

2016-11-30 No. SD-1253

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 Accounting service center of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, Lietuvos energijos gamyba, AB condensed interim financial information for the nine month period ended 30 September 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 nine-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 Accounting service center,
acting under Order No. V-088 (signed 2016 08 29)



Giedruolė Guobienė

2016

LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THIRD QUARTER OF 2016 AND 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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Translation note:

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

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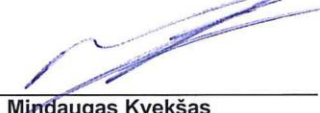
CONDENSED INTERIM FINANCIAL INFORMATION

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The condensed interim financial information was approved on 30 November 2016 by Lietuvos Energijos Gamyba AB General Manager, Finance and Administration Department Director, and Head of Accounting service center of Verslo Aptarnavimo Centras UAB (acting under Order No V-088 of 29 August 2016).

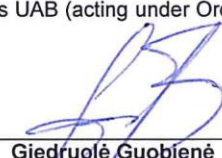


Eglė Čiužaitė
General Manager



Mindaugas Kvekšas

Finance and Administration Department
Director



Giedruolė Guobienė

Head of Accounting service center of
Verslo Aptarnavimo Centras UAB,
acting under Order No V-088 of 29
August 2016

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
30 September 2016

All amounts in EUR thousands unless otherwise stated

	Note	At 30 September 2016	At 31 December 2015
ASSETS			
Non-current assets			
Intangible assets	4	9.216	16.819
Property, plant and equipment	4	652.847	673.900
Investments in associates		1.374	1.374
Other non-current assets		1.988	3.288
Other amounts receivable	5	10.912	8.435
Total non-current assets		676.337	703.816
Current assets			
Inventories		5.753	6.997
Prepayments		3.842	9.651
Trade receivables		10.210	20.059
Other amounts receivable	5	15.023	22.888
Prepaid income tax		212	3.887
Loans granted	7	15.592	-
Cash and cash equivalents		108.703	66.176
Total current assets		159.335	129.658
TOTAL ASSETS		835.672	833.474
EQUITY AND LIABILITIES			
Equity			
Authorised share capital		184.174	184.174
Share premium		85.660	85.660
Legal reserve		10.872	10.872
Revaluation reserve		1.041	1.063
Retained earnings		55.851	61.131
Total equity		337.598	342.900
Non-current liabilities			
Borrowings		115.554	128.462
Finance lease liabilities		344	448
Grants		272.994	280.343
Other non-current amounts payable and liabilities		19.840	8.418
Deferred income tax liabilities		23.028	18.162
Total non-current liabilities		431.760	435.833
Current liabilities			
Borrowings		17.212	17.212
Finance lease liabilities		138	138
Trade payables		11.799	13.827
Advance amounts received		6.840	14.671
Provisions for emissions		657	3.735
Other amounts payable and liabilities		29.668	5.158
Total current liabilities		66.314	54.741
Total liabilities		498.074	490.574
TOTAL EQUITY AND LIABILITIES		835.672	833.474

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the nine-month period ended 30 September 2016

All amounts in EUR thousands unless otherwise stated

	Note	1 January 2016 – 30 September 2016	1 January 2015 – 30 September 2015
Revenue			
Sales revenue		100.883	168.055
Other income	9	20.451	8.192
Fair value gain on derivative financial instruments		-	2.085
		121.334	178.332
Operating expenses			
Purchases of electricity or related services		(19.744)	(32.284)
Gas, biofuel and heavy fuel expenses		(37.555)	(78.980)
Depreciation and amortisation		(15.414)	(16.801)
Wages and salaries and related expenses		(5.495)	(6.190)
Repair and maintenance expenses		(3.277)	(8.181)
Emission allowance revaluation (expenses)		(5.334)	320
(Reversal of impairment)/impairment of other non-current assets		(1.300)	307
Inventory write-down reversal/(allowance)		(37)	59
Reversal of impairment of property, plant and equipment		33	137
Other expenses		(4.259)	(6.168)
Total operating expenses		(92.382)	(147.781)
OPERATING PROFIT		28.952	30.551
Finance income/(costs):			
Other finance income		662	337
Other finance (costs)		(1.161)	(1.817)
		(499)	(1.480)
PROFIT BEFORE INCOME TAX		28.453	29.071
Current year income tax (expense)		(1.580)	(89)
Deferred income tax (expense)		(4.866)	(2.523)
		(6.446)	(2.612)
NET PROFIT FOR THE PERIOD		22.007	26.459
Other comprehensive income/(loss)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		22.007	26.459
Basic and diluted earnings per share (in EUR)		0,035	0,042
Weighted average number of shares		635.083.615	635.083.615

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the three-month period ended 30 September 2016

All amounts in EUR thousands unless otherwise stated

	1 July 2016 – 30 September 2016	1 July 2015 – 30 September 2015
Revenue		
Sales revenue	31.735	70.022
Other income	275	795
Fair value gain on derivative financial instruments	-	138
	32.010	70.955
Operating expenses		
Purchases of electricity or related services	(6.594)	(11.338)
Gas, biofuel and heavy fuel expenses	(11.274)	(40.439)
Depreciation and amortisation	(5.160)	(5.645)
Wages and salaries and related expenses	(1.738)	(1.947)
Repair and maintenance expenses	(1.239)	(3.479)
Emission allowance revaluation (expenses)/income	996	632
Other non-current assets impairment (expenses)/income	204	276
Inventory write-down (allowance)/reversal	(4)	36
Reversal of impairment of property, plant and equipment	11	12
Other expenses	(1.297)	(1.274)
Total operating expenses	(26.095)	(63.166)
OPERATING PROFIT	5.915	7.789
Finance income/(costs):		
Other finance income	105	165
Other finance (costs)	(357)	(542)
	(252)	(377)
PROFIT BEFORE INCOME TAX	5.663	7.412
Current year income tax (expense)	(19)	(40)
Deferred income tax (expenses)/income	(1.431)	(169)
	(1.450)	(209)
NET PROFIT FOR THE PERIOD	4.213	7.203
Other comprehensive income (loss)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.213	7.203
Basic and diluted earnings per share (in EUR)	0,007	0,011
Weighted average number of shares	635.083.615	635.083.615

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the nine-month period ended 30 September 2016

All amounts in EUR thousands unless otherwise stated

	Note	Authorised share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity Total
Balance at 1 January 2015		183.933	85.660	1.097	10.872	85.716	367.278
Other comprehensive income for the period		-	-	-	-	-	-
Net profit for the reporting period		-	-	-	-	26.459	26.459
Total comprehensive income for the period		-	-	-	-	26.459	26.459
Depreciation of revaluation reserve		-	-	(27)	-	27	-
Dividends	6	-	-	-	-	(24.388)	(24.388)
Result of the conversion of the nominal value of shares		241	-	-	-	-	241
Balance at 30 September 2015		184.174	85.660	1.070	10.872	87.814	369.590
Balance at 1 January 2016		184.174	85.660	1.063	10.872	61.131	342.900
Other comprehensive income for the period		-	-	-	-	-	-
Net profit for the reporting period		-	-	-	-	22.007	22.007
Total comprehensive income for the period		-	-	-	-	22.007	22.007
Depreciation of revaluation reserve		-	-	(22)	-	22	-
Dividends	6	-	-	-	-	(27.309)	(27.309)
Balance at 30 September 2016		184.174	85.660	1.041	10.872	55.851	337.598

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF CASH FLOWS
for the nine-month period ended 30 September 2016

All amounts in EUR thousands unless otherwise stated

	Note	1 January 2016 – 30 September 2016	1 January 2015 – 30 September 2015
Net profit for the period		22.007	26.459
Reversal of non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses	4	23.711	25.246
Inventory write-down/(reversal)		37	(59)
(Gain) on disposal of investments in subsidiaries and associates		-	(5.003)
Expenses/(income) of revaluation of emission allowances		5.334	(320)
Other impairments		1.305	(1.097)
Income tax expense		1.580	89
Change in deferred income tax liability		4.866	2.523
(Income) from grants		(8.297)	(8.447)
Increase/(decrease) in provisions		(79)	3.438
Change in fair value of derivative financial instruments		-	(2.085)
Reversal of impairment of property, plant and equipment	4	(33)	(137)
(Gain)/loss on disposal/write-off of non-current assets (other than financial assets)		(25)	-
Elimination of results of financing and investing activities:			
- Interest (income)		(179)	(136)
- Interest expense		1.149	1.511
- Other finance (income) costs		(471)	105
- (Gain) on disposal of a part of the business		(19.534)	-
Changes in working capital			
(Increase) decrease in trade receivables and other receivables		16.620	(1.161)
(Increase) decrease in inventories and prepayments		6.981	(2.365)
Increase (decrease) in amounts payable and advance amounts received		(3.189)	(17.121)
Income tax (paid)		(18)	(1.373)
Net cash flows generated from operating activities		51.765	20.067
Cash flows from investing activities			
(Acquisition) of property, plant and equipment and intangible assets		(2.239)	(11.588)
Disposal of property, plant and equipment and intangible assets		28	-
Loans granted		(15.592)	-
Disposal of subsidiaries		2.821	2.821
Disposal of investments in associates		7.400	7.400
Disposal of a part of the business		12.480	-
Grants received		-	405
Interest received		165	109
Dividends received		40	-
Net cash flows generated from investing activities		5.103	(853)
Cash flows from financing activities			
Repayments of borrowings		(12.908)	(12.909)
Finance lease payments		(111)	-
Interest (paid)		(1.135)	(1.495)
Dividends (paid)		(187)	(21.594)
Net cash flows used in financing activities		(14.341)	(35.998)
Net increase (decrease) in cash and cash equivalents		42.527	(16.784)
Cash and cash equivalents at the beginning of the period		66.176	75.750
Cash and cash equivalents at the end of the period		108.703	58.966

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the nine-month period ended 30 September 2016

All amounts in EUR thousands unless otherwise stated

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 30 September 2016 the Company had no subsidiaries. On 31 March 2015 the Company sold ordinary registered shares of subsidiaries 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.

As at 30 September 2016 and 31 December 2015 the Company's investments in associates were as follows:

Company	Registered office address	Company's ownership interest at 30 September 2016	Company's ownership interest at 31 December 2015	Profile of activities
Geoterma UAB	Lypkių g. 53. LT-94100 Klaipėda. Lithuania	23.44%	23.44%	Geothermal energy generation
Technologijų ir Inovacijų Centras UAB	Juozapavičiaus g. 13. Vilnius. Lithuania	20.01%	20.01%	IT services
Verslo Aptarnavimo Centras UAB	P. Lukšio g. 5B. LT-08221 Vilnius	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 30 September 2016, and the results of operations of the associates were considered by management as not material. Company's share of results of associated companies for the period ended 30 September 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 30 September 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	(56)	(2.473)
Technologijų ir inovacijų centras UAB	1,287	20,01	136	39
Verslo aptarnavimo centras UAB	87	15,00	(9)	(17)
Total	3,516		72	(2.451)

As of 30 September 2016 the number of employees of the Company was 404 (31 December 2015: 429).

Accounting policies

1.1 Basis of preparation

The Company's condensed interim financial information for the nine-month period ended 30 September 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 Company's financial year coincides with the calendar year.

All amounts in EUR thousands unless otherwise stated

1.2 Accounting policies

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements for 2015.

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

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

There are no new standards, amendments and interpretations that are mandatory for the Company with effect from 2016, and that would have a material impact on the Company's financial information.

The Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Company's reporting periods beginning on or after 1 January 2016 will have a material impact on the Company's financial statements.

Critical accounting estimates and judgements

Disposal of a part of the business

The agreement on the sale of a part of the wholesale commercial electricity trading activity signed between the Company and Energijos Tiekimas UAB on 12 October 2015 stipulates that the sale price is equal to EUR 13,1 million base price, which will be paid by Energijos Tiekimas UAB to the Company in cash in equal portions until 31 March 2017 and EUR 8 million price premium, i.e. EUR 2 million may be paid additionally per year, depending on the results of the sold business until 2019. Having assessed the possibilities of receiving additional revenues for the period until 2019 the Company's management has estimated the additional income. The present value of additional income (being the price premium) was calculated by discounting the price premium over the period until 31 March 2019 using the discount rate of 0,71%. The present value of the price premium was equal to EUR 6.434 thousand for the period ended 30 September 2016. Gain on the disposal of a part of the business equal to EUR 19,5 million was recognised under the line item 'Other income' in the Company's statement of comprehensive income. As at 30 September 2016 the amounts receivable of EUR 2.648 thousand and EUR 1.785 thousand related to this transaction (Note 5) were reported within other non-current and other current amounts receivable, respectively, in the Company's statement of financial position.

All amounts in EUR thousands unless otherwise stated

Non-current intangible assets and property, plant and equipment

Movements in the Company's intangible assets and property, plant and equipment are presented below:

	Intangible assets	Property, plant and equipment
Period ended 30 September 2016		
Balance at the beginning of the period	16.819	673.900
Additions	5	2.450
Grants received	1.733	-
Emission allowances utilised	(2.999)	-
Revaluation costs of emission allowances	(6.199)	-
Disposals	-	(2)
Write-offs	-	(1)
Reversal of impairment	-	33
Reclassification from inventories	-	35
Amortisation/depreciation	(143)	(23.568)
Balance as at 30 September 2016	9.216	652.847

Other non-current and current amounts receivable

The Company's other non-current amounts receivable as at 30 September 2016 and 31 December 2015 comprised as follows:

	At 30 September 2016	At 31 December 2015
Receivables for the sale of shares	7.587	7.439
Receivable for the sale of a part of the business (Note 3)	2.648	-
Receivable for capacity reserve services	267	533
Receivables for emission allowances lent	171	214
Receivables for apartments	121	130
Other amounts receivable	964	1.014
Total	11.758	9.330
Less: allowance for doubtful receivables	(846)	(895)
Carrying amount	10.912	8.435

The Company's other current amounts receivable as at 30 September 2016 and 31 December 2015 comprised as follows:

	At 30 September 2016	At 31 December 2015
Receivables for the sale of shares	10.550	20.791
Receivable for the sale of a part of the business (Note 3)	1.785	-
Receivable excise on heavy fuel	690	690
VAT receivable from the state budget	376	-
Other amounts receivable	1.839	1.620
Total	15.240	23.101
Less: allowance for doubtful receivables	(217)	(213)
Carrying amount	15.023	22.888

Dividends

During the Extraordinary General Meeting of Shareholders of Lietuvos energijos gamyba, AB held on 26 September 2016, a decision was made to pay out dividends of EUR 0,043 per share for the six-month period ended 30 June 2016.

	2016
Dividends (EUR '000)	27.309
Weighted average number of shares (units)	635.083.615
Dividends per share (EUR)	0,043

During the Ordinary General Meeting of Shareholders of Lietuvos energijos gamyba, AB held on 24 September 2015, a decision was made to pay out dividends of EUR 0,0042 per share for the six-month period ended 30 June 2015.

During the Ordinary General Meeting of Shareholders of Lietuvos energijos gamyba, AB held on 27 April 2015, a decision was made to pay out dividends of EUR 0,0342 per share from retained earnings.

All amounts in EUR thousands unless otherwise stated

	2015
Dividends (EUR '000)	24.388
Weighted average number of shares (units)	635.083.615
Dividends per share (EUR)	0,0384

Loans granted

On 27 April 2016 the Company signed the Group account (cash-pool) agreement under which the Company's current loans granted to companies of Lietuvos Energija UAB group amounted to EUR 15.592 thousand as at 30 September 2016. The market interest rate is applied to these loans.

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 activities and the 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 30 September 2016 and 30 September 2015, the Company's management analysed the Company's operations by separating them into regulated activities and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, balancing and regulation, capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, electricity production at Kaunas Hydro Power Plant named after Algirdas Brazauskas and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services and other activity. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses.

Information on the Company's segments for the nine-month period ended 30 September 2016 is presented in the table below.

2016	Regulated activities	Commercial activities	Total
Total revenue of segments	63.671	57.663	121.334
Total expenses of segments	(57.119)	(35.263)	(92.382)
Whereof: depreciation and amortisation expenses	(11.574)	(3.840)	(15.414)
Operating profit	6.552	22.400	28.952
Finance income	-	662	662
Finance (costs)	(1.133)	(28)	(1.161)
Profit before income tax	5.419	23.034	28.453
Income tax			(6.446)
Net profit			22.007

Information on the Company's segments for the nine-month period ended 30 September 2015 is presented in the table below.

2015	Regulated activities	Commercial activities	Total
Total revenue of segments	111.043	67.289	178.332
Total expenses of segments	(104.795)	(42.986)	(147.781)
Whereof: depreciation and amortisation expenses	(12.097)	(4.704)	(16.801)
Operating profit	6.248	24.303	30.551
Finance income	-	337	337
Finance (costs)	(1.494)	(323)	(1.817)
Profit before income tax	4.754	24.317	29.071
Income tax			(2.612)
Net profit			26.459

All amounts in EUR thousands unless otherwise stated

Other income

As at 30 September 2016 and 30 September 2015, the Company's other income comprised as follows:

	2016	2015
Gain on disposal of a part of the business (Note 3)	19,534	-
Sale of metal scrap	640	999
Gain on disposal of property, plant and equipment	26	2
Disposal of subsidiary	-	6,666
Other income	251	662
Total	20,451	8,329

As disclosed in Note 3, the Company transferred a part of the wholesale commercial electricity trading activity to Energijos Tiekimas UAB from 1 January 2016.

Related-party transactions

The Company's transactions with related parties between January and September of 2016 and the balances arising on these transactions as at 30 September 2016 are presented below:

Related party	Amounts payable and accrued expenses	Amounts receivable, loans granted and unbilled revenue	Purchases	Sales
Associates of the Company	61	485	595	14
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija, UAB)	2,556	6,844	14,687	19,629
Lietuvos Energija, UAB	26,422	31,048	132	266
LITGRID AB	325	3,660	3,689	34,946
BALTPPOOL UAB	2	5,121	9	44,249
Amber Grid AB	2,903	-	24,163	2
GET Baltic UAB	-	647	773	-
Total	32,269	47,805	44,048	99,106

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

Related party	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Purchases	Sales
Associates of the Company	127	3	814	15
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija, UAB)	979	11,564	73,570	144,624
Lietuvos Energija, UAB	-	28,254	454	49,169
LITGRID AB	654	1,621	3,064	9,886
BALTPPOOL UAB	1	6,352	6	63,236
Amber Grid AB	77	-	7,168	22
GET Baltic UAB	-	232	770	5
Total	1,838	48,026	85,846	266,957

In 2016 and 2015, the Company carried out the functions of a designated entity, i.e. bought the total quantity of electricity produced by wind-power generators and sold it at the power exchange. In 2016 and 2015, purchases and sales of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transaction.

In the table on the related-party transactions conducted in 2015 the Company's sales to LESTO AB, a company indirectly controlled by the Ministry of Finance of the Republic of Lithuania (from 1 January 2016 – Energijos Skirstymo Operatorius AB) and to Energijos Tiekimas UAB cover the total amount of the sale transactions, however, in the Company's statement of comprehensive income only income earned from intermediation services is recorded in respect of a part of these transactions as according to the service agreements signed with LESTO AB (2015) and Energijos Tiekimas UAB (2015) the Company provided only intermediation services.

The major sale transactions in 2016 and between January and September of 2015 comprised transactions with LITGRID AB and BALTPPOOL UAB. Transactions with state-owned entities other than those controlled by the Ministry of Finance included regular business transactions and therefore they are not disclosed.

All amounts in EUR thousands unless otherwise stated

Compensation to key management personnel

	1 January 2016 – 30 September 2016	1 January 2015 – 30 September 2015
Employment-related payments	179	256
Whereof: Other significant payments to key management personnel	37	44
Number of key management personnel	4	5

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

Events after the reporting period

On the 17 October 2016 the Supreme administrative court of Lithuania announced the decision regarding the appeal of administrative case, which was investigated by the court on the 7th of September 2016 regarding overruling of the judgement made by Vilnius regional administrative court on the 30 of April 2015 and adopting a new verdict. The Company's appeal regarding the dismissal of resolution of the National Commission for Energy Control and Prices declared the Company as an undertaking having significant market power in electricity generation market was accepted. The Supreme administrative court of Lithuania decision is final and not subject to appeal.

Because of the abovementioned resolution of the National Commission for Energy Control and Prices, a reduced amount of funds for public service obligation (PSO) for the years 2015 – 2016 was allocated to the Company. During the period from application of the resolution (1 January 2015) till 30 September 2016 the total amount of 16.2 million EUR of PSO funds was not recognized as revenue in the Company's statement of comprehensive income.

2016

LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016



Lietuvos
energija

GAMYBA



Lietuvos
energija

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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 nine-month period ended 30 September 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

		9 months of 2016	9 months of 2015	Change	
				+/-	%
KEY OPERATING INDICATORS					
Electricity generation volume	TWh	0.98	1.65	-0.68	-40.9
KEY FINANCIAL INDICATORS					
Revenues	EUR'000	121,334	178,332	-56,998	-32.0
Costs of purchase of electricity, fuel and related services	EUR'000	57,299	111,264	53,965	-48.5
Operating expenses ¹	EUR'000	12,903	22,877	9,974	-43.6
EBITDA ²	EUR'000	31,599	39,189	-7,590	-19.4
EBITDA margin ³	%	31.0	22.8	8.2% p. p.	
Net profit (loss)	EUR'000	22,007	26,459	-4,452	-16.8
		30/9/2016	30/9/2015	Change	
				+/-	%
Assets total	EUR'000	835,672	889,244	-53,572	-6.0
Equity	EUR'000	337,598	369,590	-31,992	-8.7
Financial debts	EUR'000	132,766	149,978	-17,212	-11.5
Net financial debts ⁴	EUR'000	24,063	91,012	-66,949	-73.6
Return on equity (ROE) ⁵	%	8.7	9.5	-0.9 p. p.	
Equity level ⁶	%	40.4	41.6	-1.2 p. p.	
Net financial debts / 12-month EBITDA	%	57.1	174.2	-117.1 p. p.	
Net financial debts / Equity	%	7.1	24.6	-17.5 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 nine months of 2016, profitability indicators of Lietuvos Energijos Gamyba, the Company having ensured stability of electricity supply, increased compared to the same period of 2015. EBITDA margin increased by 8.4 percentage points and reached 31 percent, net profit grew by 3.3 percentage point to 18.1%, which came as a result of increasing performance efficiency of the Company and profitable activities of hydro power plants.

The Company reduces its operating expenses by optimizing activities and giving up old inefficient facilities, which led to decreased costs of repair and maintenance. In 2016, a relatively greater share of works of dismantling of old electricity production facilities was conducted by the Company's employees deliberately brought together in the arrangement works group. In previous years, contractors were usually hired for this purpose. At the same time, the Company has continuously reduced costs of business servicing (procurement, accounting) services.

In September of 2016, we updated our business strategy distinguishing works of arrangement conducted in the Elektrėnai complex as a priority along with such priorities as reliable operation of power plant and development of new services. Our aim is to operate at the maximum possible efficiency, produce solely in state of the art facilities using less fuel, ensure that the maintenance of old inefficient facilities did not require consumer funds and the impact of our activities on the environment was minimum..

In nine months of 2016, 0.308 TWh of electricity was produced in Elektrėnai. Compared to nine months of 2015, this is a three-times lower scope of production due to revoked quotas for subsidized electricity production, also having led to reduction of the Company's revenues. Sales revenue of the Company in nine months of 2016 total EUR 100.9 million and are by 40 percent lower than revenues in the same period of 2015 (EUR 168.1 million).

Nevertheless, producing electricity in the gas combined cycle unit at the time when the price of electricity was the highest in the market, the Company contributed to the assurance of stability of electricity prices and at the same time earned about EUR 3.7 million on the exchange in nine months of 2016. Funds of public services (PS) allocated to

the Company for 2016 should be reduced by this amount (EUR 25.1 million) which means direct benefit to each electricity consumer, because PS component is included in the electricity tariff.

In nine months of 2016, Kruonis Pumped Storage Plant owned by the Company produced 0.411 TWh of electricity, which is 15.5 percent less than in the same period of 2015, but the power plant operated more profitably. Meanwhile, Kaunas A Brazauskas' Hydro Power Plant produced 0.257 TWh of electricity in nine months of 2016 due to a greater amount of water running in via the Nemunas river, which is by a fifth more than in the same period of 2015. Power plants owned by the Company produced a total of 0.977 TWh of electricity in nine months of 2016, which is by 40.9 percent less than in the same period of 2015.

With decreased scope of production, the Company's profit also decreased; moreover, it was negatively affected by decisions of the National Commission for Energy Control and Prices (NCC) due to which a part of the Company's profit (which totalled EUR 10.2 million in nine months of 2016 according to preliminary estimates) was designated for covering fixed costs of the Company incurred in the performance of the regulated activity.

EBITDA of nine months of 2016 is EUR 31.6 million (compared to EUR 39.2 million in the same period of 2015). Having excluded the impact of the NCC decisions, according to preliminary estimates, the Company's EBITDA of nine months of 2016 was EUR 13 million greater (the impact of these factors in the same period of 2015 was EUR 10.7 million).

Decreased market prices of emissions allowances (EA) and recognized loss of EUR 6.8 million for EA and the change of the value of the accounted right to receive EA significantly affected net profit of the Company, which amounts to EUR 22 million (compared to EUR 26.5 million in nine months of 2015).

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](#).

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. The report was published about redemption process on 24 May. 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](#).

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.

In Summer of 2016, the Company celebrated five years of being in business. Since August 2011, when the greatest electric power production capacities in the country were focused in Elektrėnai, Kruonis and Kaunas hydroelectric power plants, the achieved results allowed consumers saving millions in euros in public services (PS) funds and shareholders - receiving a solid return.

In October of 2012, the Company finished one of the largest investment projects in Lithuania during the entire period of independence of the country - it built and launched an efficient combined cycle unit (hereinafter - CCU). The 455 MW gas-fired electricity production facility helped to significantly increase production efficiency and reduce the need for funds from the budget of PS supplemented by all consumers. Production using this facility allowed the Company to save EUR 49 million in the first two years of its operation alone, which would have been additionally spent if old less efficient facilities were used for electricity production.

In recent years, the Company made decisions on decommissioning of old and inefficient production facilities. Having shut down inefficient facilities, the need for funds for their maintenance and care decreased significantly. Moreover, having

started heat production using a biofuel-fired boiler house built in 2015 instead of these facilities, the Company can offer competitive heat production prices to consumers - the city of Elektrėnai and nearby businesses.

All these changes led to annual decrease of costs of production of one subsidized electricity kilowatt-hour produced in Elektrėnai, at the same time reducing PS funds necessary to cover them. For example, in 2012, PS funds for covering variable costs of production totalled EUR 6.3 ct/kWh and in 2015 they were EUR 3.5 ct/kWh.

In later 2012, the process of the management of hydro power plants managed by the company was centralized. Having employed modern equipment, the Kaunas Algirdas Brazauskas' Hydro Power Plant (hereinafter - Kaunas A. Brazauskas' HPP) has operated steadily controlled from Kruonis Pumped Storage Hydroelectric Plant (hereinafter - Kruonis PSHP). Reliable operation of these power plants is very important in the assurance of energy safety of the country and uninterrupted electricity supply. The Company has devoted great attention to the improvement of the organization of activities in these five years. Functions of procurement, accounting and administration of labour relations were transferred to Lietuvos Energija Group company Verslo Aptarnavimo Centras and wholesale trade in electricity was separated and transferred to Energijos Tiekimas. Having refined its activities as a production company, today the Company can focus on the projects and processes that help ensure production at the lowest cost and the lowest possible price to consumers. Key goals of the Company are also related to successful implementation of arrangement projects and the use of the operational excellence (LEAN) tools.

On 26 and 31 August 2016, monitoring tests of the reserve power plant were performed as Combined Cycle Gas Turbine unit was monitored too in a middle of September. Old units in the Elektrėnai Complex provides tertiary power reserve function. These tests are performed by the Company taking care of the environment and to ensure that the acting blocks emit has minimized potentially polluting substances.

On 20 September 2016, an updated Company's business strategy was announced. At least 15 percent working time will be dedicated to earn income from the new activities, while the operating expenses will reduce at least 15 percent in 2020. For more information see sections [Business Strategy of the Company](#) and [Important Events In The Company's Activities](#).

The emergency reserve service provided by the Kruonis PSHP was activated as many as 49 times from January to September in 2016; the combined cycle unit in the Elektrėnai complex was switched on 45 times during the aforementioned period. The emergency reserve of the Kruonis PSHP was activated for the most part during disconnections of the cross-system power link to Sweden "NordBalt", which started operating in trial mode in 2016. The plant, which starts up within 2 minutes, ensures an uninterruptible supply of electricity until other sources of energy are found. Since the stock exchange prices of electricity tended to be high, the combined cycle unit, which, since no additional quotas were imposed on supported electricity generation, was periodically switched on, operated as a competitive installation and contributed to the stabilisation of prices. For more information visit the [website of the Company](#).

ANALYSIS OF FINANCIAL INDICATORS OF THE COMPANY

		9 months of 2016	9 months of 2015	9 months of 2014
FINANCIAL INDICATORS				
Sales revenue	EUR'000	100,883	168,055	181,151
Other operating income	EUR'000	20,451	10,277	1,652
EBITDA ¹	EUR'000	31,599	39,189	48,418
Operating profit	EUR'000	28,952	30,551	33,692
Net profit (loss)	EUR'000	22,007	26,459	27,958
Profit before tax	EUR'000	28,453	29,071	33,166
Cash flows from operations	EUR'000	51,765	20,067	57,262
Liabilities to financial institutions	EUR'000	132,766	149,978	163,320
RATIOS				
Liabilities / equity		1.48	1.41	1.61
Financial liabilities / equity		0.39	0.41	0.45
Financial liabilities / assets		0.16	0.17	0.17
LOAN COVERAGE RATIO				
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) ²		2.25	2.72	5.13
PROFITABILITY RATIOS				
Operating profit margin	%	23.86	17.13	18.43
Profit before tax margin	%	23.45	16.30	18.14
Net profit margin	%	18.14	14.84	15.29
Return on equity	%	8.69	9.55	10.30
Return on assets	%	3.51	3.97	3.95
Earnings per share	EUR	0.035	0.042	0.044
P/E (share price / earnings)		14.59	14.04	13.90

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.

In January - September of 2016, the Company's profitability indicators were greater than in the respective period of 2015, when indicators of the return on assets and equity slightly decreased.

The Company's EBITDA decreased due to decisions of the National Commission for Energy Control and Prices (hereinafter - NCC) with regard to the results of inspection of the Company's activities in 2010-2012 and the recognition of the Company as having a significant influence in electricity production market, which are disputed in court. These decisions led to reduced prices of regulated services set for the Company in 2016, which negatively affected EBITDA and net profit of January - September of 2016 by EUR 12.9 million and EUR 11.0 million, respectively. The effect of these

decisions of the NCC in financial statements of the comparative period (January - September of 2015) was EUR 10.7 million and EUR 9.1 million, respectively.

On 17 October 2016, the Supreme Administrative Court of the Republic of Lithuania (hereinafter - SACL) passed a decision in the administrative case heard in an appellate procedure on 7 September 2016 with regard to revocation of the decision of the Vilnius Regional Administrative Court of 30 April 2015 and adoption of a new decision. The appeal of the Company was upheld, and the decision of the NCC, whereby the Company was declared to be a company having a significant influence in the electricity production market, was revoked. This decision of the NCC resulted in the reduction of the sum of PS funds allocated to the Company. A total unrecognized amount

of income from PS funds was EUR 16.2 million during the period from the start of application of the decision, namely, January 2015, till 30 September 2016.

The sale of the wholesale electricity business had the greatest positive impact on the net result of the Company in January - September 2016. The total final sum of this transaction, if all conditions provided for in the agreement are met, may reach EUR 21.1 million. However, the sale of the wholesale electricity business had an adverse effect on the Company's EBITDA, because having sold this part of business on 1 January 2016, the Company no longer generates income from this activity.

In January - September 2016, income from regulated activity, i.e. production of electricity and heat in Elektrėnai complex and services of reservation of power provided by Elektrėnai complex and Kruonis PSHP, accounted for 52.5 percent of the total income of the Company (compared to 62.3 percent in January - September 2015).

Statement of financial position

The Company's liabilities to financial institutions were EUR 132,8 million as at 30 September 2016. They comprise liabilities according to long-term loan agreements.

The most significant changes in the Company's assets structure occurred due to the recognition of the impairment of assets of units 5 and 6 of reserve power plant operating in Elektrėnai at the end of 2015 (on 7 December 2015 the Company's Board decided to end the operation of units 5 and 6 as from 1 January 2016) and due to the sale of a part of business, which affected changes in the working capital.

Statement of comprehensive income

Revenue

The Company's sales revenue in January - September of 2016 totalled EUR 100,9 million. Income from the sale of electricity, power reservation, PS and the sale of heat energy accounted for the major share of revenues. Compared to January - September of 2015, sales revenues of the Company decreased by 40,0 percent, which was mainly affected by non-allocation of quotas for subsidized electricity production in Elektrėnai complex since 2016.

Costs

In January - September 2016, the Company incurred EUR 92,4 million in costs, with costs of electricity and purchase of related services as well as costs of fuel for electricity and heat production accounting for the major share (EUR 57.3 million, or 62 percent). During the respective period of 2015, such

costs accounted for 75.3 percent of the total costs, or EUR 111.3 million. The Company's costs of depreciation and amortization in January - September 2016 totalled EUR 15,4 million and, compared to the respective period of 2015, they decreased by EUR 1,4 million.

Operating expenses of the Company, excluding costs of procurements related to electricity and production of electricity and heat, depreciation and amortization costs, costs of revaluation of emissions allowances and impairment costs, totalled EUR 12,9 million in January - September 2016 and compared to costs incurred in January - September of 2015, they decreased by EUR 10 million. In March 31st of 2015, the Company sold shares of its subsidiary UAB Kauno Energetikos Remontas, thus costs of that period reflected the loss of the sale of these shares. In January - September 2016, costs also decreased due to lower costs of repair and changes in the organization of work, and expenses for services of business servicing (procurement, accounting) decreased as well.

Profit

The Company's EBITDA in January - September of 2016 is by EUR 7,6 million lower than in the respective period of 2015. Disregarding income from the sale of a part of business, EBITDA margin (disregarding sales revenues of the subsidiary in 2015), increased by 8,2 percentage point, and totalled 31,0 percent in January - September of 2016.

In January - September of 2016, the Company earned EUR 28,5 million in profit before tax, while its net profit was EUR 22,0 million.

Statement of cash flows

Net cash flows from core business of the Company totalled EUR 51,8million in January - September of 2016. Meanwhile, net cash flows from core business of the Company in the respective period of 2015 were EUR 20.1 million.

Cash flows from the Company's financial activity were negative both in January - September of 2016 and of 2015, and amounted to EUR 14,3 million and EUR 36.0 million, respectively.

Investments in fixed assets

The Company's investments in fixed tangible and intangible assets were EUR 2.5 million in January - September of 2016 and totalled EUR 11.3 million during the same period of 2015.

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 January – September 2016

The Company has permits to produce electricity valid for an unlimited period of time. A total of 0.976 TWh of electricity produced in power plants managed by the Company were sold in January - September of 2016. Compared to the same period of 2015, amount of electricity produced in all power plants of the Company together decreased by 40.9 percent (from 1.652 TWh). Such a result was determined by the fact that in January - September of 2016 less electricity was produced in Elektrėnai complex, and sales of electricity produced in Kruonis PSHP decreased slightly compared to January - September of 2015. A subsidized electricity production quota cancelled since the beginning of 2016 and launched new power interconnections with Sweden and Poland significantly affected activities of these power plants, meanwhile the scope of electricity production in Kaunas A. Brazauskas' HPP increased (see Figure 2).

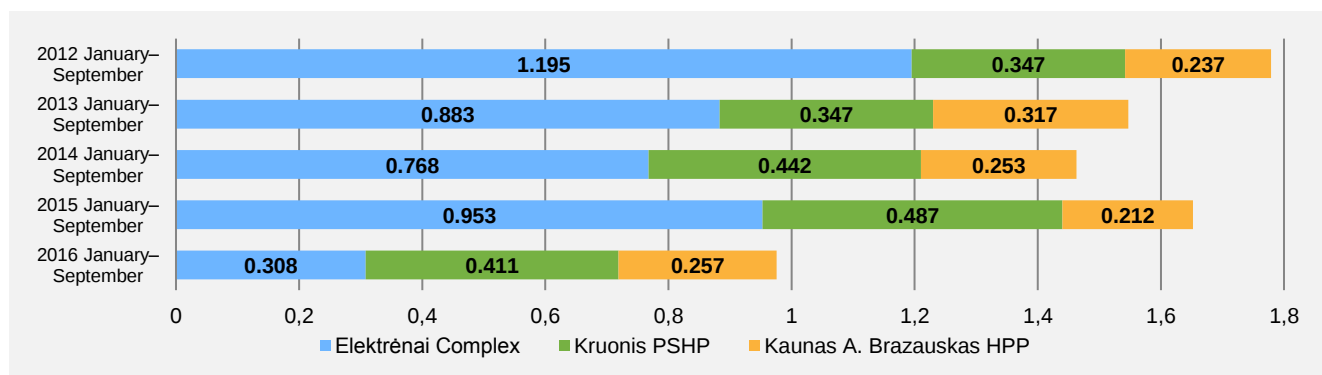
In January - September of 2016, 0.308 TWh of electricity produced in Elektrėnai complex was sold. In January - September of 2015, 0.953 TWh of electricity was produced in Elektrėnai. Such a difference came as a result of a quota allocated for production in Elektrėnai in 2015, which was subsidized from PS budget. In order to ensure the reliability of electricity supply, activities of units of Elektrėnai complex were focused on the warm season of the year in 2015, thus since mid-April, the combined cycle unit was operated almost continuously till October. Since 2016, electricity production quotas were revoked, thus in January - September of 2015, the combined cycle unit operated during the peak of electricity consumption, i.e. when the price of electricity was the highest, and a proposal for production using this facility competitive in neighbouring countries could have been made. In almost all cases, it was launched in the morning and stopped in the evening. The combined cycle unit was connected to the network 45 times in January -

September of 2016 (compared to a mere 14 times throughout 2015). Despite of frequent launches, the CCU operated reliably, and the Company managed to reduce costs of electricity production quite significantly in January - September of 2016.

In January - September of 2016, operations of Kruonis PSHP were also different compared to previous years. During the reporting period, this power plant provided first aid to the electric power system many times. Emergency reserve of Kruonis PSHP was activated 49 times in January - September of 2016 compared to emergency reserve in this power plant having been activated a mere 20 times throughout 2015. The transmission system operator activates the emergency reserve with two power plant units whenever a sudden decrease in the amount of electric power getting to Lithuania must be compensated. The majority of cases of activation of this reserve were related to unexpected disconnections of the power interconnection with Sweden "Nordbalt", which operated in the test mode back then. Thus, the emergency reserve accounted for a significant share (about 0.047 TWh) of electric power produced in this power plant in January - September of 2016, while the Company sold the remaining amount (0.364 TWh) in the market. 0.487 TWh, or by 18.5 percent more, of electric power produced in this power plant was sold in January - September of 2015.

Compared to January - September of 2015, electricity production in Kaunas A. Brazauskas' HPP obviously increased in January - September of 2016. Here, almost 0.257 TWh of electricity was produced and sold in January - June of 2016, which is by 21.6 percent more than in the same period of 2015 (0.212 TWh). Production in Kaunas A. Brazauskas' HPP increased due to greater amount of water in the Nemunas river.

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



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. The Company sold around 2.63 TWh of electricity as secondary power reserve and 3.32 TWh of electricity as tertiary power reserve in the period of January to September 2016. Sales of capacity reserve services in the period of January to September 2015 were: secondary power reserve – 1.31 TWh, tertiary power reserve – 1.77 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. The Company sold 0.017 TWh and purchased 0.024 TWh of regulation power in the period of January to September 2016 (0.006 TWh and

0.015 TWh, respectively in the period of January to September 2015).

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

In September of 2016, the Company's Board approved the Company's business strategy for 2016-2020 (hereinafter - the Strategy). This document defines a long-term business strategy of the Company: strategic directions and goals as well as indicators measuring the implementation of the Strategy.

The Company updated its business strategy considering the changes already occurred in the energy sector and further prospects: increasing competition in the electricity market, emerging new possibilities related to the development of renewable sources and emerging threats.

The Company plans to devote at least 15 percent of working time to generate more revenues from new activities in 2020, at the same time reducing costs of its core business by at least 15 percent.

The Company plans to implement these goals focusing on four main strategic directions, including the provision of quality services to customers, increasing performance efficiency, diversification and development of activities and involvement and empowerment of employees (see Figure 3).

Considering the needs of other electricity and heat producers, TSO and new customers, the Company plans to provide new services taking advantage of the strongest skills and

experience of employees, managed infrastructure and facilities.

The plan is to have decisions on the set-up of a wind park in the territory of Kruonis HPP, also on the development of Kruonis HPP by installing the fifth hydro-unit in the development of Kruonis HPP taken during the period of the implementation of the strategy.

The Company will seek to have costs for electricity and heat production and the provision of system services reduced by at least 15 percent by 2020, ensuring the lowest possible price of heat in Elektrėnai.

Great attention will be paid to major repair works of hydro power plants, programme of works of arrangement of Elektrėnai complex, which covers the dismantling of units no longer used in production and the arrangement of territories. Special attention will be paid to the planning of maintenance and repair works and their prevention. The Company seeks to ensure high reliability of its power plants.

One of the main goals is low rotation of key company employees, assurance of occupational safety and health and the implementation of LEAN principles-based operational excellence programme.

Figure 3
Strategic Directions of the Company 2016–2020

MISSION			
we are a reliable and advanced energy production company providing services necessary to ensure security of the energy system.			
Ensure provision of quality services to customers (TSO, suppliers, consumers, shareholders): - high availability of managed heat and electricity production capacities focusing on the planning of maintenance and repair works; - high reliability of managed facilities, focusing on preventive maintenance of facilities, early identification of potential technologic problems, enhancement of skills of operational staff investing in the renovation of worn facilities; - decreasing adverse effect on the environment, by monitoring and consistently reducing pollutant emissions into the environment and ensuring the management of pollution caused in the past.	Increase performance efficiency: - by reducing cost of electricity and heat production; - choosing the optimum fuel supply strategy; - reducing technologic need for energy; - optimizing costs; - giving up unused capacities; - improving processes and managing projects in a quality manner.	Diversify and expand operations: - by implementing competitive energy projects (development of Kruonis PSHP by installing the fifth hydro-unit in the continuation of the project of wind power plant park); - by using infrastructure and skills of personnel for the development of other production-related activities.	Involve and empower employees: by forming value-based, results-oriented organizational structure, based on the company's attention to employees, their safety and health.
VISION			
we seek to become a competitive international energy generation and service centre.			

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):

- 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 January-September:

The Project of the Wind Farm 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.

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 have been prepared; a programme of monitoring birds and bats in the territory has been completed, preparations for the publication and coordination of the report on environmental impact and the detailed territorial planning works are in progress.

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 Elektrėnai Complex

Since Q2 2016, the Company applies the lean Kaizen methodology, which encourages employees to submit and implement their proposals, in its activity. By the end of September, the Company's employees submitted almost 179 proposals related to operational improvements.

All subdivisions of the Company continue using visual management of day to day activity with integrated performance indicators and a cascaded meetings system. In accordance with LEAN culture and tools, instances of waste that do not create any value are being eliminated, problems are solved faster and more effectively, processes and steps are being improved according to the Company's priorities.

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. As much as 80 % of demolition activities had been carried out by the September of 2016.

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.

Project of installation of the 5th hydro-unit in Kruonis

In order to assess a quality change of market conditions after the emergence of electricity interconnections with Poland and Sweden and their effects on financial indicators of the project, review of the project's feasibility study was initiated updating the actual data of the project's financial model. In order to conduct preparatory works of the project, the

procedure of the environmental impact assessment selection was completed with the Environmental Protection Agency having declared that the project will not have any significant effect on the environment.

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

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.

Attention is paid on business process review and improvement, both in direct and supportive activities.

Risk of technical fault

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 January- September	2014 January- September	2015 January- September	2016 January- September
Last trading session price, EUR		0.399	0.816	0.780	0.674
Maximum price, EUR		0.411	0.854	0.940	0.713
Minimum price, EUR		0.360	0.395	0.751	0.611
Average price, EUR		0.381	0.616	0.836	0.658
Turnover, shares		444,662	1,362,493	492,558	820,097
Turnover, EUR MLN		0.17	0.84	0.41	0.54
Capitalisation, EUR MLN	Company	253.40	518.23	495.37	405.18
	Baltic Main List	4,457.59	4,495.51	4,756.25	3,260.06

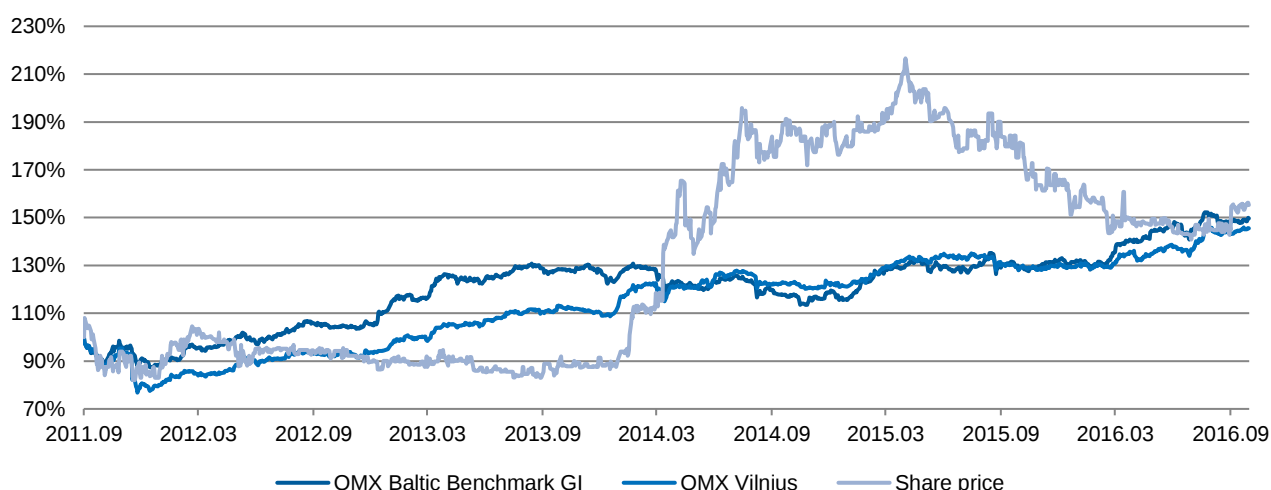
Figure 4
Dynamics of the Company's share prices and turnover in the reporting period



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 19 July 2016 (the day of identification of shareholders for the purposes of the Extraordinary General Meeting of Shareholders of the Company): 5 938.

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 30 June 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	614,453,755	96.75	96.75
Other shareholders	Ordinary registered shares	20,629,860	3.25	3.25
TOTAL	Ordinary registered shares	635,083,615	100.00	100.00

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.

On 9 February 2016, an agreement on the accounting of the securities of the Company regarding the accounting of the securities issued by the Company and personal securities accounts was concluded with AB SEB Bank.

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.

On 26 September 2016 at the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba the disbursement of 0.043 EUR dividends per share (27,3 M in total) for shareholders of Lietuvos Energijos Gamyba, AB, for the period shorter than financial year was approved. Dividends were paid to the shareholders who at the end of the tenth business day following the day of the extraordinary general meeting of shareholders that adopted a decision on dividend payment, i.e. on 10 October 2016, were shareholders of Lietuvos Energijos Gamyba, AB.

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'. A meeting with a well-known Swedish publicist, director, and translator Jon Ohman was held in March as professional sports journalist team from Lithuanian National Radio and Television (LRT) shared their experience in June of 2016. In total, as many as 15 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.

As the Company contributes to environment cherishing every year it helped to foresters of Kaišiadoriai to plant 2 hectares of forest on May cleaning up surroundings of the plants in Elektrėnai, Kruonis and Kaunas too.

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 September 2016, the above-mentioned power plants received more than 1500 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.

The Company co-operated closely with Vilnius Academy of Arts of Kaunas subdivision in time of April-May. The community was invited to participate in contest called "Me and Kaunas Reservoir in my life: recreation, health, energy". About 30 students from higher classes represented their drawings.

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 Mažasis) 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.

Hazardous and non-hazardous wastes resulting in the Company's units are sorted and transferred to the companies providing public/utility services.

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.

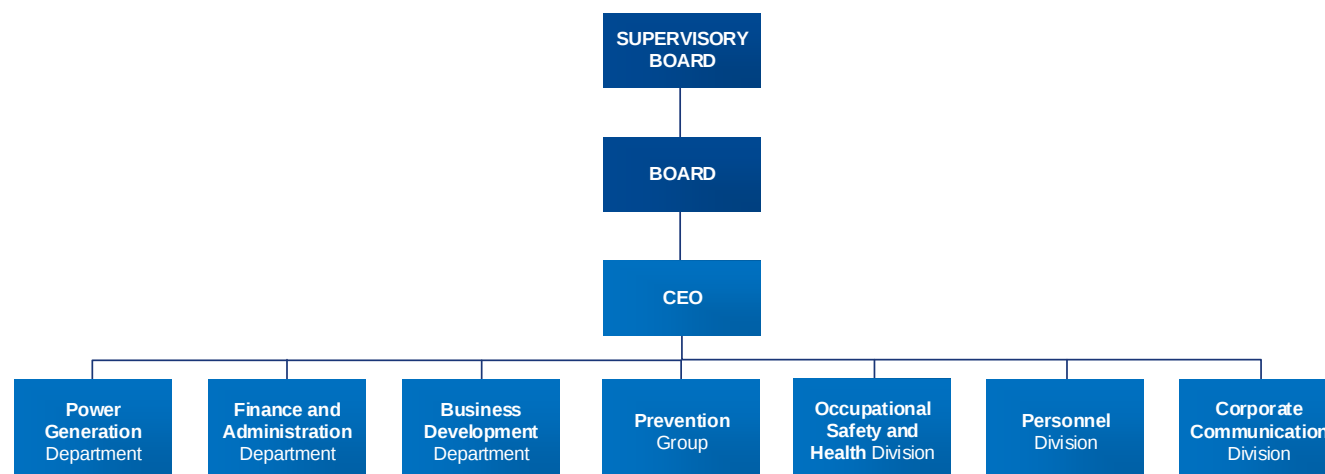
Divisions of the Company

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 30 September 2016)**



Information on Shares of Other Companies

As at September 30 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.

Three general meetings of shareholders were held in January–September 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.

2. The Company held an extraordinary general meeting of shareholders on July 26 to choose an audit company that will do the Company's annual audited financial statements in the 2016 - 2018 year period by electing PricewaterhouseCoopers paying no more than 102 450,00 EUR (excl added VAT) of financial statement audit services for 2016 - 2018 years.
3. Extraordinary General Meeting of Shareholders of the Company on 26 September allocated to the shareholders the 0.043 EUR size of dividends per share for the six-month period ended in 2016 June 30.

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 Elektroninių Mokėjimų Agentūra, member 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, chairman of the Supervisory Board. - Eurakras, UAB, chairman of the Board. - Tuulueenergia, HOB OU, member of the Board. - UAB Energijos sprendimų centras, member of the Board.		
Pranas Vilkas Independent member	5 August 2013 – 5 August 2017	–	–	–

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 January-September, EUR	Other payments in 2016 January-September, EUR	Total, EUR
All members of the Supervisory Board collectively	–	2,908	2,908
Per member of the Supervisory Board on average *	–	2,908	2,908

* 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.

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.

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.

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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.

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).	–
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 January- September, EUR	Other payments* in 2016 January- September, EUR	Total in 2016 January- September, EUR
All members of the Board collectively	142,180	36,542	178,722
Per member of the Board on average	35,545	9,136	44,681
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 January- September, EUR	Other payments in 2016 January- September, EUR	Total in 2016 January- September, EUR
Chief Executive Officer Juozas Bartlingas	8,080	2,397	10,477
Chief Executive Officer Eglė Čiužaitė	40,830	10,686	51,516
In total	48,910	13,083	61,993
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 March 2016 – 407 employees, on 30 June 401 employees, on 30 September 404 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 since 2016, 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 84% of the Company's personnel, women – 16%, accordingly. Almost 51% of the Company's employees have higher education, 39% – 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 the January–September 2016)

	Numbers of employees by position levels	Average pay*, EUR
CEO	1	5,434
Top level managers	3	3,440
Middle level managers	30	2,001
Experts, specialists	223	1,351
Workers	147	870
Total	404	1,243

* Lyginant šiuos duomenis su ankstesniuose tarpiniuose pranešimuose 2016 m. paskelbtais duomenimis apie vidutinį darbo užmokestį, matomas vidutinio darbo užmokesčio padidėjimas visose kategorijose. To priežastis yra metinės kintamos atlygio dalies (KAD) išmokėjimai balandžio–birželio mėn. Bendrovėje darbininkams KAD mokama kas mėnesį, kitų pareigybių darbuotojams – kas ketvirtį arba kartą per metus. Tokia pati vidutinio darbo užmokesčio statistikos tendencija Bendrovėje stebima kasmet.

Career Opportunities and Employee Attraction

Voluntary employee turnover in the Company is low, i.e. 1.5%. 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 15 employees of the Company were promoted over the nine months of 2016 (vertical career). 18 employees were transferred to similar positions in a same or other divisions of the Company (horizontal career). While expanding career opportunities for employees and promoting employee movement among/within the Lietuvos Energija Group, 7 employees moved to other companies of the group, 4 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 8 students did their internships in the Company over the period of January to September 2016: 2 – from Elektrėnai Vocational Training Centre, 2 from Vilnius Gediminas Technical University, 1 from Kaunas University of Technology, 1 from the Lithuanian University of Educational Sciences, 1 from Vilnius University, 1 from University of Aleksandras Stulginskis.

Training

Over the period of January to September 2016, trainings of technical nature were attended by 123 employees of the Company, 123 employees took part in management field trainings. In total, 237 unique employees participated in trainings in the period of January to September 2016 (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 Committees

There are no Committees in the Company as Lietuvos Energija, UAB group has formed the Audit Committee, Nomination and Remuneration Committee and the Risk Management Supervision Committee.

Audit Committee

The supervisory board of Lietuvos Energija, UAB, formed the audit committee on 27 August 2013, 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 issues 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 (as of 30 September 2016)

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.

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;
- monitor the risk management process;
- analyse availability of funding for the implementation of risk management measures;
- assess the risks and risk management plan 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 30 September 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 Kauburyš 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 30 September 2016)

Member	Shareholding in the Company	Term of Office	Institution/company and position
Virginijus Lepeška Independent member, Chairperson	–	August 2013 – August 2017	UAB Organizacijų Vystymo Centras, Chairman of the Board
Tomas Garasimavičius Member	–	August 2013 – August 2017	Energy Advisor to the Prime Minister of the Republic of Lithuania
Agnė Bagočiūtė Member	–	June 2016 – August 2017	Vice-Minister of Finance of the Republic of Lithuania

Changes took place in the membership of the Nomination and Remuneration Committee during the reporting period. Former Chairperson of the Committee and Vice-Minister of Finance of the Republic of Lithuania Aloyzas Vitkauskas was replaced by Agnė Bagočiūtė and Virginijus Lepeška was appointed as Chairperson of the Committee since June 2016.

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 nine-month period, ended 30 September 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 Report 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.](#)

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 until 23 May of 2016. 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 remained agreements came into effect later.

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

Extraordinary general meeting of shareholders of the Company is convened

On 16 July 2016 regarding the election of the audit company for the audit of financial reports of Lietuvos energijos gamyba, AB and set of terms of remuneration for audit services an Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba is to be convened on the initiative and by the decision of the Board of the Company on 4 July 2016.

On 12 July 2016 shareholder of the Company Lietuvos energija informed about Supervisory Board of the Audit Committee's recommendation on the proposed audit firm.

The offered an audit company PricewaterhouseCoopers is about to do the Company's annual audited financial statements in the 2016 - 2018 year period paying no more than 102 450,00 EUR (excl added VAT) of financial statement audit services for 2016 - 2018 years.

Link to the notification on material event: [Regarding The Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB](#)

The auditors elected

An extraordinary general meeting of shareholders of the Company on July 26 elected an audit company PricewaterhouseCoopers to do the Company's annual audited financial statements in the 2016 - 2018 year period paying no more than 102 450,00 EUR (excl added VAT) of financial statement audit services for 2016 - 2018 years.

Link to the notification on material event: [On 26 July 2016 the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB adopted a decision on the election of the audit company](#)

The Company announced preliminary indicators

On 16 August 2016 the Company announced preliminary unaudited financial indicators for January-June of 2016.

Link to the notification on material event: [Preliminary unaudited results of Lietuvos Energijos Gamyba, AB for January-June 2016](#)

Extraordinary general meeting of shareholders of the Company is convened

An Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB, is to be convened on the initiative of Lietuvos Energija, UAB, and by the decision of the Board of Lietuvos Energijos Gamyba, AB, on 1 September 2016.

Link to the notification on material event: [Regarding the Extraordinary General Meeting of Shareholders of Lietuvos Energijos gamyba, AB](#)

The Supervisory Board passed a resolution

On September 9 2016 the Supervisory Board of the Company adopted the following resolution by approving the interim Report of Lietuvos Energijos Gamyba, AB, for the six month period ended on 30 June 2016, setting of interim Financial Statements of the Lietuvos Energijos Gamyba, AB, for the six month period ended on 30 June 2016, audited by PricewaterhouseCoopers, UAB, the Company's auditor, drafting resolution for the allocation of dividends for the period shorter than the financial year – to allocate dividends to the shareholders of Lietuvos

Energijos Gamyba, AB, in the amount of 0,043 EUR per Lietuvos Energijos Gamyba, AB, share for the period shorter than financial year as of the end of 30 June 2016. The Supervisory Board also decided to present a review on the approval to the Extraordinary General Meeting of Shareholders of the Company, which will be held on 26 September 2016.

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

Dividends will be paid to the shareholders for the period shorter than financial year

Extraordinary General Meeting of Shareholders of the Company on 26 September allocated to the shareholders the 0.043 EUR size of dividends per share for the six-month period ended in 2016 June 30.

Link to the notification on material event: [Regarding Decisions adopted at the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba, AB, on 26 September 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](#).

The Report on Social Responsibility of 2015 announced

Report presents the overview of the Company's operations and progress in the corporate social responsibility area in 2015. Involvement of the Company's employees in to the activities of the Company, relations with local communities and society, environmental protection and market activities of the Company are covered in the report. The report describes the Company's social responsibility strategic directions, actions and achievements. For more information – [click the link](#)

The update of the Company's long-term business strategy has been launched

On 20 September the Company launched its updated longterm business strategy. At least 15 percent working time will be dedicated to earn income from the new activities, while the operating expenses will reduce at least 15 percent in 2020.

Link to the notification on material event: [Lietuvos Energijos Gamyba, AB, has updated its business strategy.](#)

Notices of Material Events after the end of the Reporting Period

Resolution of the Court adopted

On the 17 October 2016 the Supreme administrative court of Lithuania (hereinafter – SACL) announced the decision regarding the appeal of administrative case, which was investigated by the court on the 7th of September 2016 regarding overruling of the judgement made by Vilnius regional administrative court on the 30 of April 2015 and adopting a new verdict.

The Company's appeal was accepted, i.e. SACL adopted the resolution to dismiss Vilnius regional administrative court

decision dated 30 April, 2015 and adopted the new decision in the case – accepted the Company's appeal and dismissed the resolution of the National Commission for Energy Control and Prices "On the results of electricity generation market inquiry", dated 7 August, 2014, No O3-757 (provisions No. 1.1, 1.2, 1.4, 1.5, 1.6, 1.7, 1.9, 1.13, 3 and 4). The SACL decision is final and not subject to appeal..

Link to the notification on material event: [On adopted Resolution of the Court.](#)

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.