capacity: 100,8 MW	
The main power plant of the Lithuanian energy system, which supports tertiary reserves to ensure safe electricity supply and reserves of the energy system. Units 3 and 4 of the reserve power plant have been dismantled; as of 2015, units 1 and 2 are being dismantled as well (the capacity of all units is 150 MW per unit). Units 5 and 6 (300 MW each) are decommissioned, dismantling works are planned to start in 2017. Electricity in the future will be produced in the most effective (combined cycle) unit (455 MW). Units 7 and (300 MW each) 8 are in reserve. In 2015, the use of new heat production facilities (steam and biofuel boiler rooms) started.	Kruonis PSHP is designed for the balancing of electricity generation and consumption as well as for the power system's emergency prevention and response. Kruonis PSHP is responsible for the securing the larger part of the emergency reserve required for the Lithuanian power system. As the need for regulation increases, and on completion of the power links with Sweden and Poland, the power plant will provide more system services. If market conditions are favourable, the Company plans to implement a Kruonis PSHP development project.	Kaunas A. Brazauskas HPP is the largest power plant in Lithuania that uses renewable energy sources. Kaunas A. Brazauskas HPP contributes to the balancing of electricity generation and consumption and levels out the power system. It is one of the power plants in the Lithuanian power system that can start an autonomous operation in case of the total power system failure. The plant is going to maximise the generation of green energy, depending on natural conditions, and to provide system services.	Since 2016, the trading in the electrical power generated by the Company is conducted on the wholesale electricity market by Energijos Tiekimas UAB on the basis of a corresponding agreement. The emergence of links with Sweden and Poland enabled the activation of trading focusing on more opportunities to conduct trading in electricity and system services in the connected systems.
* The above mentioned power plant capacity applies from 1 January 2016, when units 5 and 6 were decommissioned.			

Key Performance Indicators

Electricity generation indicators for 2016 1Q

The Company has permits of unlimited duration to produce electricity. In total, almost 0.305 TWh of electricity produced in the power plants managed by the Company were sold in 2016 1Q. Compared to the same period of 2015, the total amount of electricity produced in all power plants of the Company grew by 23.2% (from 0.248 TWh). The growth was mostly caused by the increased production of electricity in Kaunas A. Brazauskas HPP and the fact that in the early 2016 electricity was also produced in the Elektrėnai complex (see Figure 2).

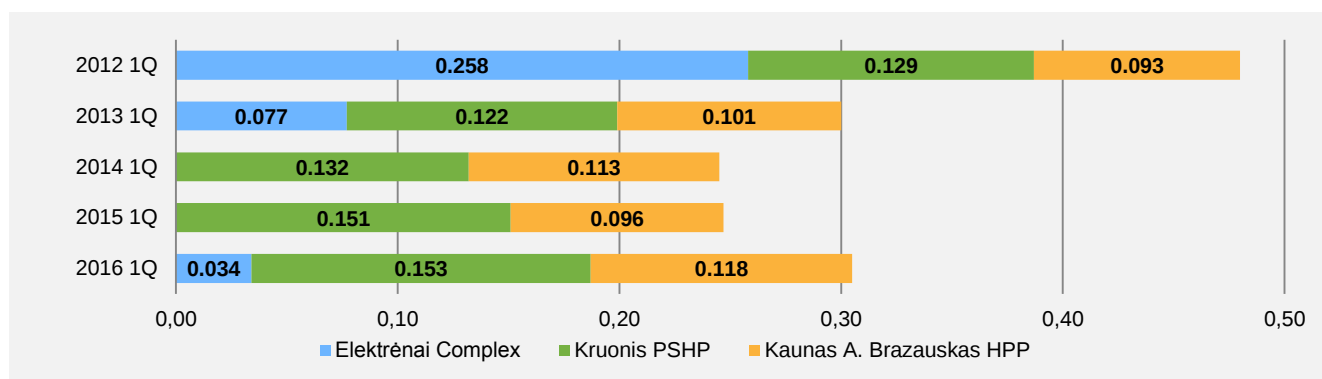
A comparison of production volumes of individual power plants shows that in 2016 1Q, compared to 2015 1Q, electricity production in the Kaunas A. Brazauskas HPP has strongly increased. In this power plant, almost 0.118 TWh of electricity were produced and sold in 2016 1Q. This is 22.6% more than in 2015 1Q (0.096 TWh). This power plant produced more because of the higher level of water in the Nemunas River.

Production volumes of the Kruonis PSHP, compared to the volumes of the 2015 1Q, almost did not change: within 2016 1Q, 0.153 TWh of electricity were produced and sold – slightly more than in 2015 1Q (0.151 TWh). As much as 7.6 GWh of activated emergency reserves of Kruonis

PSHP was sold during 2016 1Q. The power plant provides these services to the TSO with the aim to compensate the shortage of capacity and power in the power system management district (due to the accident when the power generation source or the facility of electrical networks is disconnected, also to restore the initial reserve of active capacity). For instance, when interconnection with Sweden NordBalt was disconnected, uninterrupted supply of energy was guaranteed by Kruonis PSHP.

In 2016 1Q, as much as 0.034 TWh of electricity produced by the combined cycle unit which operated in a competitive manner was sold. In the first quarter of the last year, no electrical power was produced in Elektrėnai at all (generation of electricity in Elektrėnai in 2015 was focused on the warm season of the year). It should be recalled that since 2016, electricity generation quotas in combined heat and power plants were removed, for this reason, the electricity generating facilities of the Elektrėnai Complex were launched this year only after the electricity prices on the market went up to the extent where these facilities could function competitively and would thus contribute to price stabilisation.

Figure 2
Electricity generated in the Company's controlled power plants and traded (TWh)



Since 8 January 2013 the Company is performing the functions of the designated entity, i. e. it buys the total amount of electricity projected to be generated at wind farms and

sells it in the Lithuanian bidding area of Nord Pool exchange. In 2016 1Q, 0.167 TWh of electricity generated at wind farms was sold on the exchange.

System services

System services ensure the stability and reliability of the energy system, prevention of and response to system emergencies, and the requisite power reserve in accordance with the established requirements for the supply quality and reliability. The system services include power reserving, trade in regulation power and balancing power, reactive power management, and system recovery services.

The power reserving service is a means to ensure the reliable operations of the energy system when, in unforeseen (emergency) situations, power generation volumes drop or consumption increases suddenly. Power generating companies provide the service of maintaining

the secondary and tertiary reserves. The secondary active power reserve is the power of the installations or hydroelectric units in operation maintained by the generating company and activated within 15 minutes. The tertiary reserve is the power of the generating sources maintained by the generating company and activated within 12 hours. Power plants managed by the Company provide the secondary and tertiary power reserve services. The secondary power reserve is ensured by Kruonis PSHP; the tertiary power reserve is ensured by Elektrėnai Complex. In 2016 1Q, the Company sold around 0.873 TWh of electricity as secondary power reserve and 1.102 TWh of electricity as tertiary power reserve. Sales of capacity

reserve services in the 2015 1Q were: secondary power reserve – 0.432 TWh, tertiary power reserve – 0.583 TWh.

The regulation power service is required to balance the surplus and shortage of power in the energy system. Trading in the regulation power is carried out in real time and ensures the reliable operation of the energy system every hour. When the amount of electricity in the system is not sufficient and the TSO gives an instruction to increase production, the Company increases generation volumes and sells the necessary amount of regulation power to the TSO. When there is a surplus of power in the energy system and the TSO gives instruction to reduce production, the Company reduces electricity generation volumes and purchases the surplus regulation power from the TSO. In 2016 1Q, the Company sold 0.003 TWh and purchased 0.011 TWh of regulation power (in 2015 1Q, 0.002 TWh and 0.004 TWh, respectively).

Balancing power is the actual deviation from the power generation/consumption schedule planned by the TSO. Trade in the balancing power is conducted after the end of

reporting month; it encourages the market participants to prepare accurate power generation and consumption forecasts. For example, if, during any hour, the Company generates a smaller amount of energy than scheduled, it has to buy the difference from the TSO (purchase of balancing power); and vice versa, if the hourly generation volume is larger than planned, it has to sell the difference to the TSO (sale of balancing power).

Reactive power control service is a system service aimed at levelling out any fluctuations in the loads of the power system and ensuring the requisite voltage and frequency levels. The reactive power control service is provided by the Kruonis PSHP's units operating in the synchronous condenser mode.

System recovery after complete failure is the service aimed at effective start-up of the power-generating source after full or partial failure of the power system, without using power supply from the network. The service is provided by both Kruonis PSHP and Kaunas A. Brazauskas HPP.

OTHER FACTORS DETERMINING FINANCIAL INDICATORS

Business Strategy of the Company

On 25 June 2014, the Company's Board approved the document of the business strategy of Lietuvos Energijos Gamyba, AB 2014-2020 (hereinafter referred to as the Strategy). The latter document defines the long-term business strategy of the Company: strategic directions and objectives of operations and their indicators measuring the implementation of the Strategy. The Strategy for 2014-2020 was drawn by the Company taking into consideration the internal and external environment factors and most probable values of the main presumptions that have the greatest impact on the Company's operations and setting challenging strategic objectives with the expected outcomes oriented to the purposes set by the shareholder.

The Strategy envisages that in 2014–2020:

- profitability of the Company will increase in accordance with the general objectives of the Group provided for in the strategy of Lietuvos Energija, UAB, the main shareholder of the Company;
- until 2019, total revenues of the Company will decrease due to stronger competition on the exchange and shrinking production volumes at the Elektrėnai Complex (market liberalisation effect), however, later stabilisation is expected due to additional revenues from commercial activities of the Company;
- EUR 130–190 million are planned to be invested during 2014–2020 in the two main development projects (the biofuel thermal power plant and (if market conditions are favourable) the construction of Unit 5 of Kruonis PSHP).

Strategic Directions

The strategic objectives of the Company will be attained by working along the four strategic directions:

- **Increase value of the Company:** By consistently increasing the profitability of commercial activities; eliminating those production capacities that are not in use; investing in the modernisation of other capacities; increasing process efficiency and cutting operating costs.
- **Ensure quality of service to the clients (TSO, suppliers, customers):** By reducing the dependence on the state support (public service obligation (PSO)); formulating an electricity portfolio that is in line with the wishes of electricity suppliers; ensuring optimal electricity prices for suppliers and end customers; fulfilling the obligations of a socially responsible company to the public and increasing the focus on environmental protection.

- **Increase operational efficiency:** By reviewing and optimising the business processes through the use of LEAN principles and tools; improving project management; developing the employees' competences; optimising the production capacities under the Company's control and abandoning those units which are not used in full.
- **Create an organisational culture based on corporate values:** By increasing the employees' involvement and developing the leadership competences; ensuring continuity of business by planning future competence requirements and organising timely employee training and/or requalification; attracting and retaining human resources, reducing the scope of key employees' turnover, implementing and consistently applying the system of providing replacement / substitute personnel; and effecting a cultural change in the health and safety at work area.

Figure 3
Strategic Directions of the Company 2014–2020



In March 2016, the Company updated its mission and vision. According to plans, given the changes that recently took place in the energy sector, the year 2016 will see the update of the Company's long-term performance strategy.

MISSION

- We are a reliable and advanced power generation company providing services required for the energy system security.

VISION

- Our aim is to become a competitive international centre of power generation and services.

Innovative Activities

Seeking to implement one of its strategies – to enhance the efficiency of the operations – the Company pursues the path of constant improvement based on the optimisation of functions, technological advancement, introduction of innovations, and improvement of business processes.

The Company encourages and realises not only those ideas that are provided for in its operating plans but also those put forward by its employees. Experts and managers evaluate proposed ideas through the prism of their payback with regard to the aspects of safety at work, quality, corporate values, and improvement of workplace ergonomics. Employees are provided with the possibility to implement their ideas and thus to contribute to developing the Company's activities and attaining its goals.

Research and Development Projects

To implement technically and economically viable investment policy, the Company uses long-term strategic planning to identify the lines of development of the Company and to estimate the required investments in the replacement or rehabilitation of production facilities.

Bigger investments of the Company (current or planned by 2020):

- Modernisation of physical security systems (video, perimeter and access monitoring and control);
- Renovation of auxiliary integrated distribution equipment and integrated transformer substations at Kruonis PSHP;
- Works on the Obeniai lot (ash site) at the Elektrėnai Complex;
- Kruonis PSHP frequency converter;
- Installation of Unit 5 at Kruonis PSHP (if market conditions are favourable).

Research and development projects which were implemented in 2016 1Q:

Assessment of wind energy potential in the Kruonis PSHP

At the beginning of 2015, complex measurements of wind speed, direction, and other meteorological conditions, allowing to assess the primary potential of the land plot for constructing a wind farm, were completed in the territory of the Kruonis PSHP. On the basis of positive wind measurement results, the Company initiated preparatory works for constructing a wind farm in the territory of the Kruonis PSHP. The following was accomplished: a study regarding the impact of the Kruonis wind farm on NATURA 2000 territories, a feasibility study to evaluate wind resource and electricity production volumes, and an environmental impact assessment programme. Currently, an environmental impact assessment report is being prepared; the procedure is expected to be completed by the middle of 2016.

Fuel Facilities Management Programme

Due to the fact that Company reduced the use of fuel oil in its activities to the minimum and given the fact that consequently there is no need to preserve the state reserve of fuel oil, the capacity of fuel facilities available in the

Since 2012, the Company's employees proposed 175 innovative ideas, 64 of which have been implemented. In 2016 1Q employees proposed 10 innovative ideas.

All units of the Company continue with the practice of day-to-day operations visual management with integrated performance indicators and cascaded meetings system. On the basis of the LEAN culture and tools, wastes that do not create value are eliminated, problems are addressed more efficiently and quickly, and processes and their individual steps are improved according to the Company's priorities.

Elektrėnai Complex no longer meet the actual needs of the Company. For this Reason, at the end of 2015, stage I of fuel facilities management programme was initiated. During this stage, tenders for sale / rent of part of the available reserves of fuel oil were launched, preparations for the liquidation of part of storage facilities started as well as preparations for optimisation of power network of the fuel facilities, demolition of storage tank heating equipment and overhead structure for fuel oil (discharge) I, etc.

Dismantling of units 1 and 2 of reserve power plant

After the end of the project on the expansion of heat generation facilities in Elektrėnai in 2015, the use of units 1 and 2 of the power plant, which were previously used to generate heat to the residents of Elektrėnai town and industry during the cold season, proved unnecessary. Therefore, having assessed the fact that the price for energy produced using these units is no longer competitive on the market and that their refusal will help reduce the need for public services along with the final rate for electricity charged to consumers, the decision was made to demolish these old and ineffective 150 MW capacity units of the back-up power plant, which were built in 1962-1965.

Thermal insulation, masonry of boilers, equipment and devices of the units have already been demolished and utilised by selling part of them as scrap-iron, and the rest – as suitable for further use. By March 2016, as much as 60 % of demolition activities had been carried out.

Syderiai underground gas storage project

All tests regarding the assessment of the suitability of Syderiai geological structure and possibilities to store natural gas in it were completed in 2014, so in 2015, in accordance with a resolution of the Government of the Republic of Lithuania, the goal was to attract a financial support from the European Union from the CEF fund for the implementation of the project. Since the project was not included in the list of CEF priority projects of 2015–2017, further alternatives and prospects of implementing the project are being discussed.

The Company's Main Risks and Contingencies

The main risks encountered by the Company in carrying out its activities include the risks of external regulation, market changes and competition, inaccurate trade forecast, risk of technical fault, safety and occupational health risk, and risk of information security.

Risk of external regulation

The risk of regulation is associated with unfavourable legal environment changes and decisions of regulating authorities.

The Company strives to maintain constructive relationships with regulatory authorities and to actively participate in the legislative process. The long-term strategy of the Company provides for the purposeful reduction of costs of regulated activities.

Risk of market changes and competition

The Company carries out the activities of electricity and heat production and trade in electricity. When the power link with Sweden and Poland is put into operation, the price of electricity in the Baltic countries should go down to the level of electricity prices in Scandinavia/Poland, so the competitive capacity of the Company can decrease.

In view of the expected market changes, it is sought to maintain the competitiveness of the Company by abandoning out-of-service production capacities, exploiting new facilities (biofuel and steam boiler houses), and upgrading old ones.

Risk of inaccurate trade forecast

Sharp changes in the electricity market pose the risk of inaccurate trade forecast.

Forecasting of prices, electricity production planning, and presentation of proposals to the exchange takes place in accordance with the "four-eye" principle and operations are automated in order to avoid human errors. The Company carries out everyday market situation analysis and trade results monitoring.

Risk of technical fault

One of the key goals of the Company is to ensure national energy security.

In order to ensure the reliable, fault-free operation of the power plants, the Company continuously and timely performs technical maintenance of process units, invests in the upgrading of equipment, and ensures the continuity of knowledge and training of skills of the operations personnel. Business continuity plans are drawn up, updated, and constantly tested in order to ensure the activities of the Company.

Safety and occupational health risk

The production process involves the use of open flame sources, flammable and explosive materials, steam, hot water, temporary and short-term working places for specific works, and complex working conditions – all this puts both employees and contractors at the risk of safety and health insecurity.

The Company pays great attention to the prevention of accidents: an OHSAS 18001:2007 certificate is maintained in order to secure safety and health, working places and work organisation quality are checked regularly, employees are briefed on safety and provided with personal protective equipment.

Risk of information security

Insufficiently tested systems may increase the likelihood of information security breaches, due to which information important to the Company can be intercepted/disclosed.

The Company implements information security requirements established for companies of strategic or major importance for national security within the scope of competence of the Minister of Energy: risks in the production systems are assessed, data back-up copying is performed, monitoring of the equipment, network, and systems is carried out, systems operate in a technological network which cannot be accessed from outside, and regular "manual" vulnerability tests are performed.

INFORMATION ABOUT AUTHORIZED CAPITAL AND SECURITIES OF THE COMPANY

Structure of Authorized Capital and Securities

The authorized capital of the Company amounts to EUR 184,174,248.35 and has been divided into **635,083,615 ordinary registered shares** with par value of 0.29 EUR each. All the shares have been fully paid for.

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

The Company has not acquired or transferred own shares during the reporting period. The Company has not acquired its own shares.

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

ISIN code LT0000128571.

Ticker – LNR1L.

Shares of the Company have not been traded in other regulated markets.

Structure of Authorized Capital

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

The Company's Share Price Dynamics and Share Turnover

Statistics on trading in the Company's shares

		2013 1Q	2014 1Q	2015 1Q	2016 1Q
Last trading session price, EUR		0.400	0.514	0.912	0.649
Maximum price, EUR		0.411	0.530	0.930	0.713
Minimum price, EUR		0.380	0.395	0.783	0.623
Average price, EUR		0.389	0.463	0.853	0.633
Turnover, shares		153,932	343,604	167,086	144,233
Turnover, EUR MLN		0.06	0.16	0.14	0.096
Capitalisation, EUR MLN	Company	254.03	393.75	579.19	412.17
	Baltic Main List	5,035.93	4,608.38	4,914.94	4,565.49

Figure 4
Dynamics of the Company's share prices and turnover in the reporting period

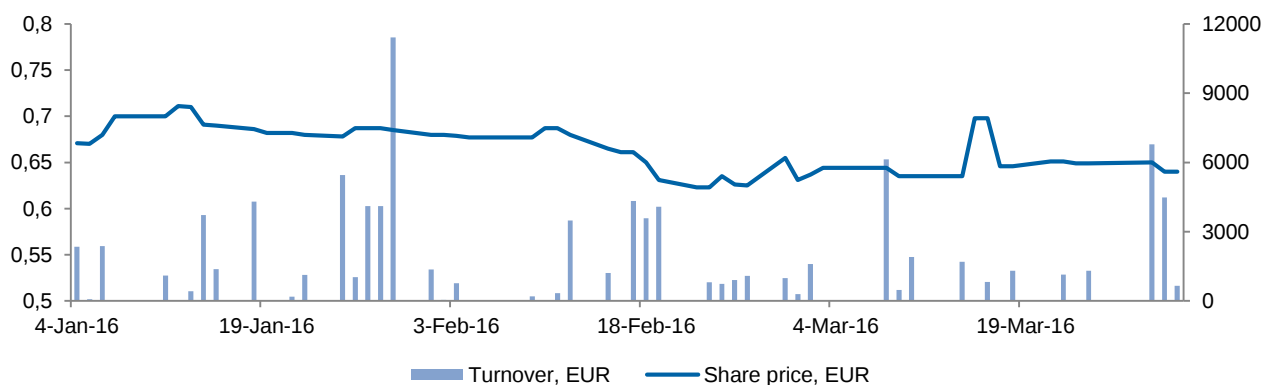
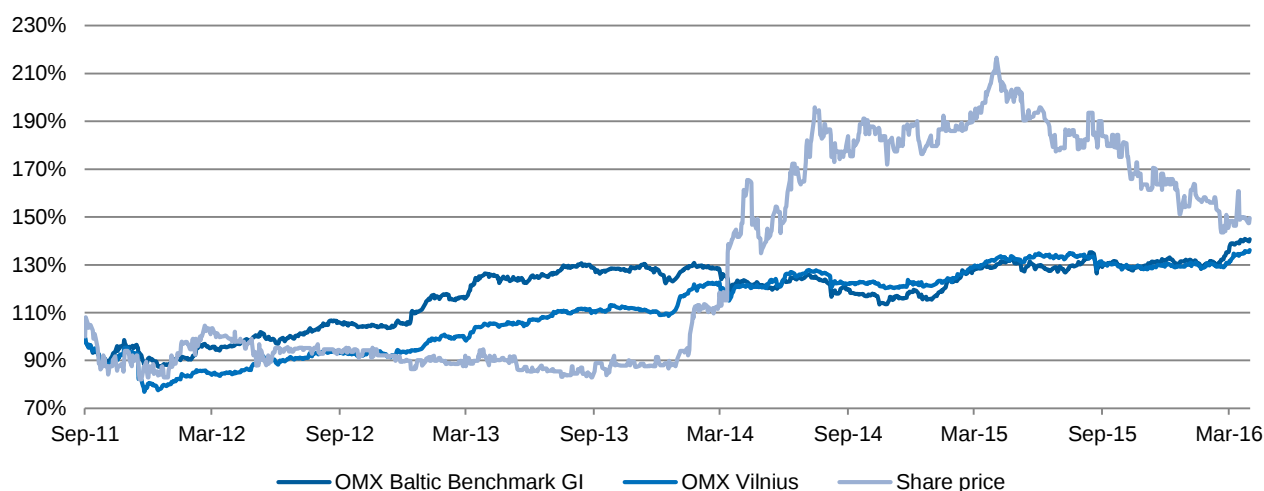


Figure 5

Dynamics of the Company's share prices and turnover since the beginning of trading to the end of the reporting period



Figure 6
Prices of the Company's shares, dynamics of OMX Vilnius and OMX Baltic Benchmark indexes



Information about Shareholders of the Company

Total number of shareholders as of 21 March 2016 (the day of identification of shareholders for the purposes of the Ordinary General Meeting of Shareholders of the Company): 6,057.

Total number of shareholders as of 31 December 2015: 6,109.

List of shareholders whose shares account for more than 5% of the Company's authorised capital (as of 31 March 2016)*

Name	Class of shares	Number of shares	% of authorised capital	% of voting shares
Lietuvos Energija, UAB Business ID – 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	611,242,975	96.25	96.25
Other shareholders	Ordinary registered shares	23,840,640	3.75	3.75
TOTAL	Ordinary registered shares	635,083,615	100.00	100.00

* The redemption of the shares of former LIETUVOS ELEKTRINĖ, AB started on 9 February 2016 in accordance with the Resolution No. 1126 of the Government of the Republic of Lithuania of 26 October 2015 (ended on 9 May 2016). During the shares redemption process, 3,866,497 shares of the Company were transferred to Lietuvos Energija, UAB (they comprise 0.61 per cent of the total issue of the Company's shares). At the day of publication of this report Lietuvos Energija, UAB manages 96.74 per cent of the shares of the Company.

The Rights of the Shareholders, Shareholders with Special Control Rights, and Descriptions of Those Rights

All shareholders of the Company have equal property and non-property rights 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 the shareholders of the Company.

Shareholders have the following property rights:

- To receive a share (dividend) in the profits of the Company;
- To receive the funds of the Company when the authorised capital of the Company is reduced to pay the funds of the Company to shareholders;
- To receive shares free of charge when the authorised capital is increased by using the funds of the Company, except for the cases provided for in the Law of the Republic of Lithuania on Companies;
- Exercise pre-emptive rights to acquire shares or convertible bonds issued by the Company, except for the case when the general shareholders' meeting, according to the procedure established in the Law of the Republic of Lithuania on Companies, decides to revoke the priority rights of all shareholders;
- To lend funds to the Company by using methods stipulated by laws, but the Company, when borrowing from its shareholders, does not have the right to pledge its assets to the shareholders. When the Company borrows from a shareholder, interest cannot exceed the average interest rate of commercial banks located in the lender's place of residence or business, which was valid at the moment of concluding the loan agreement. In this case, the Company and the shareholders are not allowed to agree on a higher interest rate;
- To receive a share of the assets of the company in liquidation;

- To transfer all shares or a part thereof to the possession of other persons;
- In cases and according to the procedure stipulated in the laws, to require other shareholders to compulsorily sell their shares to them or to require other shareholders to compulsorily buy shares from them;
- Other property rights provided for by the laws.

Shareholders have the following non-property rights:

- To participate in general shareholders' meetings;
- To submit questions regarding the items on the agenda of general shareholders' meetings to the company in advance;
- In accordance with the rights granted by the shares, to vote during general shareholders' meetings. One registered ordinary share grants one vote;
- To receive information about the Company to the extent allowed by the laws;
- To file a lawsuit in court asking for compensation for the damages incurred by the Company because the head of the Company and the members of the board failed to carry out their duties laid down in this law and other laws as well as in the articles of association of the Company, or carried them out improperly, as well as in other cases stipulated by the laws;
- Other non-property rights provided for by the laws.

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

Restrictions on Voting Rights

There were no restrictions on voting rights.

Restrictions of the Transfer of Securities

To the best of the Company's knowledge, there were no agreements between shareholders of the Company due to which transfer of securities and/or voting rights can be restricted.

Information on Agreements with Intermediary of Public Trading in Securities

An agreement on keeping of accounting for the Company's securities and on management of personal securities accounts which was concluded on 9 December 2013 with Swedbank, AB, expired on 8 February 2016.

Dividends

During an ordinary general meeting of the Company's shareholders that took place on **29 March 2016**, the distribution of the profit (loss) of the Company of 2015 was approved. No distributions of dividends were provided for the six-month period, ended 31 December 2015.

To be reminded, during an extraordinary general meeting of the Company's shareholders that took place on 24 September 2015, a decision was made on the allocation of dividends for a period shorter than a financial year to the shareholders of the Company. Dividends comprising EUR 0.0042 per one share of the Company (in total, EUR 2.67

million) were allocated for a period of six months that ended on 30 June 2015. From January to June 2015, the net profit of the Company from continuing operations comprised EUR 19.26 million, so the ratio of dividends paid for this period / net profit amounts to 0.14.

Dividends were received by persons who at the end of the tenth working day after the general shareholders' meeting that made the decision regarding the payment of dividends, i.e. at the end of the working day on 8 October 2015, were shareholders of the Company.

CORPORATE SOCIAL RESPONSIBILITY

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

Promoting community spirit

To strengthen ties with the community of Elektrėnai region where its core operations are based, the Company organises a series of public events under the title 'Lietuvos Energijos Gamyba Presents'. In March 2016, a meeting with a well-known Swedish publicist, director, and translator Jon Ohman was held. In total, as many as 14 meetings of this cycle have been already organised. The Company organises them in cooperation with Elektrėnai Library. The aim is to encourage the urban and district communities as well as the Company's employees to gather in one place and to offer them take part in unique meetings with famous, interesting and ingenious people.

Educational activities

The Company gladly and free of charge accepts visitors in its objects, namely, the unit of combined cycle, Kruonis PSHP, Kaunas A. Brazauskas' HPP. The Company also seeks to contribute to teaching the public, in particular, the young generation, about the energy sector. In the period from January to March 2016, the above-mentioned power plants received a few hundred visitors from different enterprises, schools and other institutions as well as foreign delegations. The highest number of visits over the aforementioned period was organised in Kruonis PSHP.

For more information about the corporate social responsibility of the Company please see the Company's operating reports and social responsibility reports that are published in [Social Responsibility](#) section on the Company's website.

Environmental Protection

The Company put every effort in preserving the environment while conducting its activities, also in trying to use natural resources efficiently and to apply modern, effective and safe (in terms of the environmental impact) technologies in carrying out its production-related operations. The Company also fulfils the requirements of legislation regulating environmental protection, and tries to apply preventive measures reducing negative impact on environment in a professional manner.

The most important environmental issues are as follows: safe use of facilities, safe use of materials considered hazardous in terms of ecology, waste management,

ensuring the allowable water level fluctuations in Kaunas Lagoon (Kauno Marios) and the Nemunas flowing below Kaunas A. Brazauskas' HPP, etc. The Company complies with all applicable environmental requirements.

The Company has implemented the Environmental Protection Management System meeting the requirements of EN ISO 14001:2005. In addition, the requirements set forth in the licences of Integrated Pollution Prevention and Control (IPPC).

A modern waste sorting yard installed in the Elektrėnai Complex is capable of sorting 18 types of waste. Any hazardous and non-hazardous waste resulting from the activities of the Company are transferred to waste management entities. Waste from ferrous and non-ferrous metals is sold to scrap collection centres for the market price.

Household, paper and cardboard, plastic and glass waste resulting in the Company's units are sorted and transferred to the companies providing public/utility services.

Statistical data on the collected, sorted and utilised waste as well as other environmental indicators are announced in the Company's half-year and annual reports.

Preventive measures to ensure safe environment

The Company's divisions fulfil the requirements laid down in the licences of Integrated Pollution Prevention and Control (hereinafter referred to as the "IPPC Licences") with regard to the monitoring of air, surface water, underground water, soil pollution and protection measures. The results of the research carried out in 2016 show that the highest allowable values of (air and water) pollution as set forth in the IPPC Licences issued to Elektrėnai Complex, Kruonis PSHP, Kaunas A. Brazauskas' HPP have not been exceeded.

The Company conducts periodical calculations of pollution produced by stationary and mobile pollution sources, continuous accounting of chemical substances and preparations, accounting of resulting and managed waste, used water and discharged wastewater.

In the early 2016, procurement of service and contract work commenced according to the updated plan of the project on the management of Obeniai land plot of the Elektrėnai Complex. It is expected that the territory of the Obeniai land plot will be recultivated in the next coming years and will meet the environmental requirements of legislation.

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, Lithuania
Telephone	+370 5 278 2907
Fax	+370 5 278 2906
E-mail	info@le.lt
Website	www.gamyba.le.lt

Core Activities of the Company

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

Information about Branches and Representative Offices of the Company

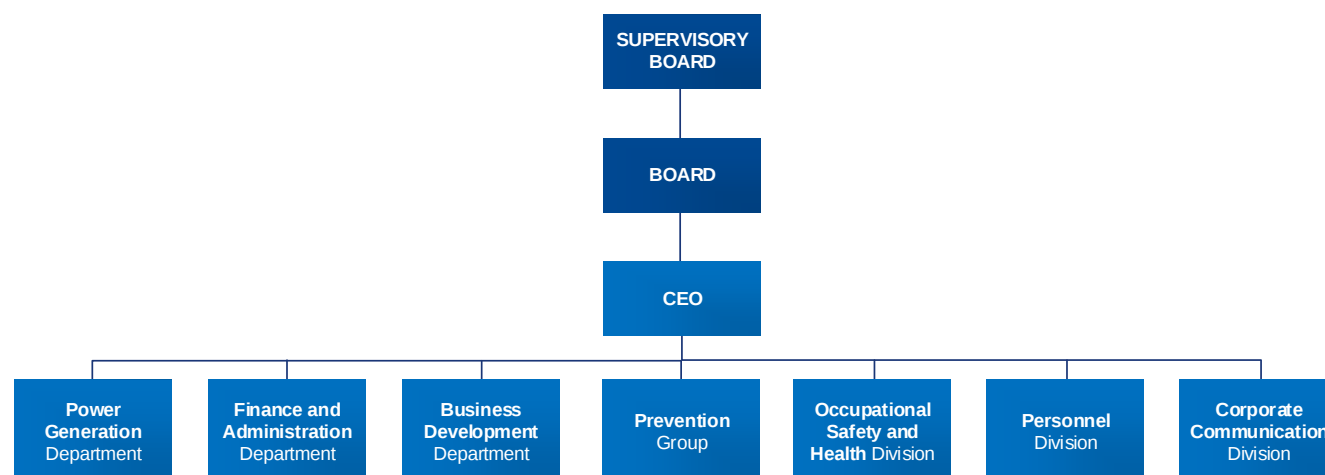
The Company has no branches or representative offices.

Divisions of the Company

The Company operates all state-owned power generation facilities:

- Elektrėnai complex with a reserve power plant (former Lithuanian Power Plant) and a combined-cycle unit,
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas A. Brazauskas HPP).

Figure 7
*Structure of the Company (as of 31 March 2016)**



Information on Shares of Other Companies

As at March 31 2016 the Company took part in the management of the following associated companies: UAB Geoterma (23.44 percent of the shares), UAB Technologijų ir Inovacijų

Centras (20.01 percent) and UAB Verslo Aptarnavimo Centras (15 percent).

Information about Management Bodies of the Company

According to the Articles of Association valid as of 31 March 2016, management bodies of the Company include:

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

Articles of Association of the Company are available in the Company's website section 'Management of the Company'.

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme body of the Company. The scope of competence and the procedure for its convention and adoption of decisions by the meeting are established by the laws, other legal acts and the Articles of Association.

The Articles of Association of the Company may be amended according to the procedure established in the Republic of Lithuania Law on Companies, by the decision of the general meeting of shareholders approved by a qualified majority vote which shall be not less than 2/3 of the voting rights carried by the shares of the shareholders present at the meeting.

One general meeting of shareholders were held in January–March 2016:

1. During an ordinary general meeting of the Company's shareholders that took place on 29 March 2016, the distribution of the profit (loss) of the Company of 2015 was approved. No allocations of dividends were provided for the six-month period, ended 31 December 2015.

Information on the shareholders' votes is available on the Company's website, under the section [For Investors](#).

Supervisory Board

As stated in the Articles of Association of the Company, the Supervisory Board is a collegiate body exercising supervision over operations of the Company. It consists 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 legal acts.

The scope of competence of the Supervisory Board includes the following main powers:

- electing and recalling Members of the Board;
- overseeing activities of the Board and the Chief Executive Officer;
- furnishing the general meeting of shareholders with feedback and proposals for the operating strategies of the Company, annual financial statements, proposed allocation of profit/loss and the Annual Report of the Company as well as activities of the Board and the Chief Executive Officer;
- furnishing the general meeting of shareholders with feedback and proposals for the decisions on declaring dividend for a period shorter than one financial year

and on approving interim financial statements and interim report for this purpose;

- making proposals to the Board and the Chief Executive Officer for recalling the decisions adopted by them which are in contravention of the laws and other legal acts, the Articles of Association of the Company or decisions by the general meeting of shareholders;
- resolving other matters of supervision over the Company and its management bodies falling within the scope of competence of the Supervisory Board as stated in the Articles of Association and in the decisions of the general meeting of shareholders.

Members of the Supervisory Board (during the reporting period)

Name	Term of Office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Mindaugas Keizeris Chairman	20 November 2014 – 5 August 2017	–	- Lietuvos Energija, UAB Director for Strategy and Development, member of the Board. - UAB Energetikos Paslaugų ir Rangos Organizacija, chairman of the Board. - UAB Elektrinių Mokėjimų Agentūra, chairman of the Supervisory Board. - UAB Vilniaus Kogeneracinė Jėgainė, chairman of the Board. - Lietuvos Energija Foundation, Member of the Board.	–
Dominykas Tučkus Member	21 December 2015 – 5 August 2017		- Lietuvos Energija, UAB, Director for Production and Services, member of the Board. - UAB LITGAS, chairman of the Board. - UAB Lietuvos Dujų Tiekimas, member of the Board. - Energijos Tiekimas UAB, chairman of the Board. - UAB Elektroninių Mokėjimų Agentūra, member of the Supervisory Board. - Eurakras, UAB, member of the Board. - Tuulueenergija, HOB OU, valdybos narys.	

Pranas Vilkas Independent member	5 August 2013 – 5 August 2017	–	–	–
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The Supervisory Board of the Company was formed on 5 August 2013. There were no changes in the composition of the Supervisory Board during the reporting period. The expected end of the term of office of the current Supervisory Board of the Company is 5 August 2017.

Further information on the members of the Company's Supervisory Board is available on the Company's website, under the section Company Management.

Information on amounts paid to Members of the Supervisory Board during the reporting period

	Pay in 2016 1Q, EUR	Other payments in 2016 1Q, EUR	Total, EUR
All members of the Supervisory Board collectively	–	1,128	1,128
Per member of the Supervisory Board on average *	–	1,128	1,128

* According to the Company's Articles of Association (namely, Articles 21 and 25), the Supervisory Board shall consist of a minimum of 1/3 (one third) independent members and payment of remuneration to independent members of the Supervisory Board can be established by the general meeting of shareholders for their activities in the Supervisory Board. Terms and conditions of the agreements and independence criteria of the members of the Supervisory Board are established by the general meeting of shareholders following the requirements established by the legislation and good corporate governance practices.

Audit Committee

No committees have been formed in the Company. On 27 August 2013, the supervisory board of Lietuvos Energija, UAB, formed the audit committee, which was responsible for analysing issues attributed to the competence of the committee and issues with regard to which the supervisory board applies to the committee as well as submitting them to the supervisory board. The activity of the audit committee applies to Lietuvos Energija, UAB, its directly or indirectly controlled subsidiaries, including Lietuvos Energijos Gamyba, AB, and other legal entities of a different legal form, where Lietuvos Energija, UAB, may exercise directly or indirectly a dominant influence.

The main functions of the audit committee are as follows:

- To supervise the process of making financial reports of Lietuvos Energija, UAB, and its group of companies;
- To monitor the effectiveness of internal control and risk management systems of Lietuvos Energija, UAB, and its group of companies, to analyse and review the need and suitability of these systems;
- To monitor how the chartered auditor and the audit company follow the principles of independence and

objectivity, to provide recommendations in relation to this;

- To supervise the auditing processes of Lietuvos Energija, UAB, and its group of companies, to assess the effectiveness of the audit and the response of the administration to the recommendations that the audit company submits to the management;
- To monitor the effectiveness of the internal audit function of Lietuvos Energija, UAB, and its group of companies, to analyse the need and suitability of this function, to give recommendations regarding the necessity and effectiveness of the internal audit function as well as regarding other issued related to internal audit.

Since 5 January 2015, a centralised internal audit function has been active in the group of companies. This decision helps to ensure the independence and objectivity of the internal audit function, a unified methodology and accountability, and to allocate available audit resources and competences more rationally.

Members of the Audit Committee (during the reporting period)

Member	Shareholding in the Company	Term of Office	Institution/company and position
Rasa Noreikienė Chairperson	–	August 2013 – August 2017	Ministry of the Economy of the Republic of Lithuania, Vice-Minister
Aušra Vičkačkienė Member	–	August 2013 – August 2017	Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department
Danielius Merkinas Independent Member	–	August 2013 – August 2017	UAB Nordnet, Finance Director
Gintaras Adžgauskas Member	–	August 2013 – August 2017	World Energy Council, Lithuania Committee, Director
Irena Petruškevičienė Independent Member	–	October 2014 – October 2018	- Member of European Commission Audit Development Committee - UN World Food Programme - ISM Business and Management School - National Audit Office of Lithuania

No changes took place in the membership of the Audit Committee during the reporting period.

The Board

The Board is a collegiate body of the Company. The scope of competence and the procedure for the adoption of decisions and election and recalling of members are established by the laws, other legal acts, the Articles of Association, and Work Regulations of the Board.

The Board consisting of 5 (five) members is recalled and elected by the Supervisory Board for 4 (four) years according to the procedure established by the Articles of Association of the Company and the legal acts. The Board reports to the Supervisory Board and the general meeting of shareholders. The Board elects its Chairman from among its members.

The person that nominates a candidate for the position of the Member of the Board must submit to the Supervisory Board a written statement about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Member of the Board. The following persons may not be elected as Members of the Board: a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the electricity or gas transmission operations, member of the Supervisory Board of the Company, and any person who is not entitled to occupy such position on other grounds established in legal acts.

In case the Board is recalled, resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Board will be elected for the new term of the Board. In case of election of individual members, such members may only be elected for the period until the end of the term of the current Board.

Members of the Board (during the reporting period)

Name	Term of Office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Eglė Čiužaitė Chairwoman of the Board, Chief Executive Officer	19 February 2016 – 17 September 2017	–	- UAB Geoterma, member of the Board. - Lietuvos Energija Foundation, Member of the Board (from 19 April 2016). - UAB Technologijų ir Inovacijų Centras, member of the Board (until 7 April 2016)	–
Adomas Birulis Member of the Board, Director of Business Development Department	17 September 2013 – 17 September 2017	–	UAB Technologijų ir Inovacijų Centras, member of the Board.	–
Darius Kucinas Member of the Board, Director of Production Department	17 September 2013 – 17 September 2017	–	–	–
Mindaugas Kvekšas Member of the Board, Director of Finance and Administration Department	31 December 2015 – 17 September 2017	–	UAB Verslo Aptarnavimo Centras, member of the Board	–
Juozas Bartlingas Chairman of the Board, Chief Executive Officer	17 September 2013 – 19 February 2016	–	- National Energy Association, member of the Board (until 15 March 2016). - Lietuvos Energija Foundation, Member of the Board (until 19 April 2016).	–

The Board has the right to adopt decisions on:

- the Company's acting as a founder or a member of a legal person;
- any transfer to third parties or encumbrance of the shares/interests held by the Company, or of rights attached thereto;
- formation or termination of branches and representatives offices of the Company;
- bond emissions;
- disposal of facilities which are owned by the Company and which are specified in the Republic of Lithuania Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security;
- transactions the value of which exceeds EUR 3 million;
- other decisions provided for in the Articles of Association of the Company.

In certain cases, prior to adopting a decision the Board must obtain an opinion of the Supervisory Board and approval of the general meeting of shareholders.

Taking opinions of the Supervisory Board into consideration, the Board elects and recalls the Chief Executive Officer of the Company, sets his/her remuneration and other terms and conditions of employment contract, approves his/her job regulations, and gives incentives to and impose penalties on him/her.

Vidmantas Salietis
 Member of the Board,
 Director of Wholesale
 Department

17 September
 2013 – 19
 February 2016

–

- Nord Pool electricity exchange – Member of Client Advisory Council
- Union of the Electricity Industry EURELECTRIC – Member of Market Committee.
- Energijos Tiekimas UAB, General Manager

The Management Board of the Company was formed on 17 August 2013. During the reporting period, Juozas Bartlingas submitted a request on the resignation from the office of the Member (Chairman) of the Company's Board and the office of Chief Executive Officer on 19 February 2016. The Supervisory Board of the Company satisfied the request the same day and assigned Eglė Čiužaitė to the Board. The same day, Vidmantas Salietis was removed from the office in

the Board of the Company. He has taken the lead over Energijos Tiekimas, UAB since November, 2015. The expected end of the term of office of the current Board of the Company is 17 September 2017.

Further information on the members of the Company's Board is available on the Company's website, under the section Company Management.

Information on amounts paid to Members of the Board during the reporting period

	Pay in 2016 1Q, EUR	Other payments* in 2016 1Q, EUR	Total in 2016 1Q, EUR
All members of the Board collectively	41,071	12,214	53,285
Per member of the Board on average	10,268	3,054	13,321
Per member of the Board who is not the Company's employee**	–	1,438	1,438

* For the functions/activities of a member of the Board.

** Payment to Vidmantas Salietis for the functions/activities of a member of the Board who took the office of a member of the Board until 19 February 2016, however, held no other position in the Company over the reporting period.

Management of the Company's

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 cases established in the Articles of Association

and the laws. The scope of competence of the Chief Executive Officer and the election and recalling procedures are established by the laws, other legal acts and the Articles of Association of the Company.

Information on amounts paid to CEO and Chief Financier during the reporting period

	Pay in 2016 1Q, EUR	Other payments in 2016 1Q, EUR	Total in 2016 1Q, EUR
Chief Executive Officer Juozas Bartlingas	8,080	2,397	10,477
Chief Executive Officer Eglė Čiužaitė	5,648	1,997	7,645
Chief Financier*	-	-	-

* From 1 December 2014 accounting function was moved from the Company to UAB Verslo aptarnavimo centras, therefore the Company no longer has accounting employees or Chief Financier. UAB Verslo aptarnavimo centras performs the complete set of accounting functions for the Company starting from source documents accounting and finishing with preparation of financial statements..

Employees of the Company

The number of the employees of the Company; the change within the reporting period

On 31 December 2015 the Company had 429 employees, on 31 March 2016 – 407 employees (including those workers who are on parental leave). Specialists and middle management accounted for 60% of them, workers – 39%, top level managers – 1%. The main reasons for the changes in the number of employees are the following: employees of the Wholesale Electricity Trading Department were transferred to Energijos Tiekimas UAB, employees

having worked for the Company for a number of years have retired. A few people left the Company for the reason of changes in work organisation.

Men account for 83% of the Company's personnel, women – 17%, accordingly. Almost 52% of the Company's employees have higher education, 38% – higher non-

university (college) degree education, 10 % – secondary education.

The highest number of employees in the Company is aged from 35 to 54 who have 10-year or more experience in the Company. These are skilled, experienced specialists who form the basis of the Company's team in production divisions where knowledge and experience play an important role. Employees of the aforementioned age group accounted for 54% of all the Company's workers.

Around 17% of the Company's employees are 25-34 aged people.

The distribution of employees according to position levels and their average salaries are indicated in the table below. The specified salary amounts include the constant salary part, the variable salary part and additional bonuses paid for notable work results, for working on weekends and holidays, for overtime work and work at night.

Number of the Company's employees and average pay (as of 2016 1Q)

	CEO	Top management	Middle management	Experts, specialists	Workers
Numbers of employees by position levels	1	3	30	214	159
Average pay, EUR	4,576	2,996	1,804	1,294	867

Career Opportunities and Employee Attraction

Voluntary employee turnover in the Company is low, i.e. 0.24%. When the need for a new employee occurs, first internal selection is organised. If there are no candidates for the new position within the Company, the search is conducted beyond the boundaries of the Company. During the search for employees based on the principle of internal rotation as many as 3 employees of the Company were promoted over 2016 1Q (vertical career), 6 employees were transferred to similar positions in other divisions of the Company (horizontal career). While expanding career opportunities for employees and promoting employee movement among/within the Lietuvos Energija Group, 6 employees moved to other companies of the group, 2 employees arrived from other enterprises of the group.

To attract young skilled specialists the Company is actively cooperating with educational institutions, students of higher and vocational schools are provided with opportunity to apply their theoretical knowledge in practice and gain practical skills during internships. In 2016 1Q, the Company participated in the events of Career Days organised by Kaunas University of Technology, Vilnius Gediminas Technical University and Kaunas Technical College. As many as 4 students did their internships in the Company over 2016 1Q: 1 from Kaunas University of Technology, 2 – from Elektrėnai Vocational Training Centre, and 1 from the Lithuanian University of Educational Sciences.

Training

Over 2016 1Q, trainings of technical nature were attended by 21 employees of the Company, 30 employees took part in management field trainings. In total, 51 unique* employees participated in trainings in 2016 1Q (*where the same employee participated in several types of training,

s/he is calculated as one person). Besides, employees' visits are organised to other manufacturing companies to get acquainted with work organisation in production departments, with innovation, production equipment, problem solving, etc.

Other events

February 2016, a new collective agreement of the Company was signed. It guarantees a more favourable package of social benefits to the Company's employees which exceed the requirements of the Labour Code of the Republic of Lithuania. The new collective agreement stipulates that employees are provided with support in the event of accident, illness, relatives' deaths, additional benefits are

paid when a baby is born or to families with many children, additional paid rest days are given when a baby is born, in the event of marriage, or when a relative dies, etc.

In total, there are four trade unions operating in the Company. Around 270 Company's employees are the members of these trade unions.

Information on other Committees

Besides the Audit Committee, Lietuvos Energija, UAB group has formed the Nomination and Remuneration Committee and the Risk Management Supervision Committee.

Risk Management Supervision Committee

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant to the attainment of objectives of Lietuvos Energija, UAB, and its group companies;
- assess appropriateness of internal control procedures and risk management measures with respect to the risks identified;
- assess progress in the implementation of risk management measures;

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- monitor the risk management process;
- analyse availability of funding for the implementation of risk management measures;
- assess the risks and risk management plant of Lietuvos Energija, UAB, and its group companies;
- assess the periodic risk identification and assessment cycle;
- exercise control over risk registers, analyse data therein and make proposals;
- monitor the drawing up of internal risk management documentation;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Board.

Members of the Risk Management Supervision Committee (as of 31 March 2016)

Member	Shareholding in the Company	Term of Office	Institution/company and position
Antanas Danys Chairperson	–	August 2013 – August 2017	- Paskolų klubas (UAB Neo Finance), Chairman of the Board - "Grinvest" (Singapore), director
Tomas Garasimavičius Member	–	August 2013 – August 2017	Energy Advisor to the Prime Minister of the Republic of Lithuania
Raimundas Petrauskas Independent member	–	August 2013 – August 2017	Schmitz Cargobull Baltic, UAB, Chief Executive Officer
Donatas Kauburys Independent member	–	October 2013 – October 2017	The Lithuanian Association of People with Disabilities, Project Manager responsible for the supervision of suitability of buildings for the persons with disabilities in Klaipėda and Tauragė regions

Nomination and Remuneration Committee

Main functions of the Committee:

- make assessments and proposals for the long-term remuneration policy of Lietuvos Energija, UAB and its group companies (fixed pay, performance-based pay, pension insurance, other guarantees and remuneration forms, compensations, severance pay, other items of the remuneration package) as well as the principles of compensation for expenses related to the person's activities;
- make assessments and proposals for tantieme policy of Lietuvos Energija, UAB, and the companies of its group of companies;
- monitor compliance of the remuneration and tantieme policies of Lietuvos Energija, UAB and its group companies with international practice and good governance practice guidelines, make proposals for the improvement of such policies;
- make proposals for tantiemes in the process of appropriation of profit (loss) of Lietuvos Energija, UAB and its companies for a financial year;
- assess terms and conditions of agreements between Lietuvos Energija, UAB and its group companies with the members of the management bodies of Lietuvos Energija UAB and its group companies;
- assess the procedures for recruitment and hiring of candidates to positions in management bodies and top management of Lietuvos Energija, UAB and its group companies as well as the setting of qualifications requirements therefor;
- assess, on a continuous basis, the structure, size, composition and activities of management and supervisory bodies of Lietuvos Energija, UAB and its group companies;
- oversee the process of informing members of management bodies and employees of Lietuvos Energija, UAB and its group companies about opportunities for skills improvement;
- oversee and assess the implementation of measures ensuring continuity of activities of management and supervisory bodies of Lietuvos Energija, UAB and its group companies;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Board.

Members of the Nomination and Remuneration Committee (as of 31 March 2016)

Member	Shareholding in the Company	Term of Office	Institution/company and position
Aloyzas Vitkauskas Chairperson	–	August 2013 – August 2017	Ministry of Finance of the Republic of Lithuania, Vice-Minister
Tomas Garasimavičius Member	–	August 2013 – August 2017	Energy Advisor to the Prime Minister of the Republic of Lithuania
Virginijus Lepeška Independent member	–	August 2013 – August 2017	UAB Organizacijų Vystymo Centras, Chairman of the Board

IMPORTANT EVENTS IN THE COMPANY'S ACTIVITIES

Significant agreements

No significant agreements, to which the Company is a party and which would take effect or be amended/terminated in case of change of the Company's control situation, were concluded.

No agreements were concluded by and between the Company and members of its management bodies or employees stipulating compensation in case of resignation/dismissal without a valid reason or in case of termination of employment due to a change of the Company's control situation.

Information on related party transactions

Information on significant related party transactions is disclosed in the Notes forming part of condensed financial information for the three-month period, ended 31 March 2016.

Detrimental transactions

No detrimental transactions have been concluded in 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 have or could potentially have a negative impact on the Company's operations and/or operating results, or transactions concluded under a conflict of interests between the Company's management's, majority shareholders' or other related parties' responsibilities to the Company and their private interests and/or other responsibilities

Notices of Material Events During the Reporting Period

Lietuvos Energija, UAB is under obligation to redeem the shares of the former LIETUVOS ELEKTRINĖ AB

On 12 January 2016 the Company was notified by Lietuvos Energija, UAB, which controls 96.13% of shares in the Company, about an Order No 1K-6 issued on 6 January 2016 by the Minister of Finance of the Republic of Lithuania 'On the implementation of the provisions of Resolution of the Government of the Republic of Lithuania No 1126 of 26 October 2015 'On the redemption of shares' (hereinafter referred to as the 'Order'. The Order obligates "Lietuvos energija", UAB to implement the Resolution of the Government of the Republic of Lithuania No 1126 of 26 October 2015 'On the redemption of shares'

In addition, the Company was informed by Lietuvos Energija, UAB that on 11 January 2016 its Board had decided, having regard to the Resolution and the Order, to redeem the shares of minority shareholders of the former LIETUVOS ELEKTRINĖ AB (which ceased to exist upon reorganisation of LIETUVOS ENERGIJA AB and LIETUVOS ELEKTRINĖ AB on 5 August 2011) on the terms and conditions set out in the Resolution and the Order.

Link to the notification on material event: [Concerning redemption of shares under a judgment of Supreme Court of Lithuania](#)

Process of redemption of shares of the former LIETUVOS ELEKTRINĖ AB has begun

On 8 February 2016 the Company received a notification from its major shareholder Lietuvos Energija, UAB, on the initiated redemption of the shares of the former LIETUVOS ELEKTRINĖ AB.

The redemption of the shares shall be effected in accordance with (i) the ruling of the Supreme Court of Lithuania of 19 November 2014 adopted in Civil Case No. 3K-3-370/2014 (hereinafter – the Court's ruling), and (ii) Resolution No. 1126 of the Government of the Republic of Lithuania of 26 October 2015 (hereinafter – the Resolution).

Link to the notification on material event: [Regarding the beginning of redemption of shares under the ruling of Supreme Court of Lithuania](#)

The Company announced preliminary indicators

On 15 February 2016 the Company announced preliminary unaudited financial indicators for January-December of 2015.

Link to the notification on material event: [Preliminary pre-audited results of Lietuvos Energijos Gamyba, AB for twelve months of 2015](#)

Eglė Čiužaitė takes over from Juozas Bartlingas as the head of Lietuvos Energijos Gamyba; Vidmantas Salietis leaves the Board as well

During the meeting on 19 February 2016, the Supervisory Board of the Company made the following decisions:

- Considering that Juozas Bartlingas submitted a notice of resignation as a member (the chairman) of the Board and the chief executive officer of the Company to the Company and the parent company Lietuvos Energija, UAB, to recall Juozas Bartlingas, the chairman of the board and the chief executive manager of the Company, from his post as a member (the chairman) of the Board of the Company as from the day of the decision.
- To recall Vidmantas Salietis from his post as a member of the Board of the Company as from the day of making this decision. V. Salietis will be recalled from the Board as per the project implemented by the Company to transfer commercial electricity wholesale trade activity to Energijos Tiekimas UAB and according to the corresponding changes of the structure of the Company.
- In accordance with the opinion of the Supervisory Board of the parent company Lietuvos Energija, UAB, to appoint Eglė Čiužaitė to the Board of the Company from the day of this decision to the end of the term of office of the current Board.

During the meeting that took place on the same day, the Board of the Company made a decision to elect E. Čiužaitė to the post of the chairwoman of the Board of the Company and

the chief executive officer of the Company. E. Čiužaitė will start to fulfil the duties of the chairwoman of the Board on the day of making the decision, and her term of office as the chief executive manager will begin on 22 February 2016.

Link to the notification on material event: [Regarding the decisions made by the Supervisory Board and the Board of Lietuvos Energijos Gamyba, AB](#)

Ordinary general meeting of shareholders of the Company is convened

By the initiative and resolution of the Board of 7 March 2016 an ordinary general meeting of shareholders of the Company is convened on 29 March 2016.

Link to the notification on material event: [Regarding the agenda and proposed draft resolutions of Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB](#).

The Supervisory Board passed a resolution

On 9th March 2016 the Supervisory Board of the Company passed a resolution to approve the consolidated Annual Re-

port of the Company for the year 2015, the consolidated and Company's Annual Financial Statements for the year 2015, audited by PricewaterhouseCoopers, UAB, the Company's auditor, and the allocation of profit (loss) of the Company for the year 2015. The Supervisory Board also decided to present a review on the approval to the General Meeting of Shareholders of the Company, which will be held on 29th March 2016.

Link to the notification on material event: [Regarding resolution of the Supervisory Board of Lietuvos Energijos Gamyba, AB](#).

Ordinary general meeting of shareholders took place

The ordinary general meeting of the Company's shareholders held on 29 March 2016 approved the set of annual financial reports of the Company and audited consolidated reports of 2015 and the distribution of the Company's profit (loss) of 2015. No dividends for the six-month period, ended 31 December 2015, were allocated.

Link to the notification on material event: [Regarding decisions adopted at the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB, on 29 March, 2016](#).

Other Events During the Reporting Period

Use of units 5 and 6 terminated in Elektrėnai

Implementing the Company's performance strategy and taking into consideration of the decision of the Board of the Company made on 7 December 2015, units 5 and 6 of the reserve power plant of the Company was decommissioned from 1 January 2016. Dismantling of units 5 and 6 are planned once the dismantling of units 1 and 2 is completed (preliminary, in the early 2017).

Units 5 and 6 were launched in 1967-1968 (both of 300 MW capacity). Recently conservation of the units has been carried out. Decommissioning activities of the units have been carried out due to their poor technical condition, low potential of their use in the future and high maintenance costs.

Annual information of the Company announced

On 29 March 2016, the ordinary general meeting of shareholder's of the Company accepted the Company's consolidated annual report 2015 and approved the set of the Company's annual financial statements 2015 audited by PricewaterhouseCoopers, UAB.

The 2015 performance results of the national electricity producer Lietuvos Energijos Gamyba evidently reflect significant decisions made by the regulator and the Company itself. The Company will further seek to annul the Regulator's decisions in the court. Meanwhile, the decisions made by the Company provide it with opportunities to operate in a more competitive manner and reduce the burden of subsidies imposed on consumers. For more information – [click the link](#).

Notices of Material Events after the end of the Reporting Period

The Company announced preliminary indicators

On 16 May 2016, in order to give more information to investors, the Company announced preliminary unaudited financial indicators for 3 months of 2016.

Link to the notification on material event: [Preliminary pre-audited results of Lietuvos Energijos Gamyba, AB in Q1 2016](#).

The process of share redemption of former LIETUVOS ELEKTRINĖ, AB has ended

On 24 May 2016 the Company published a notification on material event on the information received from Lietuvos Energija, UAB, on a letter received from AB SEB Bank, which represented Lietuvos Energija during the process of redemption of shares, whereby the Bank stated that during the process 1,144 agreements on purchase-sale of shares had been registered. On the basis of these agreements, 3,866,497 (three million eight hundred sixty-six thousand four hundred

and ninety-seven) shares of the Company were transferred to Lietuvos Energija.

The amount payable for the shares transferred to Lietuvos Energija into its ownership was transferred to the bank account indicated by AB SEB Bank on 23 May 2016. On the same day, the monetary funds were transferred to persons who had sold the shares, to the bank accounts specified in their requests.

In total, currently Lietuvos Energija owns 614,382,012 (six hundred and fourteen million three hundred and eighty-two thousand and twelve) ordinary registered shares of the Company with the nominal value of EUR 0.29 (point 29 euro), which grant 96.74% votes at the General Meeting of Shareholders of the Company.

Link to the notification on material event: [Regarding Shares Acquired by Lietuvos Energija, UAB, during the Redemption of Shares of LIETUVOS ELEKTRINĖ, AB](#).

OTHER IMPORTANT INFORMATION

The Main Characteristics of the Internal Control and Risk Management Systems in Relation to Drawing up of Financial Statements

Financial statements of the Company are drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by the EU.

Employees of the company which provides the Company with accounting/bookkeeping services take care that

financial statements are compiled correctly and properly, that data is collected timely and in a proper manner. The compilation of the Company's financial statements, internal control and financial risk management systems, legislation regulating the compilation of financial statements are controlled and managed.