

2017-08-30 No. SD-821

**CERTIFICATION STATEMENT**

Referring to the provisions of the Article 23 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Lietuvos energijos gamyba, AB Eglė Čiužaitė, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration Department, and Renata Baliūnaitė, Manager of Reporting of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, Lietuvos energijos gamyba, AB condensed Interim Financial Information for the six-month period ended 30 June 2017 prepared according to International Accounting Standard 34 "Interim financial reporting" adopted by the European Union, give a true and fair view of Lietuvos energijos gamyba, AB assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the six-month period includes a fair review of the activities business development as well as the condition of Lietuvos energijos gamyba, AB and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer



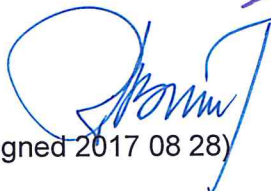
Eglė Čiužaitė

Director of Finance and Administration Department



Mindaugas Kvekšas

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



Renata Baliūnaitė

# 2017

## LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S INTERIM REPORT AND CONDENSED INTERIM FINANCIAL  
INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34,  
'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION,  
PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



Translation note:

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


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

  
Eglė Ciužaitė  
General Manager

  
Mindaugas Kvekšas  
Finance and Administration Department  
Director

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





## Independent auditor's report

To the shareholders of Lietuvos Energijos Gamyba AB

### Our opinion

In our opinion, the condensed interim financial information of Lietuvos Energijos Gamyba AB ("the Company") presents fairly, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting* as adopted by the European Union.

#### *What we have audited*

The Company's condensed interim financial information ("the financial information") comprises:

- the condensed interim statement of financial position as at 30 June 2017;
- the condensed interim statements of comprehensive income for the three and six month periods then ended;
- the condensed interim statement of changes in equity for the six month period then ended;
- the condensed interim statement of cash flows for the six month period then ended; and
- the notes to the condensed interim financial information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial information in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

### Reporting on other information including the interim report

Management is responsible for the other information. The other information comprises the interim report, including the corporate governance report (but does not include the financial information and our auditor's report thereon) which we obtained prior to the date of this auditor's report.

Our opinion on the financial information does not cover the other information, including the interim report.

In connection with our audit of the financial information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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With respect to the interim report, we considered whether the interim report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of EU Directive no 2013/34.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the interim report for the six-month period ended 30 June 2017, for which the financial information is prepared, is consistent with the financial information; and
- the interim report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the interim report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

### **Responsibilities of management and those charged with governance for the financial information**

Management is responsible for the preparation and fair presentation of the financial information in accordance with International Accounting Standard 34 *Interim financial reporting* as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial information**

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, reading "Radzevičienė".

Rasa Radzevičienė  
Partner  
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania  
30 August 2017

2017

# LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017



Lietuvos  
energija

GAMYBA



Lietuvos  
energija

Group of energy  
companies

[www.le.lt](http://www.le.lt)

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

The Interim Report provides information to shareholders, creditors and other stakeholders of Lietuvos Energijos Gamyba AB ("the Company") about the Company's operations for the period of January-June 2017.

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

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

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

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

## KEY OPERATING AND FINANCIAL INDICATORS OF LIETUVOS ENERGIJOS GAMYBA

		6 months 2017	6 months 2016	Change	
				+/-	%
<b>KEY OPERATING INDICATORS</b>					
Electricity generation volume	TWh	0.55	0.64	-0.09	-13.75
<b>KEY FINANCIAL INDICATORS</b>					
Revenues	EUR'000	63,772	89,324	-25,552	-28.61
Costs of purchase of electricity, fuel and related services	EUR'000	27,891	39,431	-11,540	-29.27
Operating expenses <sup>1</sup>	EUR'000	8,797	8,705	92	1.06
EBITDA <sup>2</sup>	EUR'000	27,084	21,655	5,429	25.07
EBITDA margin <sup>3</sup>	%	42.5	31.0	11.4 p. p.	
Net profit (loss)	EUR'000	10,283	17,794	-7,511	-42.21
		30/06/2017	30/06/2016	Change	
				+/-	%
Total assets	EUR'000	730,631	841,363	-110,732	-13.16
Equity	EUR'000	353,147	360,694	-7,547	-2.09
Financial debts	EUR'000	59,857	137,069	-77,212	-56.33
Net financial debts <sup>4</sup>	EUR'000	15,798	39,170	-23,372	-59.67
Return on equity (ROE) <sup>5</sup>	%	5.8	9.9	-4.1 p. p.	
Equity level <sup>6</sup>	%	48.3	42.9	5.4 p. p.	
Net financial debts / 12-month EBITDA	%	29.2	90.4	-61.2 p. p.	
Net financial debts / Equity	%	4.5	10.9	-6.4 p. p.	

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

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

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

<sup>4</sup> Financial debts – Cash and cash equivalents – Short-term investments and term deposits – Share of non-current other financial assets consisting of investments in debt securities.

<sup>5</sup> Net profit (loss), restated annual value // Equity at the end of the period.

<sup>6</sup> Equity at the end of the period / Total assets at the end of the period.

## MESSAGE FROM THE CHAIRWOMAN OF THE BOARD

Dear customers, partners, employees, shareholders,

At the end of the first-half of 2017 it's almost a year we have been focusing on implementing the updated strategy of the Company. The Company's sales revenue of the January-June period of 2017 are EUR 63.31 million and are 8 percent smaller than the revenue of the January-June period of 2016 (EUR 69.15 million).

Decreased power production had the biggest impact on the decrease of Company's income. In total, the Company's power plants produced 14% less power from January to June 2017 than from January to June 2016: 549 GWh and 636 GWh respectively.

This year, an early spring flood and rains at the beginning of summer filled Nemunas, so more water flowed through the units of the Kaunas Algirdas Brazauskas' Hydroelectric Power Plant. From January to June 2017, this power plant produced 241 GW of power, i.e. 19% more than from January to June 2016 (203 GWh).

Increased power production in Kaunas contributed to improving the Company's profitability indicators. Another factor that had a significant impact on the change of the Company's EBITDA was the fact that the Company's income from unregulated activity of 2017 is no longer decreased due to commercial production profit adjustment and the activity inspection of 2010-2012. These decisions of the National Commission for Energy Control and Prices, according to which income from the funds of public service obligations (PSO) and power reserve securing services was decreased, lowered the EBITDA indicator from January to June 2016 by approximately EUR 11.1 million.

The Company's profit of the January-June period of 2017, excluding interest, taxes, depreciation and amortization (EBITDA) reaches EUR 27.08 million and is 25 percent bigger than the profit of January-June period of 2016 (EUR 21.66 million).

From January to June 2017, the Elektrėnai complex produced 79 GW of power, i.e. 51% less than from January to June 2016 (163 GWh). The main reason for decreased production is recent decrease of power prices on the wholesale market. From January to June 2015, in the Lithuanian prices area of the Nord Pool market, power cost EUR 37.8/MWh, from January to June 2016, it cost EUR 36.2/MWh, and from January to June 2017, it cost EUR 34.5/MWh on average.

So, when there is an option to import cheaper power, gas facilities of the Elektrėnai complex have fewer opportunities to produce competitive power, but they reliably ensure the reserve necessary for the system. We switch on the combined cycle unit, which is one third more efficient than the old ones, after a considerable increase of prices on the market. Then, by producing a relatively large amount of power, it may contribute to their stabilisation. From January to June 2017, the CCU was switched on 10 times (from January to June 2016, it was switched on 30 times) and worked smoothly, ensuring the safety of the power system.

Since the difference between the day and the night prices is decreasing, 16% less power produced by the Kruonis Pumped Storage Hydroelectric Plant was sold on the market (from January to June 2016, 271 GWh were produced, and 228 GWh from January to June 2017); however, the quantity of sold regulatory power more than doubled (the service is needed for balancing the power surplus / shortage in the energy system). Another system service provided by this power plant, the secondary reserve power, was needed seven times from January to June 2017. From January to June 2016, this service, which is intended for ensuring the safety of the power supply, was activated as many as 40 times.

One of the most important events in the Company in the first half of 2017 is related to this power plant: the feasibility analysis of the expansion of the Kruonis PSHP by installing the fifth hydropower unit was completed. The expansion of the power plant is important for ensuring sufficient power capacities and competitive energy in Lithuania in the future, so the expansion project is included in the list of the main planned works in the energy sector.

The Company's net profit of the January-June period of 2017 reaches EUR 10.28 million and is 42 percent smaller than the net profit of January-June period of 2016 (EUR 17.79 million).

The change of the net profit of the company (if the results of January-June 2017 and January-June 2016 are compared) continues to reflect one-off effects: at the beginning of 2016, the sale of a part of the Company's business was accounted for, which increased the net profit result by EUR 16.6 million (EUR 19.5 million before taxes). If this factor is eliminated from the results of 2016, the net profit of January-June 2017 would exceed the result of January-June 2016 almost nine times (EUR 1.2 million).

I am happy that if we compare the operating results and the financial results of 2017 with the results of 2016, as early as after the first six months we can see progress in increasing the efficiency of cost management and the Company's profitability.

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



## MOST SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On 6 January 2017, according to the instruction of the transmission system operator (hereinafter referred to as the TSO), **the Company tested unit 7 of the backup power plant of the Elektrėnai complex**, which has been ensuring the tertiary active power reserve service of 224 MW in production since 1 January 2017, with heating oil as the main fuel. The test was successful; the conclusions confirming the successful test were received on 11 January 2017. Unit 8 of the backup power plant is used by the Company to provide the tertiary power reserve service at 260 MW and the Company has two fuel types available for this purpose: heating oil and gas. After optimising its production capacities, the Company supplies the entire quantity of the tertiary power reserve service (484 MW) to the transmission system operator of 2017 for EUR 32.2 million, i.e. for EUR 10.4 million less than was established for the provision of this service as necessary costs if heating oil as well as gas are used.

On 6 January 2017, the Supervisory Board of the Company adopted a decision **to elect Mr. Mindaugas Gražys as a member of the Board** starting from 6 January 2017 until the end of the term of office of the present Board. The new member was elected after on 23 December 2016 the Company received a notification of resignation of Mr. Adomas Birulis from the post of a member of the Company's Board from 6 January 2017.

**In January 2017, the project for decommissioning of 5 and 6 units was initiated.** In January 2016, units 5 and 6 were decommissioned. Given the fact that the price of electricity produced at these units is no longer competitive on the market and that their abandonment will help reduce the final tariffs of electricity for end users, the decision was made to dismantle these obsolete and ineffective 300 MW capacity units of the reserve power plant.

**On 1 March 2017, the updated organisation structure of the Company came into force.** The changes were initiated in accordance with the Company's strategy, in order to make the processes and work organisation at different power plants uniform and to define the functions of individual production subdivisions and supporting activities clearly. This created additional opportunities for managing materials and works in the sphere of technical maintenance in a centralised manner, for operating faster, more efficiently and flexibly. After the structure was changed, it became possible to allocate more time and human resources to the development of new services, as provided for in the activity strategy of the Company that was approved in autumn 2016.

**On 10 March 2017, the National Commission for Energy Control and Prices (hereinafter referred to as the NCC) imposed a fine comprising EUR 5,643 on the Company** because the Company failed to submit audited statements regarding the regulated heat production activity in 2014 (including the supply of heat to UAB "Elektrėnų komunalinis ūkis") by an independent auditor that are required by the NCC on time. The Company stated that it disagrees with the imposed sanction procedure and presented its arguments to the NCC. The main reason why the audited statements were delayed is the lack of clarity in the legislative framework and the repeated procurement of audit services that the Company was forced to carry out. It should be noted that repeated procurement of audit allowed the Company to save more than EUR 50 thousand, which would have been included in the costs of regulated activity and thereby increased the heat price for the residents of Elektrėnai.

**At the Ordinary General Meeting of Shareholders held on 24 March 2017, a decision was made to approve the proposed profit (loss) appropriation for the year 2016.** A decision was made on distribution of dividends to the shareholders of the Company for the six-month period ended 31 December 2016. Dividends of EUR 0.02 per share of the Company (in total, EUR 12.7 million) were distributed.

**In the end of March 2017 the Company completed decommissioning project of the units 1 and 2.** As the Company completed the project for expansion of heat generation facilities in Elektrėnai in 2015, the units 1 and 2 of the reserve power plant (which have been used so far for heat production to satisfy the needs of population of Elektrėnai town during the cold season) appeared to be longer necessary.

**In March 2017, the Company's employees performed the first technical maintenance tasks for external customers.**

On 9 May 2017, the Company informed that having approved the environmental impact assessment report, **the Environmental Protection Agency gave the green light for the wind power plant park in the vicinity of Kruonis PSHP.** This assessment was the last procedure, which the Company seeking to initiate the construction of the wind power plant park in the territory of Kruonis PSHP could initiate at that time. The implementation of the project will be continued once the responsible state authorities make decisions on further development of wind energy in Lithuania.

On 12 May 2017, the Company received a notification of resignation of Mr. Mindaugas Gražys from the post of a member of the Company's Board. The last day of his term of office in the Company's Board will be 9 June 2017. On 9 June 2017 supervisory council **elected Mr. Nerijus Rasburskis as a member of the Board of the Company.**

On 2 May 2017, **the Company informed to have returned the share of the long-term credit totalling EUR 60.0 million** disbursed by AB SEB bank pre-term. The return was initiated in order to reduce interest expenses incurred by the Company.

On 22 June 2017, the Company announced **the results of the feasibility assessment for the development of Kruonis PSHP by installing the fifth hydro unit.** The analysis has shown that under today's market conditions, the existing power of 900 MW is sufficient for the work of the power plant, however, its development is important in the future ensuring sufficient electricity capacities and competitive energy in Lithuania.

On 29 June 2017, it was announced that **the Competition Council refused to start an investigation of the Company's actions** in the participation in the auction first of all, and in negotiations later on for tertiary active power reserve. The published resolution announced that there was no basis for suspecting that when submitting a tender for the assurance of tertiary reserve, the Company would have applied unfair excessively low prices or that the company's actions would have signs of abuse of the dominant position.

On 30 June 2017, **the Company published its Corporate Social Responsibility Report for 2016.**

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

## ANALYSIS OF PERFORMANCE AND FINANCIAL INDICATORS

		6 months 2017	6 months 2016 m.	6 months 2015 <sup>1</sup>	6 months 2014 <sup>1</sup>	6 months 2013 <sup>1</sup>
<b>FINANCIAL INDICATORS</b>						
Sales revenue	EUR'000	63,306	69,148	98,033	92,273	138,461
Other operating income	EUR'000	466	20,176	9,344	1,123	1,109
EBITDA <sup>2</sup>	EUR'000	27,084	21,655	28,334	34,327	36,982
Operating profit	EUR'000	10,328	23,037	22,762	25,469	19,197
Net profit (loss)	EUR'000	10,283	17,794	19,256	22,389	15,412
Profit before tax	EUR'000	9,966	22,790	21,659	25,553	17,042
Cash flows from operations	EUR'000	26,543	40,014	10,548	22,848	53,240
Liabilities to financial institutions	EUR'000	59,857	137,069	154,280	158,893	166,542
<b>RATIOS</b>						
Liabilities / equity		1.07	1.33	1.45	1.40	1.37
Financial liabilities / equity		0.17	0.38	0.42	0.42	0.43
Financial liabilities / assets		0.08	0.16	0.17	0.18	0.18
<b>LOAN COVERAGE RATIO</b>						
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) <sup>3</sup>		0.37	2.31	2.93	6.61	2.43
<b>PROFITABILITY RATIOS</b>						
Operating profit margin	%	16.20	25.79	21.20	27.27	13.75
Profit before tax margin	%	15.63	25.51	20.17	27.36	12.21
Net profit margin	%	16.12	19.92	17.93	23.97	11.04
Return on equity	%	5.82	9.87	10.55	11.89	6.23
Return on assets	%	2.81	4.23	4.31	4.95	2.94
Earnings per share	EUR	0.016	0.028	0.030	0.035	0.024
P/E (share price / earnings)		19.36	10.90	12.75	10.14	7.66

<sup>1</sup> Comparable data was not recalculated.

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

<sup>3</sup> Re-financed loans were not included in the calculation of the ratio.

The Company's EBITDA margin in January-June 2017 reached the highest point over the last five years (comparing the results of the first-half of year). The below given figure shows EBITDA dynamics during the first-half of the year of 2013-2017 (see Fig. 1). Other profitability ratios of the Company, including return on equity and return on assets ratios, for January-June 2017 are lower compared to the respective ratios in 2016. It is so because of the sale of a part of the Company's business made a big positive impact for the results of 2016 (for the profit before taxes it was EUR 19.5 million).

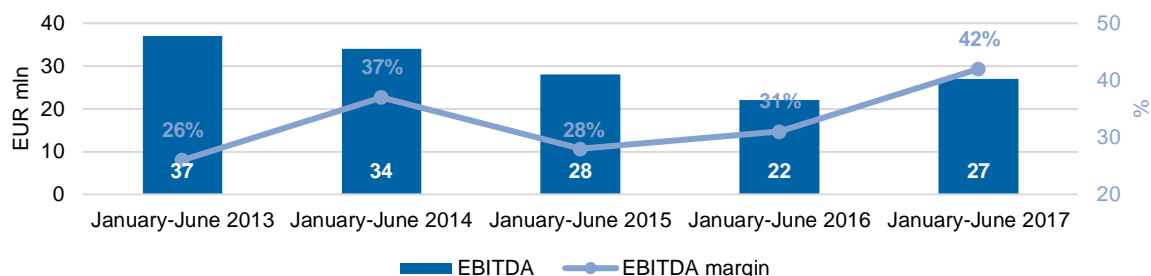
One of the reasons for the increase in EBITDA earnings is the flood, which made the Kaunas Algirdas Brazauskas Hydroelectric Power Plant generate a greater amount of energy. During the January-June period of 2017 this power plant produced 0.241 TWh of electricity, i. e. 19 percent more than in the same period in 2016 (0.203 TWh).

However, the change in EBITDA in January-June 2017 compared to January-June 2016 was mostly driven by the NCC's decisions relating to audit of the Company's activities for the period 2010–2012 and its declaration as having significant

power in the electricity generation market. Due to these decisions, part of regulated revenue was not recognised in the Company's financial statements for January-June 2016, thereby resulting in negative effect on EBITDA in amount of EUR 11.1 million.

On January-June 2017 regulated revenue is recognized: on 17 October 2016, the Lithuanian Supreme Administrative Court repealed the NCC's 17/9/2015 Resolution, under which the Company was declared as having significant power in the electricity generation market and based on which the Company's commercial revenue was subject to regulation.

Figure 1  
**The Company's EBITDA and EBITDA margin dynamics**



### Statement of financial position

The Company's liabilities to financial institutions amounted to EUR 59.9 million as at 30 June 2017. They included liabilities under long-term loan agreements

amounted to EUR 8.8 million in January-June 2017 and remained in the same level (in January-June 2016 it amounted to EUR 8.7 million).

### Profit

In January-June 2017 the Company's EBITDA was EUR 5.4 million higher compared to January-June 2016. In January-June 2017 the Company's EBITDA margin reached 42.5% (January-June 2016: 31.0%).

In January-June 2017 the Company's profit before tax totalled EUR 10.0 million, and net profit totalled EUR 10.3 million. In January-June 2016 the Company earned EUR 17.8 million of net profit.

The Company's net profit decreased in January-June 2017 due to higher EBITDA and effects of one-off items: disposal of part of business in the beginning of 2016 (recognised result before tax amounted to EUR 19.5 million). If the sale of the part of the business was excluded, the Company would be experiencing an increase in net profit.

### Statement of comprehensive income

#### Revenue

The Company's sales revenue totalled EUR 63.3 million in January-June 2017. Income from electricity trading, balancing power, regulation power, power reserve and PSO services as well as income from sale of heat energy account for the largest part of sales revenue. The Company's sales revenue decreased in January-June 2017 by 8% compared to January-June 2016. Such decrease was mostly caused by lower amount of production in Elektrėnai Complex because of the lower electricity prices in the market.

The Company's regulated revenue for January-June 2017, i.e. electricity and heat energy generation at Elektrėnai Complex and power reserve services provided at Elektrėnai Complex and Kruonis PSHP accounted for about 64% of the Company's total revenue (January-June 2016: 47%).

#### Expenses

In January-June 2017 expenses incurred by the Company totalled EUR 53.4 million. Expenses of purchasing electricity and related services as well as expenses of purchasing fuel for electricity generation accounted for the major part of the Company's total expenses (EUR 27.9 million or 52.2% in January-June 2017 compared to EUR 39.4 million or 59.5% in January-June 2016). The main reason for decrease in these expenses in 2017 compared to 2016 was lower amount of production in Elektrėnai Complex and lower gas infrastructure taxes. The Company's depreciation and amortisation expenses amounted to EUR 12.4 million in January-June 2017.

Operating expenses (excluding the costs of purchase of electricity and related services, costs of fuel used for production, depreciation and amortisation expenses, expenses of revaluation of emission allowances and impairment expenses)

### Statement of cash flows

In January-June 2017 the Company's net cash flows from operating activities amounted to EUR 26.5 million compared to EUR 40.0 million in January-June 2016.

In January-June 2017 the Company's cash flows financing activities were negative similarly as in January-June 2016 and amounted to EUR 85.9 million compared to EUR 9.7 million in 2016. On 2 May 2017, the Company informed to have returned the share of the long-term credit totalling EUR 60.0 million disbursed by AB SEB bank pre-term. The return was initiated in order to reduce interest expenses incurred.

### Investments in non-current assets

In January-June 2017 the Company's investments in property, plant and equipment non-current intangible assets totalled EUR 0.6 million compared to EUR 1.9 million in January-June 2016.



## Overview of activities of the Company's power plants

The Company brings together the state-owned electricity generating facilities, namely, the reserve power plant and the combined cycle unit in Elektrėnai Complex, Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP) and Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP). The Company's main objective is to contribute to ensuring the country's energy security by consolidating production capacity (Figure 2).





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

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

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

The Company provides balancing services, as well as system services to the Lithuanian transmission system operator LIT-GRID AB (the TSO)

Figure 2  
*Description of activities of the Company's power plants*

Elektrėnai Complex Reserve power plant and combined cycle unit	Kruonis Pumped Storage Hydroelectric Plant	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	Electricity trading
 <p><b>Capacity – 1055 MW*</b></p> <p>The main power plant of the Lithuanian energy system, which assures tertiary and strategic reserves to ensure safe electricity supply and reserves of the energy system.</p> <p>Units 1,2, 3 and 4 of the reserve power plant have been dismantled (the capacity of all units is 150 MW each). Units 5 and 6 (300 MW each) have been decommissioned, and their dismantling was started in 2017.</p> <p>In future, most of electricity is expected to be produced at the most effective combined cycle unit (455 MW). Units 7 and 8 are in reserve. The capacity of these units is 300 MW each.</p> <p>In 2015, new heat production facilities (steam and biofuel boiler houses) were brought into use.</p> <p><small>* The above-mentioned power plant capacity applies from 1 January 2016, i.e. upon decommissioning of units 5 and 6.</small></p>	 <p><b>Capacity – 900 MW</b></p> <p>Kruonis PSHP is intended for the balancing of electricity generation and consumption, as well as for the prevention of emergency incidents within the power system and elimination of consequences thereof. Kruonis PSHP is responsible for securing the larger part of the emergency reserve required for the Lithuanian power system.</p> <p>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.</p> <p>If the market conditions appear to be favourable, the Company plans to implement a project aimed at the development of Kruonis PSHP.</p>	 <p><b>Capacity – 100,8 MW</b></p> <p>Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.</p> <p>Kaunas 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.</p> <p>Depending on natural conditions, the plant is going to maximise its production of green energy and to provide system services.</p>	 <p>As from 2016, trading in electricity produced by the Company is conducted under the agreement on the wholesale electricity market by Energijos Tiekimas UAB.</p> <p>On completion of the power links with Sweden and Poland, trading will become more active due to wider opportunities for electricity trading and system services in the interconnected systems.</p>

## Key performance indicators

### Electricity generation indicators for January-June 2017

The Company has permits for indefinite term to engage in electricity generation activities. A total of 0.549 TWh of electricity was produced in the Company's power plants in January-June 2017, which is by almost 14 percent less than in January-June of 2016 (0.636 TWh). This result was determined by the fact that much less electricity was produced in the Elektrėnai complex, also, less electricity produced in Kruonis PSHP was sold compared to January-June of 2016. Meanwhile, the volume of electricity production in Kaunas A. Brazauskas HPP increased (see Figure 3).

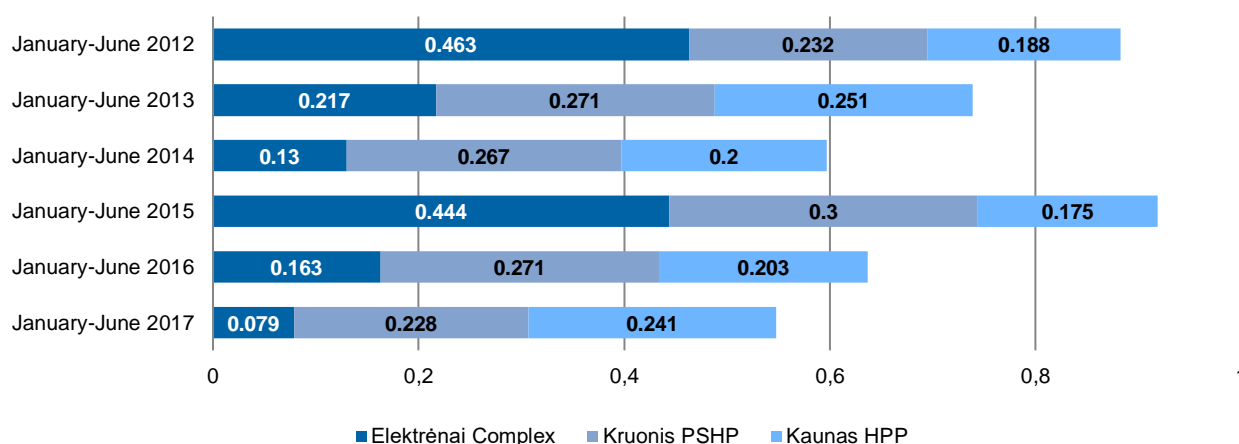
Early spring floods of this year and rainy beginning of the summer season abundantly filled up the Nemunas river, thus more water ran through Kaunas A. Brazauskas HPP units. In January-June 2017, this power plant produced 0.241 TWh of electricity, which is 19 percent more than in January-June 2016 (0.203 TWh).

With the decreasing difference between day and night tariffs on the exchange, the sales of electricity produced in Kruonis PSHP was by 16 percent lower (in January-June 2016 - 0.271 TWh, and January-June 2017 - 0.228 TWh), however, the amount of the sold regulating electricity more than doubled (the service is necessary to balance the surplus/ shortage of electricity in the energy system). Another system service provided by this power plant - a secondary power re-

serve - was needed 7 times in January-June 2017. In January-June 2016, this service designated for the assurance of security of electricity supply was activated as many as 40 times. The transmission system operator activates the emergency reserve, for the provision whereof two power plant units were assigned, when compensating a sudden reduction in the amount of electricity supplied to Lithuania is necessary.

Downtime of units of Elektrėnai complex, where 0.079 TWh of electricity was produced in January-June 2017 (in January-June 2016 - 0.163 TWh), was determined by wholesale electricity prices decreasing in the market: in January-June 2015, electricity in the Lithuanian price zone of NordPool exchange cost an average of EUR 37.8/MWh, in January-June 2016, it cost EUR 36.2/MWh, and in January-June 2017 its price already was EUR 34.5/MWh. In presence of a possibility to import cheaper electricity, gas facilities of Elektrėnai complex have fewer opportunities to produce competitive electricity. In January-June 2017, combined cycle unit was activated 10 times (30 times - in January-June 2016). Combined cycle unit operated during peak hours of electricity consumption, i.e. at the time when the price of electricity was the highest, and submitting an offer for the production using this device, which would be competitive in the neighbouring countries, was possible.

Figure 3  
*Electricity produced at power plants controlled by the Company and electricity sold (TWh)*



### Provision of system services

The system services ensure the stability and reliability of the energy system, prevention of and response to system emergencies, and the required power reserve in line with the established requirements for quality and reliability of electricity supply. The system services provided by the Company include power reserve, trade in regulation power and balancing power, reactive power management and system recovery services.

Power reserve services are intended to ensure reliable operation of the electricity system in the (emergency) events of unexpected drop in production of electricity or unexpected

increase in electricity consumption. The producers provide secondary and tertiary power reserve maintenance services. The secondary active power reserve is the power of installations or hydroelectric units maintained by the producer, which are activated within 15 minutes. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. The power plants controlled by the Company provide tertiary and secondary active power reserve services. The secondary power reserve is ensured at Kruonis PSHP, whereas the tertiary power reserve is ensured at Elektrėnai Complex. In January-June 2017, the Company sold approx.

1.737 TWh of secondary power reserve and 2.102 TWh of tertiary power reserve compared to 1.747 TWh and 2.205 TWh, respectively, in January-June 2016.

Trade in regulation power services are intended to balance the surplus and shortage of power in the energy system. Trade in regulation power is conducted in real time and ensures reliable operation of the power system on an hourly basis. When the amount of electricity in the system becomes insufficient and the TSO gives an instruction to increase its production, the Company increases the volume of electricity generation and sells the lacking amount of regulation power to the TSO. When there is surplus of power in the energy system and the TSO gives an instruction to reduce its production, the Company reduces the volume of electricity generation and buys surplus regulation power from the TSO. In January-June 2017, the Company sold 0.019 TWh and bought 0.01 TWh of regulation power compared to 0.008 TWh and 0.019 TWh, respectively, in January-June 2016.

Balancing power is the actual deviation from electricity generation or consumption scheduled by the TSO. Trade in balancing power is conducted at the end of the reporting month

and it encourages the market players to make accurate forecasts of their electricity generation and consumption. For instance, when the amount of electricity produced by the Company at a certain hour is lower than the scheduled one, the Company has to buy the difference from the TSO (purchase of balancing power); and vice versa, when the amount generated by the Company at a certain hour is higher than the scheduled one, the Company has to sell the difference to the TSO (sale of balancing power).

Reactive power management services are intended to level out any fluctuations in the loads of the power system and ensure the required level of voltage and frequency. Reactive power management services are provided through the units of Kruonis PSHP operating in synchronous compensator mode.

System recovery after complete failure services are intended to ensure effective activation of the power-generating source in the event of full or partial failure of power system, without using power supply from the grid. System recovery after complete failure services are provided at both Kruonis PSHP and Kaunas HPP.



## FACTORS DETERMINING THE FINANCIAL INDICATORS OF THE COMPANY

### Business environment

In January-June 2017 the Company was engaged in electricity and heat generation activities and provision of such services as assurance of strategic power reserve and tertiary active power reserve at Elektrėnai Complex and assurance of secondary emergency reserve at Kruonis PSHP, and other system services.

The main customers of the Company are the TSO (receiving all system services), the NCC (representing the interests of consumers as the Company provides regulated services), Nord Pool (NP) exchange participants (receiving electricity generation services), Elektrėnų Komunalinis Ūkis UAB and Kietaviškių Gausa UAB (receiving heat energy generation services).

The most important events determining (actually or potentially) the Company's performance and financial indicators are as follows:

- **Further trend of development of electricity generation from renewable sources may provide basis for the implementation of the Company's development projects.** This enables the Company to take part in the development process, as well as increases the need for balancing services and increases purchases/sales of regulation power from/to the producers.
- **Launching of power links with Sweden and Poland in 2016 has both positive and negative effects on the Company's performance.** As a result of interconnection of electricity transportation systems and integration of power trade markets, the electricity prices in the Baltic States, Poland and Northern Europe are expected to gradually assimilate in the future. As a result of integration of several power markets, the price charged in the larger markets will still prevail (i.e. the price charged in the smaller markets will tend to change and achieve the level of price charged in the larger markets).

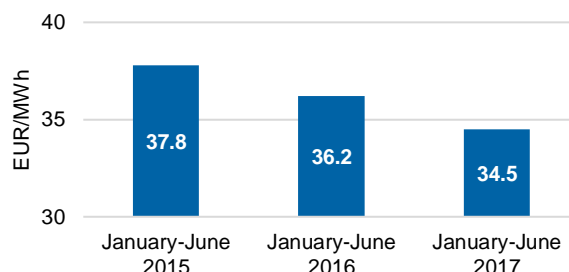
On one hand, the launching of these power links in 2016 resulted in a higher demand for the power reserve services provided by the power plants of the Company. On the other hand, it reduced the differences between the peak and off-peak prices on the electricity exchange, which in turn impacts the production at Kruonis PSHP. In addition, a lower electricity price worsens the possibilities to remain competitive while producing electricity using the gas installations.

### The Company's strategy

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

The Company updated its Strategy in view of the developments and future perspectives in the energy sector: growing competition in the electricity market, new opportunities arising in relation

Figure 4  
**Electricity prices as per Lithuania price area on NP electricity exchange**  
(Source: Nord Pool)



- **Remaining low prices of emission allowances (EA) increase competition on the side of emitting producers.** Negative effect of the EA revaluation on the Company's net result amounted to EUR 3.0 million in January-June 2017. In a long run, the European Commission seeks to ensure increase in the EA prices, which in turn is expected to mitigate competition on the side of emitting producers.
- **The Company's performance might be affected by uncertainties in the market of power reserves.** Along with the discussions on updating the Lithuanian energy strategy and the level of production capacity that is necessary to assure in the country, the Company aims at ensuring that Elektrėnai Complex will remain as the most useful and effective local source of strategic reserve. To achieve this objective (in agreement with other services provided at Elektrėnai Complex), the Company plans to bring into use three units of Elektrėnai Complex by 2023: combined cycle unit (455 MW) and units 7 and 8 (300 MW each) which burn heavy fuel and comply with EU pollution requirements. Assessment of further maintenance and investments necessary beyond the year 2023 is expected to be carried out in 2020.
- **Litigations with the NCC have impact on the Company's performance.** For more details on litigations see Material events of the Company.

to the development of renewable resources, and emerging threats.

**By the year 2020, the Company expects to dedicate at least 15% of its work time to earning income from new activities, and to cut its costs of operating activities by at least 15%.**

The Company plans to achieve the above-mentioned objectives by focusing on four main strategic directions (See Figure 5).

Figure 5  
*The Company's strategic directions for 2016–2020*

MISSION			
We are a reliable and advanced power generation company providing the services that are required for the energy system security.			
Ensure quality services provided to clients (the TSO, suppliers, consumers, shareholders)	Improve operational efficiency	Diversify and develop activities	Engage and empower employees
VISION			
Our aim is to become a competitive international centre of power generation and services.			

## Research & development projects

For the purpose of implementing a technologically and economically feasible investment policy, the Company conducts long-term strategic planning helping to identify the directions of development for the Company and the investments required for replacement or modernisation of technological equipment.

The following investments of higher value are conducted or planned (until 2020) by the Company:

- renovation of complex distribution facilities for own needs and complex distribution transformer substations at Kruonis PSHP;
- major repairs of the second hydroelectric unit at Kruonis PSHP;
- works at the Obeniai ash site at Elektrėnai Complex;
- constructing a wind farm in the territory of Kruonis PSHP;
- installation of unit 5 at Kruonis PSHP (if market conditions appear to be favourable).

The following R&D projects were under implementation during January-June 2017:

### Project for constructing a wind farm in the territory of Kruonis PSHP

In the beginning of 2015, complex measurements of wind speed, directions and other meteorological conditions allowing to assess the preliminary potential of the land plot for constructing a wind farm, were completed in the territory of Kruonis PSHP. Given positive wind measurement results, the Company initiated the preparatory works for the construction of a wind farm in the territory of Kruonis PSHP. A study of impact of Kruonis wind farm on NATURA 2000 territories, a feasibility study to evaluate wind resource and electricity production volumes, and a programme for evaluating environmental impact have been prepared; a programme for monitoring bats and birds in the territory of the wind farm has been completed.

The most important works in January-June 2017 were related to the approval procedures of the environmental impact assessment report. The Environmental Protection Agency approved the environmental impact assessment report at the end of April 2017 and thus gave the green light to the wind farm near Kruonis. Nine or ten wind plants are planned to be installed in the exclusive energy production infrastructure territory, where Kruonis PSHP already operates and a solar panel system has been installed for the Company's own purposes. The total power could comprise up to 35 MW. The assessment of the impact of anticipated economic activity on the environment was the last procedure that the Company, which seeks to install a wind farm in the territory of Kruonis PSHP,

could initiate at the moment. The project will be continued after responsible public authorities make decisions on the further development of the wind energy sector in Lithuania.

### Dismantling of units 1 and 2 of the reserve power plant

In the end of March 2017 the Company completed dismantling project of the units 1 and 2. As the Company completed the project for expansion of heat generation facilities in Elektrėnai in 2015, the units 1 and 2 of the reserve power plant (which have been used so far for heat production to satisfy the needs of population of Elektrėnai town during the cold season) appeared to be longer necessary. Consequently, in view of the fact that the price of electricity generated at these units is no longer competitive on the market and that the refusal of these units will help reduce the need for PSO funds as well as the final tariff of electricity for end users, the decision was made to dismantle these obsolete and ineffective 150 MW capacity units of the reserve power plant, which were constructed back in 1962–1965. Thermal insulation of the units, masonry of boilers have already been dismantled and utilised, and dismantling of unit installations and equipment is in progress by selling part of them as scrap and by offering the rest of them as still functioning on the market.

### Dismantling of units 5 and 6 of the reserve power plant

In January 2017, the project for dismantling of 5 and 6 units was initiated. In January 2016, units 5 and 6 were decommissioned. Given the fact that the price of electricity produced at these units is no longer competitive on the market and that their abandonment will help reduce the final tariffs of electricity for end users, the decision was made to dismantle these obsolete and ineffective 300 MW capacity units of the reserve power plant. The dismantling of these units is planned to be accomplished in the end of 2020. The goal is to encourage the Company's employees to perform as many related tasks as possible, and to use income received after selling dismantled materials or facilities to cover project costs.

### Major repairs of the second hydro unit of Kruonis PSHP

The second hydro unit of Kruonis PSHP was installed and launched in 1992, thus the unit has been operated for about 25 years now. In the beginning of 2014, at the time of diagnostic repair of the hydro unit, the inspection of the generator was conducted in participation of representatives of the manufacturer of the power plant. It was determined that reasons of the observed deficiencies could be eliminated only by replacing some parts in the course of major repairs. A contract

with a contractor, who will perform main works of major repairs of the second hydro unit of Kruonis PSHP, was signed in May 2017. In June 2017, the contractor presented repair work schedules and schedules of main parts, equipment and devices produced by the power plant manufacturer. The manufacturing of the parts is being continued.

In the course of the major repairs, the unit will be put out of operation for about 4 months. The plan is to use this time for renovation of the internal (metal) part of the external pipeline of the hydro unit. A procurement procedure was initiated in June 2017 and technical specifications were drafted therefor. The procurement procedure is continued.

#### **Installation of unit 5 at Kruonis PSHP**

The Company has assessed the possibilities for the developments of the Kruonis PSHP, when installing the fifth hydro unit. The results of the analysis show that in today's market's conditions the existing 900 MW power is sufficient for the operation of the power plant, but its development is important for the assurance of future sufficient electricity capacity and competitive power engineering in Lithuania.

Expansion of Kruonis PSHP production capacity is planned after the construction of the fifth asynchronous hydro unit of 225 MW power. The Company, evaluating the need of the fifth Kruonis PSHP unit, analysed the assumptions and prospects

of the electricity trading, reserve, regulation and balancing services. After the merger with Sweden and Poland, the electricity prices go down on the stock market, and the difference between peak and night prices decreases.

Most of the forecasted changes in the commercial market do not provide significant additional opportunities for commercial trading of the electricity produced in Kruonis. At the same time, the construction of the fifth unit would be the optimal solution to solve the reliability and security of the Baltic electricity system in the shortest possible time. Such a universal unit would allow for a much more flexible real-time compensation of electricity shortages or surpluses on the market, which will be especially relevant when the Lithuanian electricity network will be synchronized with the continental Europe network.

At present, a considerable part of the preparatory work of the Kruonis PSHP development project has already been carried out, and the estimated duration of its implementation is around four years. The National Energy Independence Strategy project, which was presented in June 2017, included the development of Kruonis PSHP in the list of the main energy sector's works. The project may be continued when the relevant questions about how much power reserve will be needed, when working on an isolated network, when preparing for the synchronization and after it will be answered, as well as what technical requirements will be imposed on the device ensuring such power reserve.

#### **Operational excellence, innovative activities**

Seeking to implement one of its strategic directions – to improve operational efficiency – the Company pursues constant improvements supported with optimisation of functions, technological advancement, introduction of innovations, and improvement of business processes. The Company implements Operational Excellence programme, which is based on the best management practices (LEAN, Six Sigma etc.).

The Company encourages and implements not only the improvements stipulated in its operating plans but also the ones proposed by its employees. The Company's employees submitted ~400 proposals for performance improvement in January-June 2017. Experts and managers evaluate the proposed ideas in terms of their payback and in respect of such aspects as time saving, safety at work, quality, corporate values, and improvement of workplace ergonomics. Employees are provided with the possibility to implement their ideas and thereby

contribute to developing the Company's activities and attaining its goals. More than 200 of proposals for performance improvement were implemented in January-June 2017.

All divisions of the Company continue using visual management of day-to-day operations with integrated performance indicators and cascaded meeting systems. With the help of LEAN and other operational management tools, the Company eliminates wastages no longer creating any value, arranges and standardises premises and work places (30 premises were arranged in January-June 2017, purpose of 10 of them changed or they are not being used anymore), solves problems in a more effective and fast manner, and improves the processes and their individual steps in view of the Company's priorities.

In January-June 2017 the internal operational excellence training programme for the management of the Company was implemented (8 modules, 39 participants in total).



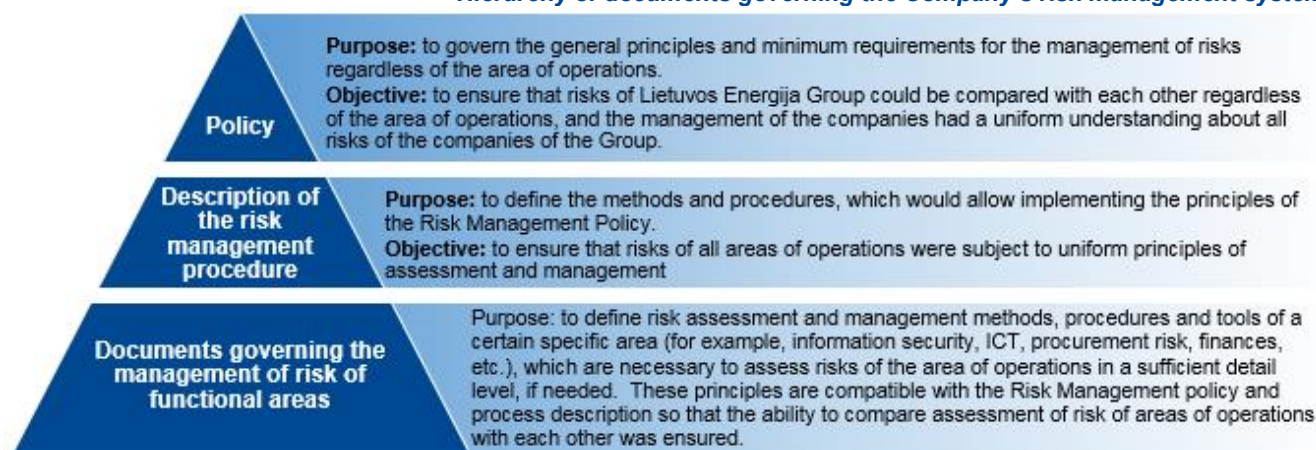
## Key risks and uncertainties faced by the Company

The Company's risk management system was prepared considering the main principles of COSO (Committee of Sponsor-

ing Organizations of the Treadway Commission), ERM (Enterprise Risk Management) and AS/NZS ISO 31000:2009 (Risk management - Principles and guidelines).

Figure 6

### Hierarchy of documents governing the Company's risk management system



In order to manage its risks and take preventive and reciprocal actions, the Company assesses them, provides for the measure plans and implements them in observance of the main risk management principles.

Figure 7

### Main risk management principles

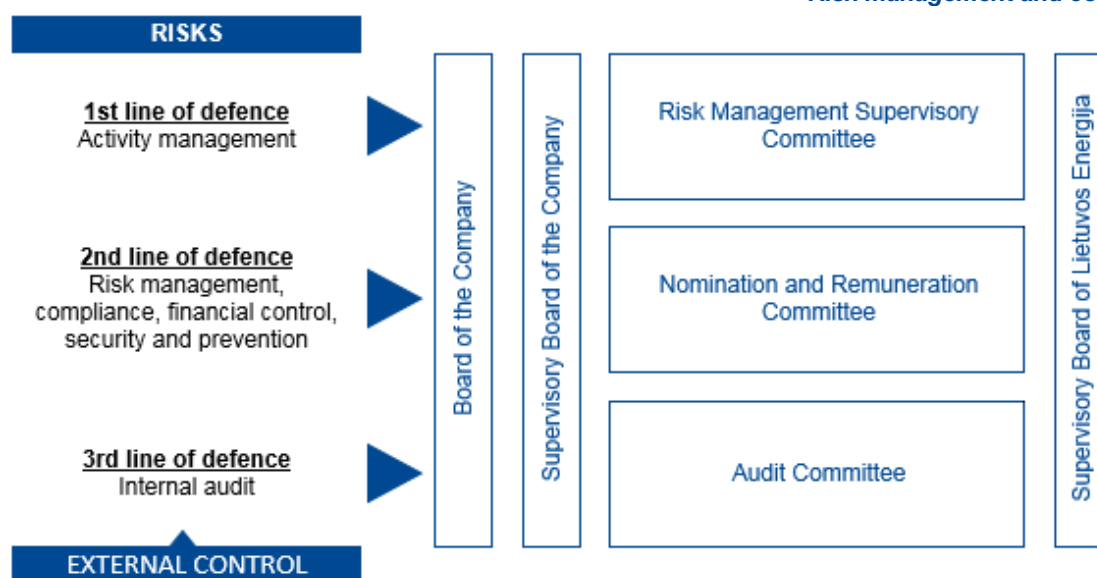
INTEGRITY	EFFECTIVENESS	CULTURE
<ol style="list-style-type: none"> <li>1. Risk management – a part of decisions and management.</li> <li>2. Risk management covers all organizational levels.</li> <li>3. Processes are assessed integrally.</li> </ol>	<ol style="list-style-type: none"> <li>1. Structured and implemented on time.</li> <li>2. Dynamic.</li> <li>3. Best available and proactive information.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participants in risk management understand the benefit and apply measures every day.</li> <li>2. Participants in risk management assume responsibility.</li> </ol>

In order to effectively manage the faced risks, the Company applies the "three lines of defence" principle establishing a

clear sharing of responsibilities for risk management and control between the Company's management and supervisory bodies, and structural units of functions.

Figure 8

### Risk management and control model



As the Company carries out its activities, it is exposed to the following key risks and it takes the following measures to manage them:

#### **Risk of external regulation**

External regulation risk is associated with unfavourable changes in regulatory environment and the decisions made by the regulatory authorities.

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

#### **Risk of market changes and competition**

In view of the expected market changes, it is sought to maintain competitiveness of the Company by abandoning out-of-service production facilities, bringing into use new facilities (biofuel and steam boiler houses), and modernising the old ones. Much attention is given to review and improvement of operation processes in both direct and supporting activities.

#### **Risk of information security**

Overtaken or damaged technological networks and equipment and cyber-attacks may increase the likelihood of information security breaches, thereby leading to interception/ disclosure of sensitive information important for the Company.

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-ups are made, 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. A physical separa-

tion of the networks is in process, and protection measures intended to secure the network perimeter and terminal equipment are applied

#### **Risk of technical faults**

In order to ensure reliable and fault-free operation of the power plants, the Company continuously and timely performs technical maintenance of equipment, makes investments into renewal of equipment, and ensures the continuity of knowledge and retention of skills of its operations personnel. Business continuity plans are drawn up, updated, and constantly tested in order to ensure uninterrupted operation of the Company. An integrated asset management system of energy facilities is being implemented at all power plants.

#### **Risk of occupational safety and health**

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 occupational safety and health.

The Company pays great attention to the prevention of accidents: an OHSAS 18001:2007 certificate is updated and maintained to secure occupational safety and health, the working places and work organisation quality are checked regularly, employees are provided with personal safety measures. Employees are briefed in line with the approved instructions on occupational safety and health and in view of the functions assigned to the respective job positions.

There were no any significant occurrences of these risks in January-June 2017.

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

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

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

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

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

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

ISIN code LT0000128571.

Ticker - LNR1L.

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

### Išstatinio kapitalo struktūra

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

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

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

	6 months 2013	6 months 2014	6 months 2015	6 months 2016	6 months 2017
Last trading session price, EUR	0.372	0.715	0.773	0.611	0.627
Maximum price, EUR	0.411	0.750	0.940	0.713	0.655
Minimum price, EUR	0.370	0.395	0.765	0.611	0.600
Average price, EUR	0.386	0.582	0.853	0.649	0.627
Turnover, shares	309 328	1 138 669	365 042	268 263	439 408
Turnover, EUR MLN	0.12	0.66	0.31	0.17	0.28
Capitalisation, EUR MLN	Company	236.25	454.08	490.92	398.20
	Baltic Main List	4,775.36	4,619.94	4,731.07	4,712.59

Figure 9  
*The Company's share price and turnover dynamics during the reporting period*

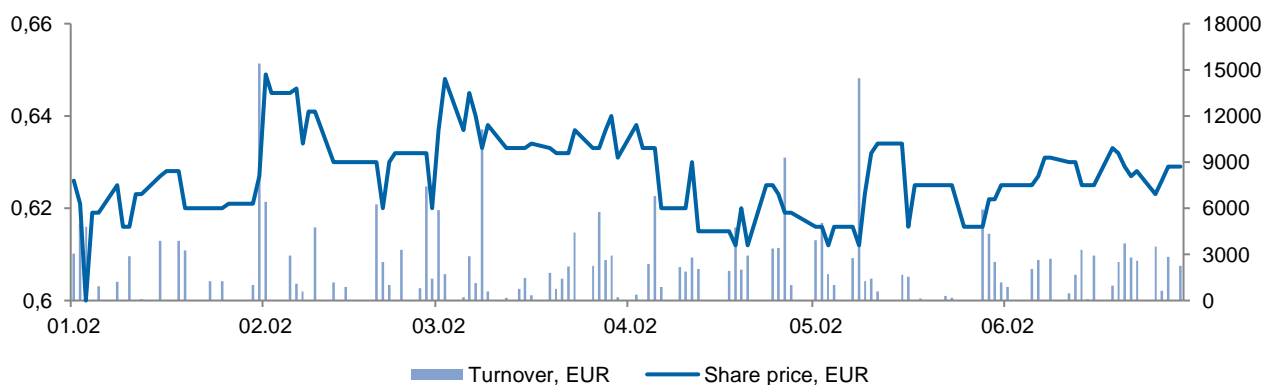


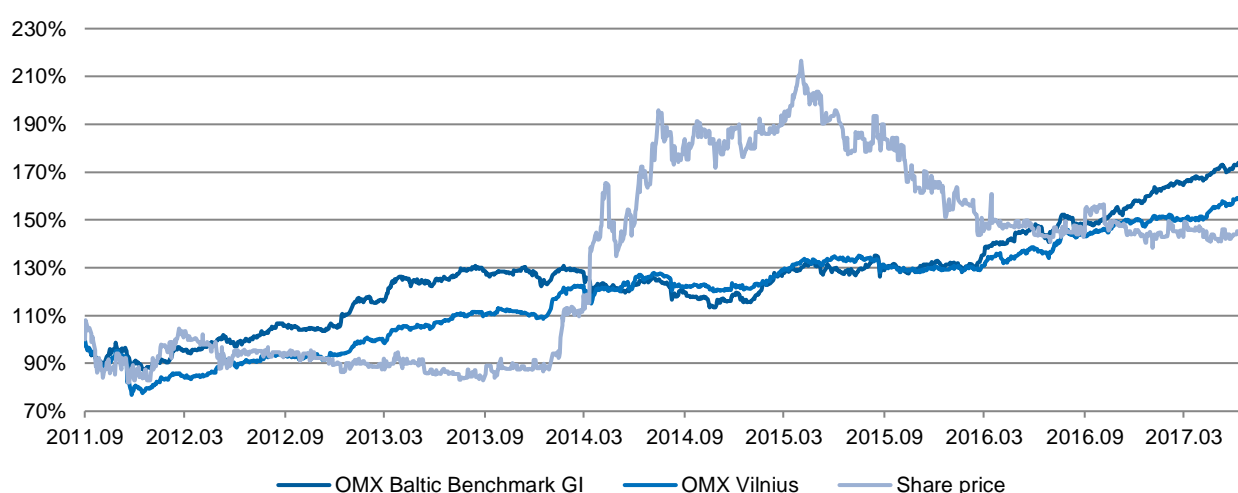
Figure 10

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



Figure 11

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



## Shareholder structure

As at 30 December 2016, the Company had in total 5,931 shareholders.

As at 30 June 2017, the Company had in total 5,886 shareholders.

**Shareholders holding more than 5% of the Company's shares (as at 30 June 2017)**

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

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

All shareholders of the Company have equal property and non-property rights as laid down in the legislation, other legal acts, and the Articles of Association of the Company. The

management bodies of the Company create suitable conditions for implementing the rights of shareholders of the Company.

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



### Restrictions on voting rights

There were no restrictions on voting rights.

### Restrictions on transfer of securities

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

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

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

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

### Dividends and dividend policy

At the Ordinary General Meeting of Shareholders held on **24 March 2017**, a decision was made to approve the proposed profit (loss) appropriation for the year 2016. A decision was made on distribution of dividends to the shareholders of the Company for the six-month period ended 31 December 2016. Dividends of EUR 0.02 per share of the Company (in total, EUR 12.7 million) were distributed. Dividends were received by individuals who were the shareholders of the Company at the end of the tenth working day after the date of decision made by the General Meeting of Shareholders on payment of dividends, i.e. at the end of the working day of 7 April 2016.

To be reminded, during the Extraordinary General Meeting of Shareholders held on 26 September 2016, a decision was

made on distribution of dividends to the shareholders of the Company for the period shorter than the financial year. Dividends of EUR 0.043 per share of the Company (in total, EUR 27.3 million) were distributed for the six-month period ended 30 June 2016.

The Company's net profit from continuing operations for 2016 amounted to EUR 39,98 million, and the ratio of dividends paid / net profit for this period was 1.00.

In 2016, a common dividend policy was approved for the whole Lietuvos Energija group, which also applies to the Company and can be found on the Company's website under section For investors.

## 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 internal business processes, and in its relations with stakeholders.

Being engaged in its activities in a responsible manner, the Company follows the Social Responsibility Policy approved for the entire group. This document defines the general principles of responsible operation and provisions to be followed when creating a culture and practice of socially responsible business developed in a sustainable manner.

The Company makes social responsibility purposeful by pursuing target-oriented and consistent activities in the following areas:

- relationship with employees,
- relationship with the public,
- environment protection,
- operation in the market.

The Company follows the Ten Principles of the UN Global Compact defining the responsibilities of businesses in the areas of human rights, employee welfare, environment protection, anti-corruption, and aims at reducing its impact on environment, community, other businesses, taking part in resolving economic, social and environmental issues by common effort, and contributing to community development and economic growth. These generally accepted guidelines of responsible behaviour serve as clear and strong reference for the Company in developing its activities in a socially responsible manner.

The Company demonstrates goodwill and invites the members of public to participate in free-of-charge excursions at its objects: the combined cycle unit, Kruonis PSHP, Kaunas HPP. Thereby, the Company contributes to increasing awareness of the public, especially the younger generation, about the energy. During January-June 2017, the above-mentioned power plants had in total over 1400 visitors from various educational establishments, schools and other institutions, as well as delegations from abroad. Kruonis PSHP has the highest number of visitors during January-June 2017.

Social responsibility activities of the Company are described in detail in publicly published Reports on Social Responsibility. Report on Social Responsibility on 2016 was published on 30 June 2017 ([link](#)).

### Environmental Protection

The Company is committed to protecting the environment in its operations, sparingly using the natural resources, introducing advanced, efficient and environmentally friendly technologies, complying with the environmental laws and regulations, and implementing preventive measures to reduce the adverse impact upon the environment in a professional manner.

The most important environmental protection issues include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that the water level fluctuations in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are within the permissible limits etc.

The Company fulfils all the relevant environmental requirements and undertakes, on its initiative, construction of new facilities and modernization of the old ones so that the impact of operations on the environment is minimized. The Company organizes environment clean-up campaigns, inviting other companies and organizations to join them. Meetings between employees of units are organized by means of video conferences in order to reduce both transport costs and environmental pollution. Sparing use and sorting of electronic equipment and paper used for operations is encouraged at the Company so the use of paper is decreasing and the increasing numbers of documents are managed electronically by means of a dedicated document management system.

### Environmental Management Standard

The Company maintains ISO 14001:2005 certificate. Its globally recognized certificate indicates that the Company meets the requirements for the identification, monitoring, management and improvement of the main environmental protection aspects. The certificate is valid for the products and services of the Company's power plants in Elektrėnai, Kruonis and Kaunas. This means that the strict global environmental requirements are fulfilled by all the power plant operations: the electricity and thermal energy generation and the operation of the power, heat, turbine, natural gas, oil and petroleum product facilities at the Elektrėnai Complex, electricity generation and supply, operation of facilities and power reserving at the Kruonis PSHP, and the electricity generation and supply as well as operation of facilities at the Kaunas HPP.

The requirements for the monitoring and protection of the air, surface water, ground water and soil specified in the Integrated Pollution Prevention and Control Permits are fulfilled.

### Environment Clean-up Initiative

As the Company consistently contributes to cherishing natural environment on a yearly basis. In spring 2017 employees of the Company cleaned up the territories near Elektrėnai and Kaunas Lagoon.

### Waste Sorting

Assorted waste bins and special containers for old batteries and minor electronic equipment have been erected at the Company's divisions in Elektrėnai, Kruonis and Kaunas as well at the offices in Vilnius.

A modern waste sorting yard at Elektrėnai Complex enables to sort many types of waste. Hazardous and non-hazardous waste resulting from the Company's operations are transferred to waste management companies. Waste of ferrous and non-ferrous metals is transferred to scrap collectors at a market price.

In January-June 2017 at the power plants of the Company 1090 tons of hazardous waste and 1290 tons of non-hazardous waste were transferred, 905 tons of ferrous and almost 12 tons of non-ferrous metals were sold, 30 tons of household waste was collected.

## THE COMPANY AND ITS MANAGEMENT BODIES

### Information about the Company and its contact details

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

### The Company's main business activity

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

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

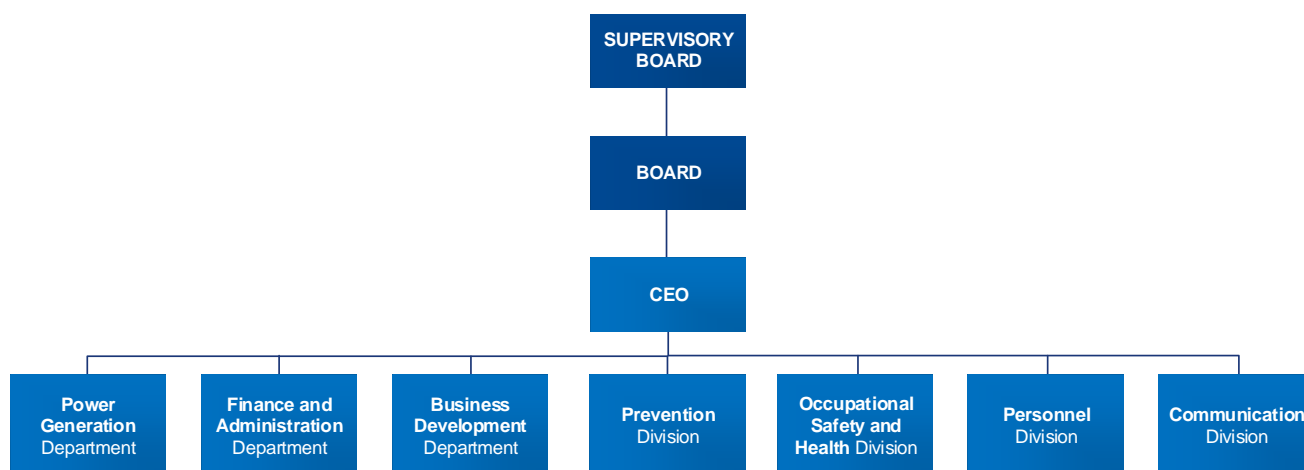
The Company has no branches or representative offices.

### Divisions of the Company

The Company operates all state-owned power generation facilities:

- Elektrėnai Complex with a reserve power plant (the former Lietuvos Elektrinė) and a combined cycle unit,
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP).

Figure 12  
*Structure of the Company (as at 30 June 2017)*



### Information about ownership interest in other entities

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

### Information about the Company's management bodies

Based on the Articles of Association effective as at 30 June 2017, the management bodies of the Company include as follows:

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

The Articles of Association of the Company are available on the Company's website under section [Company Management](#)

Information on the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius is available on Annual Report of the Company of 2016 ([link](#)). There were no major changes in January-June 2017.

## The General Meeting of Shareholders

One General Meeting of the Company's Shareholders was held during January-June 2017:

1. The Ordinary General Meeting of Shareholders held on 24 March 2017 approved the set of audited consolidated and the Company's financial statements for 2016 and distribution of the Company's profit for 2016. Payment of dividends for the six-month period ended 31 December 2016 was planned.

The General Meetings of Shareholders convened by the Company was attended by the Company's CEO (chairperson of the Board) and Director of Finance and Administration Department (member of the Board).

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

## The Supervisory Board

The Supervisory Board of the Company which was acting in January-June 2017 was formed on 5 August 2013. During the reporting period there were no changes in the structure of the Company's Supervisory Board. The term of office of the Supervisory Board of the Company ended on 5 August 2017.

January-June 2017. All of them were attended by all three members.

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

Overall 5 meetings of the Supervisory Board were held in

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

Name	Term of office	Share-holding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)
<b>Mindaugas Keizeris</b> Chairman	20 November 2014–5 August 2017	-	<ul style="list-style-type: none"> <li>- Lietuvos Energija UAB, Member of the Board, Director for Strategy and Development.</li> <li>- Energetikos Paslaugų ir Rangos Organizacija UAB, Chairman of the Board.</li> <li>- Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board.</li> <li>- Vilniaus Kogeneracinė Jėgainė UAB, Chairman of the Board.</li> <li>- Sponsorship Foundation of Lietuvos Energija UAB, Member of the Board.</li> </ul>	-
<b>Dominykas Tučkus</b> Member	21 December 2015 – 5 August 2017	-	<ul style="list-style-type: none"> <li>- Lietuvos Energija UAB, Member of the Board, Director for Production and Services.</li> <li>- LITGAS UAB, Chairman of the Board.</li> <li>- Lietuvos Dujų Tiekimas UAB, Member of the Board.</li> <li>- Energijos Tiekimas UAB, Chairman of the Board</li> <li>- Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board.</li> <li>- Eurakras UAB, Chairman of the Board</li> <li>- Tuuleneenergia OU, Member of the Board</li> <li>- Energijos Sprendimų Centras UAB, Member of the Board.</li> </ul>	-
<b>Pranas Vilkas</b> Independent member	5 August 2013 – 5 August 2017	-	-	-

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

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

The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria, are established at the General Meeting of Shareholders in accordance with the requirements set forth in the relevant legal acts and based on the best corporate governance practices.



	Remuneration in January-June 2017, EUR	Other payments in January-June 2017, EUR	Total in January-June 2017, EUR
All members of the Supervisory Board, total	–	3,602	3,602
To the independent member of the Supervisory Board*	–	1,259	1.259

\* For the activities as the member of the Supervisory Board.

## The Board

The Board of the Company was formed on 17 August 2013.

Adomas Birulis submitted his resignation from the position of the member of the Board with effect from 6 January 2017.

At the meeting of the Supervisory Board held on 6 January 2017, the decision was made to elect Mindaugas Gražys to the position of the Company's Board as from this date until the end of term of the current Board. He was the Director of Business Development Department at the Company.

On 12 May 2017, the Company received a notification of resignation of Mr. Mindaugas Gražys from the post of a member of the Company's Board. The last day of his term of office in the Company's Board will be 9 June 2017.

On 9 June 2017 Supervisory Board elected Mr. Nerijus Rasburskis as a member of the Board of the Company.

The expected end of term of office of the current Board of the Company is 17 September 2017.

Overall, 15 meetings of the Board were held in January-June 2017. All of the meetings were attended by all members of the Board

The Board of the Company comprises of persons, who ensures diversity by such aspects, as gender, age, educational and professional background. More details about the members of the Company's Board is available below and on the Company's website under section [Company Management](#).

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

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)	Payment for the activities as the member of the Board, EUR
<b>Eglė Čiužaitė</b> Date of birth – 1979 Chairperson of the Board, CEO	19 February 2016 – 17 September 2017	–	<ul style="list-style-type: none"> <li>- Geoterma UAB (Lypkių str. 53, Klaipėda, Lithuania, c. c. 123540818), Member of the Board.</li> <li>- Sponsorship Foundation of Lietuvos Energija (Žvejų str. 14, Vilnius, Lithuania, c. c. 303416124), Member of the Board (since 19 April 2016).</li> <li>- Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 303200016), Member of the Board (since 30 January 2017)</li> </ul>	–	8,689
<b>Adomas Birulis</b> Date of birth – 1983 Member of the Board, Director of Business Development Department	17 September 2013 – 6 January 2017	–	<ul style="list-style-type: none"> <li>- Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 303200016), Member of the Board until 6 January 2017.</li> </ul>	–	185
<b>Darius Kucinas</b> Date of birth – 1971 Member of the Board, Director of Production Department	17 September 2013 – 17 September 2017	–	–	–	5,213

<b>Mindaugas Kvekšas</b>					
Date of birth – 1986	31 December 2015 – 17 September 2017	–	–	- Verslo Aptarnavimo Centras UAB (P. Lukšio str. 5B, Vilnius, Lithuania, c. c. 303359627), Member of the Board	– 5,213
Member of the Board, Director of Finance and Administration Department					
<b>Mindaugas Gražys</b>					
Date of birth – 1983	6 January 2017 – 9 June 2017	–	–	–	4,421
Member of the Board, Director of Business Development Department					
<b>Nerijus Rasburskis</b>					
Date of birth – 1977	9 June 2017 – 17 September 2017	–	–	- Lietuvos Energija, UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 301844044), Head of Cogeneration Power Plants Division - Vilnius Cogeneration Power Plant UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 303782367), Member of the Board - Kaunas Cogeneration Power Plant UAB (Žvejų str. 14, Vilnius, Lithuania, c. c. 303792888), Member of the Board	637
Member of the Board, Project Manager at Business Development Department					

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

	Remuneration in January-June 2017, EUR	Other payments* in January-June 2017, EUR	Total in January-June 2017, EUR
All members of the Board, total	93,764	24,358	118,122
Per member of the Board, average	23,441	6,089	29,530

\* For the activities as the member of the Board.

## The Management

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

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

	Remuneration in January-June 2017, EUR	Other payments in January-June 2017, EUR	Total in January-June 2017, EUR
To the CEO:			
Eglei Čiužaitė	29,202	8,689	37,891
Vyr. finansininkui*	–	–	–

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

The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During January-June 2017, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

## Information about the Committees

The Company has no Committees. Lietuvos Energija UAB group has the Audit Committee, the Risk Management Supervision Committee and the Nomination and Remuneration Committee. The scope of activities of the Committees covers Lietuvos Energija UAB and its directly and indirectly controlled subsidiaries, including Lietuvos Energijos Gamyba AB and other

legal persons with different legal status, over which Lietuvos Energija UAB may have significant influence.

Functions of the Committees are described more in detail in Company's annual report.

### Members of the Audit Committee (during the reporting period)

There were no changes in the structure of the Audit Committee during the reporting period.

Committee member	Shareholding in the Company	Term of office	Name of employer, job position
<b>Rasa Noreikienė</b> Chairperson	–	August 2013 – August 2017	Lithuanian Ministry of Economy, Vice-Minister*
<b>Aušra Vičkačkienė</b> Member	–	August 2013 – August 2017	Lithuanian Ministry of Finance, State Asset Management Department, Director
<b>Danielius Merkinas</b> Independent member	–	August 2013 – August 2017	Nordnet UAB, Commerce Director
<b>Gintaras Adžgauskas</b> Member	–	August 2013 – August 2017	World Energy Council, Lithuania Committee, Director
<b>Irena Petruškevičienė</b> Independent member	–	October 2014 – October 2018	European Commission Audit Committee, member

\* Rasa Noreikienė took this position until 13 December 2016.

### Members of the Risk Management Supervision Committee (during the reporting period)

There were no changes in the structure of the Risk Management Supervision Committee during the reporting period.

Committee member	Shareholding in the Company	Term of office	Name of employer, job position
<b>Antanas Danyš</b> Chairman	–	August 2013 – August 2017	<ul style="list-style-type: none"> <li>- Grinvest PTE.LTD director;</li> <li>- UAB „Kaštonų kalva“, head of development;</li> <li>- Kruonis OU, member of the board;</li> <li>- UAB Neo Finance, chairman of the board;</li> <li>- Asian Pacific Green Energy Pte. Ltd, director;</li> <li>- Powerful United Limited, director;</li> <li>- Misen Enterprises, member of the board;</li> <li>- Argentum mobile, member of the board.</li> </ul>
<b>Tomas Garasimavičius</b> Member	–	August 2013 – August 2017	Energy Advisor to the Prime Minister of the Republic of Lithuania
<b>Raimundas Petrauskas</b> Independent member	–	August 2013 – August 2017	Schmitz Cargobull Baltic UAB, CEO
<b>Donatas Kaubrys</b> Independent member	–	August 2013 – August 2017	Lithuanian Association of People with Disabilities, project manager responsible for the supervision of suitability of buildings for persons with disabilities in Klaipėda and Tauragė regions.

### Members of the Nomination and Remuneration Committee (during the reporting period)

There were no changes in the structure of the Nomination and Remuneration Committee during the reporting period.

Committee member	Shareholding in the Company	Term of office	Name of employer, job position
<b>Virginijus Lepėška</b> Independent member, Chairman of the Committee	–	August 2013 – August 2017	Organizacijų Vystymo Centras UAB, Chairman of the Board

<b>Tomas Garasimavičius</b> Member	–	August 2013 – August 2017.	Energy Advisor to the Prime Minister of the Republic of Lithuania
<b>Agnė Bagočiūtė</b> Member	–	June 2016 – August 2017	Lithuanian Ministry of Finance, Chief Adviser

## The Company's employees

The main objective of the Company's human resource management policy is to attract and retain qualified employees and ensure long-term partnership relations with them on the basis of creating a mutually beneficial value and jointly implementing the Company's strategic goals. The Company focuses on the formation of corporate culture, improvement of engagement of employees and HR management effectiveness.

### Headcount, change

As at 30 June 2017, the Company had 399 employees (including those on child care leave). In the end of 2016, the Company also had 399 employees.

Almost 54% of the Company's employees have higher education, 38% have vocational education, and 8% have secondary education. Middle age – 48 years, middle time of service at the Company – 20 years.

### Work pay and performance management

Based on the Company's remuneration system, employees receive a fixed pay, which is determined on the basis of the level of job position, which in turn depends upon the functions and complexity of tasks fulfilled, responsibilities undertaken and the level of decision-making, as well as upon the employee's professional qualification. A variable pay depends upon measurable performance results, i.e. achievement of targets or performance indicators established in respect of each job position.

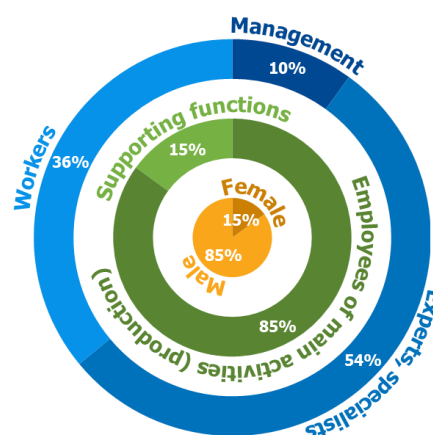
The Company's employees may receive additional monetary benefits, such as extra pay for work at night, overtime work, one-off extra pay for additional work load, for exceptional performance results, innovative ideas or suggestions for improvement and their implementation, as well as social care, material support, additional paid leave. Additional non-monetary benefits to employees include training financed by the Company, various events organised for the Company's employees and their children, medical aid station services, vaccination of employees against seasonal diseases, etc.

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

	Breakdown of headcount by category of employees on 30 June 2017	Average work pay, EUR
CEO	1	5,455
Top level management	3*	4,231
Middle-level management	37	2,094
Experts, specialists	218	1,374
Workers	140	887
<b>Total</b>	<b>399</b>	<b>1,294</b>

\* There were four persons working in the Board of the Company on 30 June 2017 (chairperson (CEO), two members (directors of departments) and one member, which did not take any managing position at the Company. Director of Business Development Department Adomas Birulis, which resigned from the Board on 6 January 2017, was still in the list of employees of the Company on 30 June 2017.

Figure 13  
*Employees of the Company*



The purpose of employee performance management system is to ensure that the goals of employees match those of the Company and to direct the efforts of employees towards their achievement. The process starts with a 360° study, which helps assess the general and leadership competences of management and specialists. Annual performance assessment meetings are organised between management and employees, during which management member and employee assess the progress in terms of achievement of the set goals, agree on further goals and on competences that need improvement (on the basis of assessments of competences), and on the specific employee development measures to be taken in the upcoming year, as well as career expectations.

Breakdown of headcount by category of employees and average work pay are given in the table below. The work pay amounts include the fixed pay, the variable pay and extra pays for exceptional performance results, for work during personal or public holidays, overtime work or work at night.



**Professional career, adaptation of new joiners and possibilities of internship**

Turnover of employees is quite low at the Company – less than 2 %. When there occurs a vacancy, the potential candidates are firstly selected by internal recruitment procedures. When no potential candidates are available at the Company or the group for the vacant position, the recruitment process is continued outside the Company. The biggest part of vacancy announcements in January-June 2017 were won by candidates selected through internal recruitment procedures, i.e. the Company's employees. Search for employees on the basis of internal rotation principle during January-June 2017 resulted in promotion of 21 employees (vertical career) and movement of 8 employees to similar job positions in the same or other divisions (horizontal career).

**Organisational culture, development of competences, professional training**

In view of the identified performance goals, competence assessments and need for further improvement, the Company provides opportunities for its employees to engage consistently in their personal growth by developing their professional, soft and management skills. As a result of professional training, the employees refreshed their knowledge required to fulfil their job

duties and obtained the necessary certificates of professional qualification and attestations. Employees attended various seminars, internal training courses and conferences to find out about the latest developments in their respective fields, innovations and best practices in the energy sector and other businesses.

In January-June 2017, 165 employees of the Company attended training.

**Collective agreement, trade unions**

There are four trade unions at the Company, which are joined by 270 employees of the Company.

The Company has a collective agreement, which ensures a more favourable package of social benefits for the Company's employees compared to that prescribed by the Lithuanian Labour Code. Based on the collective agreement, the Company's employees are paid allowances in the event of accident, illness, death of close family members, also additional benefits in the event of birth of child or families raising many children, also provides additional paid leave in the event of birth of child, marriage, death of a close relative and in other cases.

## MATERIAL EVENTS AT THE COMPANY

### Significant arrangements

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

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

### Information on related-party transactions

Information on significant related-party transactions is disclosed in the financial statements for the period ended 30 June 2017.

### Detrimental transactions

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

## Notifications on materials events during the reporting period

6/1/2017	<u>Member of the Board of "Lietuvos energijos gamyba", AB, has been elected</u>
10/1/2017	<u>On adopted Resolution of the Court</u>
31/1/2017	<u>Preliminary pre-audited results of Lietuvos energijos gamyba, AB, over the course of twelve months in 2016: more efficient activity allowed to counterbalance the loss of revenue and to operate mo</u>
8/3/2017	<u>On adopted Resolution of the Court</u>
9/3/2017	<u>Regarding the resolutions of Lietuvos Energijos Gamyba, AB, Supervisory Board</u>
19/4/2017	<u>On adopted Resolution of the Court</u>
28/4/2017	<u>Preliminary results of Lietuvos Energijos Gamyba, AB, over the course of three months in 2017: the hydro power plant produced a bigger amount of electricity, the Company reached a bigger profit from main operating activities</u>
9/5/2017	<u>Regarding information released in the media</u>
15/5/2017	<u>Regarding resignation from the Board of Lietuvos Energijos Gamyba, AB</u>
22/5/2017	<u>On adopted Resolution of the Court</u>
22/5/2017	<u>Regarding the repayment of significant part of a loan</u>
29/5/2017	<u>CORRECTION: Reporting dates in 2017</u>
31/5/2017	<u>Lietuvos Energijos Gamyba, AB, preliminary financial results for 4 months of 2017</u>
9/6/2017	<u>Member of the Board of Lietuvos Energijos Gamyba, AB, has been elected</u>
15/6/2017	<u>On adopted Resolution of the Court</u>
30/6/2017	<u>Lietuvos Energijos Gamyba, AB, preliminary financial results for 5 months of 2017</u>

## Other events during the reporting period

28/2/2017	<u>Interim information of Lietuvos Energijos Gamyba for the twelve-month period of 2016: the Company operated more profitably in 2016; plans to significantly expand its service portfolio</u>
28/2/2017	<u>Regarding the agenda and proposed draft resolutions of Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
24/3/2017	<u>Regarding the resolutions of Ordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>
24/3/2017	<u>Lietuvos Energijos Gamyba, AB, Annual Information 2016</u>
22/6/2017	<u>Development of the Kruonis Pumped Storage Plant – among the most important projects in the energy sector</u>
30/6/2017	<u>The Report on Social Responsibility of 2016 of Lietuvos Energijos Gamyba, AB</u>

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

7/7/2017	<u>Regarding the concluded credit agreement</u>
18/7/2017	<u>Regarding the agenda and proposed draft resolutions of Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
31/7/2017	<u>Preliminary Results of Lietuvos Energijos Gamyba, AB, for the First Six Months of 2017: Active Moves in Strategy Implementation</u>
10/8/2017	<u>Regarding the resolutions of Extraordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>
23/8/2017	<u>CORRECTION: Reporting dates in 2017</u>

## OTHER SIGNIFICANT INFORMATION

### The main attributes of the internal control and risk management systems involved in the preparation of financial statements

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company from which the Company outsources the accounting functions, make sure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

# 2017

## LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED 30 JUNE 2017 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



Lietuvos  
energija

GAMYBA



Lietuvos  
energija



Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**30 June 2017**

All amounts in EUR thousands unless otherwise stated

	Note	At 30 June 2017	At 31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	9,692	12,157
Property, plant and equipment	6	622,096	645,054
Investments in associates	7	1,482	1,511
Other non-current assets		2,012	2,620
Other financial assets		5,692	7,178
<b>Total non-current assets</b>		<b>640,974</b>	<b>668,520</b>
<b>Current assets</b>			
Inventories		5,739	5,844
Prepayments		3,654	3,454
Trade receivables		14,785	16,331
Other financial assets		6,287	8,116
Prepaid income tax		-	22
Loans granted	8,15	15,133	18,098
Cash and cash equivalents		44,059	99,045
<b>Total current assets</b>		<b>89,657</b>	<b>150,910</b>
<b>TOTAL ASSETS</b>		<b>730,631</b>	<b>819,430</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Authorised share capital	9	184,174	184,174
Share premium		85,660	85,660
Legal reserve		12,871	10,872
Revaluation reserve		1,016	1,033
Retained earnings		69,426	73,827
<b>Total equity</b>		<b>353,147</b>	<b>355,566</b>
<b>Non-current liabilities</b>			
Borrowings	11	42,645	111,251
Finance lease liabilities		241	310
Grants	12	260,831	269,758
Other non-current amounts payable and liabilities		13,363	10,480
Deferred income tax liabilities		24,081	24,731
<b>Total non-current liabilities</b>		<b>341,161</b>	<b>416,530</b>
<b>Current liabilities</b>			
Borrowings	11	17,212	21,208
Finance lease liabilities		138	138
Trade payables		14,174	19,904
Advance amounts received		1,056	1,284
Income tax payable		311	-
Provisions for emission allowances	13	177	1,316
Other amounts payable and liabilities		3,255	3,484
<b>Total current liabilities</b>		<b>36,323</b>	<b>47,334</b>
<b>Total liabilities</b>		<b>377,484</b>	<b>463,864</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>730,631</b>	<b>819,430</b>

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

**Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**for the six-month period ended 30 June 2017**

All amounts in EUR thousands unless otherwise stated

	Note	1 January 2017 – 30 June 2017	1 January 2016 – 30 June 2016
<b>Revenue</b>			
Sales revenue		63,306	69,148
Other income		466	20,176
	14	<b>63,772</b>	<b>89,324</b>
<b>Operating expenses</b>			
Purchases of electricity or related services		(11,259)	(13,150)
Gas, biofuel and heavy fuel expenses		(16,632)	(26,281)
Depreciation and amortisation	5,6,12	(12,441)	(10,254)
Wages and salaries and related expenses		(4,021)	(3,757)
Repair and maintenance expenses		(1,987)	(2,038)
Emission allowance revaluation and release (expenses)/income		(2,353)	(6,330)
Impairment (expenses)/income of other non-current assets		(608)	(1,504)
Inventory (write-down allowance)/reversal		4	(33)
(Impairment) of property, plant and equipment/reversal		(1,074)	22
Other expenses		(3,073)	(2,962)
<b>Total operating expenses</b>		<b>(53,444)</b>	<b>(66,287)</b>
<b>OPERATING PROFIT</b>		<b>10,328</b>	<b>23,037</b>
Finance income/(costs):			
Finance income		148	557
Finance (costs)		(558)	(804)
		<b>(410)</b>	<b>(247)</b>
Share of results of operations of associates	7	48	-
<b>PROFIT BEFORE INCOME TAX</b>		<b>9,966</b>	<b>22,790</b>
Income tax and deferred income tax benefit/(expenses)	3	317	(4,996)
<b>NET PROFIT FOR THE PERIOD</b>		<b>10,283</b>	<b>17,794</b>
Other comprehensive income/(loss)		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>10,283</b>	<b>17,794</b>
<b>Basic and diluted earnings per share (in EUR)</b>		<b>0.016</b>	<b>0.028</b>
<b>Weighted average number of shares</b>		<b>635,083,615</b>	<b>635,083,615</b>

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
for the three-month period ended 30 June 2017

All amounts in EUR thousands unless otherwise stated

	1 April 2017 – 30 June 2017	1 April 2016 – 30 June 2016
<b>Revenue</b>		
Sales revenue	31,515	35,687
Other income	174	332
	<b>31,689</b>	<b>36,019</b>
<b>Operating expenses</b>		
Purchases of electricity or related services	(5,534)	(6,389)
Gas, biofuel and heavy fuel expenses	(8,967)	(13,398)
Depreciation and amortisation	(6,215)	(5,140)
Wages and salaries and related expenses	(2,074)	(1,779)
Repair and maintenance expenses	(1,091)	(1,131)
Emission allowance revaluation and release (expenses)/income	672	(1,586)
Impairment (expenses)/income of other non-current assets	144	(296)
Inventory (write-down allowance)/reversal	-	(37)
(Impairment) of property, plant and equipment/reversal	11	22
Other expenses	(1,713)	(1,367)
<b>Total operating expenses</b>	<b>(24,767)</b>	<b>(31,101)</b>
<b>OPERATING PROFIT</b>	<b>6,922</b>	<b>4,918</b>
Finance income/(costs):		
Finance income	94	439
Finance (costs)	(247)	(376)
	<b>(153)</b>	<b>63</b>
Share of results of operations of associates	48	-
<b>PROFIT BEFORE INCOME TAX</b>	<b>6,817</b>	<b>4,981</b>
Income tax and deferred income tax benefit/(expenses)	741	(1,144)
<b>NET PROFIT FOR THE PERIOD</b>	<b>7,558</b>	<b>3,837</b>
Other comprehensive income/(loss)	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>7,558</b>	<b>3,837</b>
<b>Basic and diluted earnings per share (in EUR)</b>	<b>0.012</b>	<b>0.006</b>
<b>Weighted average number of shares</b>	<b>635,083,615</b>	<b>635,083,615</b>

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
for the six-month period ended 30 June 2017

All amounts in EUR thousands unless otherwise stated

	Authorised share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity Total
<b>Balance at 1 January 2016</b>	<b>184,174</b>	<b>85,660</b>	<b>1,063</b>	<b>10,872</b>	<b>61,131</b>	<b>342,900</b>
Other comprehensive income for the period	-	-	-	-	-	-
Net profit for the reporting period	-	-	-	-	17,794	17,794
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,794</b>	<b>17,794</b>
Depreciation of revaluation reserve	-	-	(15)	-	15	-
<b>Balance at 30 June 2016</b>	<b>184,174</b>	<b>85,660</b>	<b>1,048</b>	<b>10,872</b>	<b>78,940</b>	<b>360,694</b>
<b>Balance at 1 January 2017</b>	<b>184,174</b>	<b>85,660</b>	<b>1,033</b>	<b>10,872</b>	<b>73,827</b>	<b>355,566</b>
Other comprehensive income for the period	-	-	-	-	-	-
Net profit for the reporting period	-	-	-	-	10,283	10,283
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,283</b>	<b>10,283</b>
Legal reserve	-	-	-	1,999	(1,999)	-
Depreciation of revaluation reserve	-	-	(17)	-	16	(1)
Dividends (Note 10)	-	-	-	-	(12,701)	(12,701)
<b>Balance at 30 June 2017</b>	<b>184,174</b>	<b>85,660</b>	<b>1,016</b>	<b>12,871</b>	<b>69,426</b>	<b>353,147</b>

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



**Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**for the six-month period ended 30 June 2017**

All amounts in EUR thousands unless otherwise stated

	Note	1 January 2017 – 30 June 2017	1 January 2016 – 30 June 2016
Net profit for the period		10,283	17,794
<b>Reversal of non-cash expenses (income) and other adjustments:</b>			
Depreciation and amortisation expenses	5,6	22,329	15,785
Inventory write-down/(reversal)		(4)	33
(Gain) on disposal of investments in subsidiaries and associates		-	-
Expenses/(income) of revaluation of emission allowances	5	2,801	6,330
Other impairments		213	1,509
Share of (profit) of associates	7	(48)	-
Income tax expense		333	1,561
Change in deferred income tax liability		(650)	3,435
Depreciation of grants	12	(9,888)	(5,531)
Increase/(decrease) in provisions		161	(414)
Impairment of property, plant and equipment/(reversal)	6	1,074	(22)
(Gain)/loss on disposal/write-off of non-current assets (other than financial assets)		(9)	(25)
Elimination of results of financing and investing activities:			
- Interest (income)		(72)	(124)
- Interest expense		554	795
- Other finance (income) costs		-	(40)
(Gain) on disposal of a part of the business		-	(19,534)
<b>Changes in working capital</b>			
(Increase) decrease in trade receivables and other receivables		2,648	9,085
(Increase) decrease in inventories and prepayments		(134)	6,254
Increase (decrease) in amounts payable and advance amounts received		(3,048)	3,141
Income tax (paid)		-	(18)
<b>Net cash flows generated from operating activities</b>		<b>26,543</b>	<b>40,014</b>
<b>Cash flows from investing activities</b>			
(Acquisition) of property, plant and equipment and intangible assets		(813)	(1,553)
Disposal of property, plant and equipment and intangible assets		18	28
Loans granted		-	(19,949)
Loans repaid		2,965	-
Disposal of subsidiaries		-	2,821
Disposal of investments in associates		-	7,400
Disposal of a part of business		2,000	12,480
Grants received		74	-
Interest received		72	95
Dividends received		77	40
<b>Net cash flows generated from investing activities</b>		<b>4,393</b>	<b>1,362</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(72,602)	(8,605)
Finance lease payments		(69)	(74)
Interest (paid)		(554)	(787)
Dividends (paid)		(12,697)	(187)
<b>Net cash flows used in financing activities</b>		<b>(85,922)</b>	<b>(9,653)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(54,986)</b>	<b>31,723</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>99,045</b>	<b>66,176</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>44,059</b>	<b>97,899</b>

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

All amounts in EUR thousands unless otherwise stated

## 1 General information

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

The authorised share capital of Lietuvos Energijos Gamyba, AB amounts to EUR 184,174,248.35 and it is divided into 635,083,615 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba, AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 30 June 2017 and 31 December 2016, the Company had not acquired its own shares.

During 2017 and 2016, the Company was engaged in electricity generation and electricity trading activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

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

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

As at 30 June 2017 and 2016, the Company had no subsidiaries.

The Company is part of the Lietuvos Energija group which is one of the largest state-owned groups of energy companies in the Baltic countries. Lietuvos Energija UAB (Parent company) owns 96.75 % shares of the Company.

As at 30 June 2017, the number of employees of the Company was 399 (31 December 2016: 399).

## 2 Accounting policies

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

The Company's condensed unaudited interim financial information for the six-month period ended 30 June 2017 has been prepared according to International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

This condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

### 2.2. Accounting policies

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements for 2016.

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

All amounts in EUR thousands unless otherwise stated

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

There were no new standards, amendments and interpretations that were mandatory for the Company with effect from 2017, and that would have a material impact on the Company's financial information.

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2018, yet not applied in preparing these financial statements are as follows:

*IFRS 9, Financial instruments: Classification and measurement* (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

*IFRS 15, Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

*Revenue from contracts with customers - Amendments to IFRS 15* (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Company is currently assessing the impact of the new standards on its financial statements.

All amounts in EUR thousands unless otherwise stated

### 3 Critical accounting estimates and judgements

The preparation of the condensed interim financial information in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable. The significant management judgements regarding the application of the accounting policies and the main sources for determining uncertainties used in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016.

#### Depreciation rates of property, plant and equipment

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

Management has reviewed the depreciation rates used for property, plant and equipment. The newly established depreciation rates of energy units No 7 and 8 of the Reserve Power Plant were applied starting from 1 January 2017. Depreciation rates have been shortened taking into consideration technical obsolescence of the units and more stringent environmental pollution requirements that will come into force from 2024.

Category	Previously applied useful life, in years	Newly established useful life, in years
High pressure steam boilers and equipment	40	13
Equipment for mechanical, chemical and electrical treatment of flue-gas	40	13
Other equipment of the boiler plant	40	13
Computerised technological systems	15	11

During the six-month period depreciation of non-current assets, net of depreciation of grants, increased by EUR 2,490 thousand and depreciation of grants increased by EUR 4,356 thousand, while depreciation, excluding grants, increased by EUR 6,846 thousand.

#### Revaluation of property, plant and equipment

On 30 June 2017, no independent property valuation was performed in respect of the Company's assets carried at revalued amount, since, in the opinion of management, the fair value of assets did not differ significantly from the carrying amount.

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

#### Impairment of property, plant and equipment

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

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

As at 31 December 2016, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets, and did not identify any impairment indicators in respect of property, plant and equipment of Kruonis Pumped Storage Power Plant, Kaunas Algirdas Brazauskas Hydroelectric Power Plant and the Elektrėnai Complex which is comprised of the Reserve Power Plant, the Combined-Cycle Unit and the new Biofuel and Steam Boiler Plants. The assessment of these factors in respect of this property, plant and equipment was also carried out on 30 June 2017 and no impairment indicators were identified.

As at 30 June 2017, impairment of EUR 1,096 thousand was recognised in respect of individual items of assets. Impairment was recognised in view of assets' market value.

#### Provisions for emission allowances

The Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulatory state authority within 4 months after the year-end. The provision recorded as at 31 December 2016 corresponded to the actual approved quantity of emission. Based on historical experience, management of the Company does not expect any material differences between the amount of estimated provisions as at 30 June 2017 and emission quantities which will be approved in 2018.

**Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six-month period ended 30 June 2017**

All amounts in EUR thousands unless otherwise stated

*Accrual of income from PSO and capacity reserve services*

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

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

As at 30 June 2017, the Company recognised PSO funds of EUR 12,356 thousand (31 December 2016: EUR 9,404 thousand) within 'Other non-current amounts payable and liabilities' to be refunded after 12 calendar months. PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. Non-current amount payable was carried at amortised cost using the effective interest rate approach. When discounting the payable PSO funds during the period of refunding, a discount rate of 1.02% was used, and discounting effect of EUR 185 thousand was recognised within 'Other financial income'. Discounting effect was not adjusted as at 30 June 2017 as the effect of change was immaterial.

Based on *Methodology for establishing the prices for electricity and capacity reserve services* approved by Resolution No. O3-229 of the NCC, the Company's management accounted for receivable amount of capacity reserve income of EUR 247 thousand as at 30 June 2017 under the line item 'Other non-current financial assets' to be compensated after 12 calendar months, and receivable amount of capacity reserve income of EUR 159 thousand under the line item 'Other current amounts receivable' to be compensated within 12 calendar months.

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

In 2014, following the completion of the scheduled audit of the Company's regulated activity for the period 2010–2012, the NCC made a decision to restate the expenses and income attributed to the regulated activities. As a result of restatement, PSO funds allocated to the Company for 2015 were reduced by EUR 6.14 million, and income from capacity reserve services allocated for the period 2015–2016 was reduced by EUR 7.44 million. On 20 December 2016, the Lithuanian Supreme Administrative Court ("the LSAC") rejected the Company's appeal and left unchanged the decision of Vilnius Regional Administrative Court of 21 September 2015, whereby it rejected the Company's request to repeal the NCC's Resolution No O3-818 of 30 September 2014 *Regarding the scheduled audit of Lietuvos Energijos Gamyba AB*.

In 2014, the NCC adopted a resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market. Based on this resolution, the PSO funds approved for the Company for the year 2016 were reduced by additional amount of EUR 2.51 million (2015: were reduced by additional amount of EUR 5.44 million). On 17 October 2016, the LSAC adopted its judgement with respect to the administrative case investigated by court of appeal on 7 September 2016 in relation to annulment of decision of Vilnius Regional Administrative Court (dated 30 April 2015) and adoption of a new decision. The Company's appeal was accepted, whereas the NCC's Resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market, was annulled. In view of this, as at 31 December 2016 when calculating revenue from PSO service fees to be received in the upcoming periods the Company did not adjust profit from non-regulated (commercial) activities and reversed revenue amounting to EUR 0.64 million that was not recognised in 2015. However, as long as there is no mechanism of compensation in respect of PSO funds not paid to the Company on the basis of the NCC's Resolution, revenue from PSO service fees remain reduced by the amount that was not actually paid during 2015–2016, i.e. EUR 7.95 million.

The total amount of the Company's contingent assets related to the above-mentioned decisions was equal to EUR 21.53 million as at 30 June 2017 and remained unchanged compared to 31 December 2016.

*Disposal of a part of business*

Based on the agreement on sale of part of electricity commercial wholesale business signed between the Company and Energijos Tiekimas UAB on 12 October 2015, the additional amount of EUR 8,000 thousand (i.e. EUR 2,000 thousand per year) is payable on achievement of target electricity sale results during the period until 2019. Having assessed the likelihood of earning additional revenue in each year over the period until 2019, the Company estimated the amount of additional revenue. The present value of additional revenue was estimated by discounting the amount of additional revenue during the period until 31 March 2019 using the discount rate of 0.53%. The present value of the sale price premium for the period ended 30 June 2017 amounted to EUR 2,676 thousand. As at 30 June 2017, the Company accounted for amounts receivable of EUR 1,186 thousand and EUR 1,490 thousand within 'Other non-current amounts receivable' and 'Other current amounts receivable', respectively.

*Disposal of associates*

On 27 April 2015, Lietuvos Energija UAB acquired 1,232,897 ordinary registered shares of NT Valdos UAB from the Company, representing 41.73% of the share capital of NT Valdos UAB. The Agreement on Sale of Shares contained a clause that the Company would be paid a sale price premium by 31 March 2019 if certain financial covenants were met by NT Valdos UAB, i.e. a certain amount of normalised EBITDA for 2018. As at 31 December 2016, in view of management's estimate regarding the achievement of the financial covenants set forth in the Agreement on Sale of Shares, the Company accounted for the sale price premium within 'Other financial assets' in its statement of financial position equal to the discounted non-current amount receivable of EUR 3,864 thousand. As at 30 June 2017, the Company accounted for the amount of EUR 3,904 thousand within 'Other non-current amounts receivable' in its statement of financial position.



All amounts in EUR thousands unless otherwise stated

Disposal of associates (continued)

As at 31 December 2016, based on management's estimate, impairment of EUR 3,773 thousand was formed in respect of the sale price premium, including fair value adjustment of the sale price premium. Impairment was recognised as in management's view risk exists that the maximum financial ratios set forth in the Agreement on Sale of Shares will not be achieved. When establishing a probable level of normalised EBIDTA for 2018 the Company took into consideration actual results of operations of NT Valdos UAB for 2016 and plans for 2017 as well as forecasts of GDP growth in Lithuania. Impairment was recognised within 'Other expenses' in the statement of comprehensive income. The assumptions relating to the estimate remained unchanged as at 30 June 2017 and therefore the Company did not recognise change in fair value. The fair value of this financial asset is attributed to Level 3 in the fair value hierarchy 'Non-observable data'.

Income/deferred income tax liability

In this interim financial information the Company accounted for income tax adjustment amounting to EUR 725 thousand related to the adjustment to the accrued income tax amount for 2016. In addition, as long as impairment of property, plant and equipment is not written off, the Company does not reduce the deferred income tax liability, therefore the recognition of deferred income tax liability amounting to EUR 1,580 thousand was discontinued in the interim financial information as at 30 June 2017 following the write-off of units 5 and 6 (Note 6). These amounts had a positive impact on the line item of current income tax and deferred income tax expenses. Consequently, the effective income tax rate has been reduced due to one-off factors.

## 4 Financial risk management

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

This condensed interim financial information does not include all management's information relating to financial risks and disclosures mandatory in preparing the annual financial statements, therefore, it should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

There have been no changes in risk management or risk management policy since 31 December 2016.

Fair value of financial assets and financial liabilities

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

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

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

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

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

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

- The carrying amount of cash and cash equivalents, current trade and other amounts receivable, current trade and other amounts payable and current borrowings approximates their fair value;
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. The fair value of a non-current borrowing bearing variable interest rates approximates its carrying amount, provided that the margin on such loan corresponds to the margins currently prevailing in the market;
- The fair value of non-current amounts receivable and payable is based on the current market interest rate available for loan with the same maturity profile. As at 31 December 2016 and 30 June 2017, the discount rate applied to the Company's non-current amounts receivable and payable corresponded to the market interest rate.

All amounts in EUR thousands unless otherwise stated

## 5 Intangible assets

The Company's intangible assets as at 30 June 2017 and 2016 comprised as follows:

	Computer software	Emission allowances	Other intangible assets	Total
<b>At 31 December 2015</b>				
Cost	1,132	16,438	128	17,698
Accumulated amortisation	(763)	-	(116)	(879)
<b>Net book amount at 31 December 2015</b>	<b>369</b>	<b>16,438</b>	<b>12</b>	<b>16,819</b>
<b>Period ended 30 June 2016</b>				
Opening net book amount	369	16,438	12	16,819
Additions	5	-	-	5
Grant received (Note 12)	-	1,733	-	1,733
Emission allowances utilised	-	(2,999)	-	(2,999)
Revaluation costs of emission allowances	-	(7,120)	-	(7,120)
Amortisation	(91)	-	(4)	(95)
<b>Net book amount at 30 June 2016</b>	<b>283</b>	<b>8,052</b>	<b>8</b>	<b>8,343</b>
<b>At 31 December 2016</b>				
Cost	1,262	11,826	128	13,216
Accumulated amortisation	(936)	-	(123)	(1,059)
<b>Net book amount at 31 December 2016</b>	<b>326</b>	<b>11,826</b>	<b>5</b>	<b>12,157</b>
<b>Period ended 30 June 2017</b>				
Opening net book amount	326	11,826	5	12,157
Additions	29	-	-	29
Reclassification from construction in progress	183	-	-	183
Grant received (Note 12)	-	1,128	-	1,128
Emission allowances utilised	-	(933)	-	(933)
Revaluation costs of emission allowances	-	(2,801)	-	(2,801)
Amortisation	(70)	-	(1)	(71)
<b>Net book amount at 30 June 2017</b>	<b>468</b>	<b>9,220</b>	<b>4</b>	<b>9,692</b>
<b>At 30 June 2017</b>				
Cost	1,432	9,220	128	10,780
Accumulated amortisation	(964)	-	(124)	(1,088)
<b>Net book amount at 30 June 2017</b>	<b>468</b>	<b>9,220</b>	<b>4</b>	<b>9,692</b>

The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. At the end of each reporting period, the value of emission allowances is estimated with reference to the market prices prevailing at the year-end, and the difference is included in operating expenses.

All amounts in EUR thousands unless otherwise stated

## 6 Property, plant and equipment

The Company's property, plant and equipment as at 30 June 2017 and 2016 comprised as follows:

	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Motor vehicles	Computer hardware, communication and other office equipment	Other PP&E	Construction in progress	Total
<b>At 31 December 2015</b>											
Cost	1,880	657	2,966	205,122	496,997	387,943	138	46	166	2,852	1,098,767
Accumulated depreciation	-	(28)	(216)	(79,296)	(259,748)	(47,581)	(90)	(33)	(85)	-	(387,077)
Accumulated impairment	-	-	-	-	(37,567)	-	-	-	-	(223)	(37,790)
<b>Net book amount at 31 December 2015</b>	<b>1,880</b>	<b>629</b>	<b>2,750</b>	<b>125,826</b>	<b>199,682</b>	<b>340,362</b>	<b>48</b>	<b>13</b>	<b>81</b>	<b>2,629</b>	<b>673,900</b>
<b>Period ended 30 June 2016</b>											
Opening net book amount	1,880	629	2,750	125,826	199,682	340,362	48	13	81	2,629	673,900
Additions	-	-	-	3	72	-	-	-	6	1,845	1,926
Disposals	-	-	-	-	(2)	-	-	-	-	-	(2)
Write-offs	-	-	-	-	(1)	-	-	-	-	-	(1)
Reversal of impairment	-	-	-	-	22	-	-	-	-	-	22
Reclassifications between groups	-	-	-	828	832	-	-	-	-	(1,660)	-
Reclassification from/to inventories	-	-	-	59	(35)	20	-	-	-	-	44
Depreciation	-	(7)	(60)	(3,985)	(4,242)	(7,375)	(8)	(5)	(8)	-	(15,690)
<b>Net book amount at 30 June 2016</b>	<b>1,880</b>	<b>622</b>	<b>2,690</b>	<b>122,731</b>	<b>196,328</b>	<b>333,007</b>	<b>40</b>	<b>8</b>	<b>79</b>	<b>2,814</b>	<b>660,199</b>
<b>At 30 June 2016</b>											
Cost	1,880	657	2,966	206,006	497,622	387,963	138	46	172	3,037	1,100,487
Accumulated depreciation	-	(35)	(276)	(83,275)	(263,749)	(54,956)	(98)	(38)	(93)	-	(402,520)
Accumulated impairment	-	-	-	-	(37,545)	-	-	-	-	(223)	(37,768)
<b>Net book amount at 30 June 2016</b>	<b>1,880</b>	<b>622</b>	<b>2,690</b>	<b>122,731</b>	<b>196,328</b>	<b>333,007</b>	<b>40</b>	<b>8</b>	<b>79</b>	<b>2,814</b>	<b>660,199</b>

All amounts in EUR thousands unless otherwise stated

## 6 Property, plant and equipment (continued)

	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Motor vehicles	Computer hardware, communication and other office equipment	Other PP&E	Construction in progress	Total
<b>At 31 December 2016</b>											
Cost	1,880	657	2,964	206,510	498,459	387,941	138	46	172	2,726	1,101,493
Accumulated depreciation	-	(42)	(336)	(87,262)	(267,860)	(62,330)	(106)	(43)	(102)	-	(418,081)
Accumulated impairment	-	-	-	-	(38,135)	-	-	-	-	(223)	(38,358)
<b>Net book amount at 31 December 2016</b>	<b>1,880</b>	<b>615</b>	<b>2,628</b>	<b>119,248</b>	<b>192,464</b>	<b>325,611</b>	<b>32</b>	<b>3</b>	<b>70</b>	<b>2,503</b>	<b>645,054</b>
<b>Period ended 30 June 2017</b>											
Opening net book amount	1,880	615	2,628	119,248	192,464	325,611	32	3	70	2,503	645,054
Additions	-	-	-	5	20	-	-	-	-	498	523
Disposals	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(9)	-	-	-	-	-	(9)
Reversal of impairment	-	-	-	-	22	-	-	-	-	-	22
Impairment	-	-	-	-	(1,096)	-	-	-	-	-	(1,096)
Reclassifications between groups	-	-	-	117	801	9	-	-	-	(927)	-
Reclassification to intangible assets	-	-	-	-	-	-	-	-	-	(183)	(183)
Reclassification from/to inventories	-	-	-	11	8	24	-	-	-	-	43
Depreciation	-	(7)	(60)	(3,652)	(11,147)	(7,375)	(8)	(2)	(7)	-	(22,258)
<b>Net book amount at 30 June 2017</b>	<b>1,880</b>	<b>608</b>	<b>2,568</b>	<b>115,729</b>	<b>181,063</b>	<b>318,269</b>	<b>24</b>	<b>1</b>	<b>63</b>	<b>1,891</b>	<b>622,096</b>
<b>At 30 June 2017</b>											
Cost	1,880	657	2,964	206,644	388,824	387,975	138	46	172	2,114	991,414
Accumulated depreciation	-	(49)	(396)	(90,915)	(205,254)	(69,706)	(114)	(45)	(109)	-	(366,588)
Accumulated impairment	-	-	-	-	(2,507)	-	-	-	-	(223)	(2,730)
<b>Net book amount at 30 June 2017</b>	<b>1,880</b>	<b>608</b>	<b>2,568</b>	<b>115,729</b>	<b>181,063</b>	<b>318,269</b>	<b>24</b>	<b>1</b>	<b>63</b>	<b>1,891</b>	<b>622,096</b>

All amounts in EUR thousands unless otherwise stated

## 6 Property, plant and equipment (continued)

As at 30 June 2017, no independent valuation was performed for the Company's assets carried at revalued amount, since the fair values of the assets did not differ significantly from their carrying amounts, accordingly no difference was recognised.

Assets carried at revalued amount are attributed to Level 2 in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other observable data, directly or indirectly	Non-observable data	
Land	-	1,880	-	1,880
Structures and equipment	-	2,568	-	2,568
Buildings	-	608	-	608
Motor vehicles	-	24	-	24
Computer hardware, communication and other office equipment, other PP&E	-	64	-	64
<b>Fair value at 30 June 2017</b>	<b>-</b>	<b>5,144</b>	<b>-</b>	<b>5,144</b>

The value of the agreements on capital investments signed but not yet fulfilled amounted to EUR 5.8 million as at 30 June 2017.

Units 5 and 6 that were written off in January–June of 2017 are planned to be dismantled over upcoming several years. The written off acquisition cost, accumulated depreciation and impairment of the units were equal to EUR 107,059 thousand, EUR 73,870 thousand and EUR 33,189 thousand, respectively.

As at 30 June 2017, the Company's property, plant and equipment amounting to EUR 323,609 thousand was pledged to the banks as collateral (31 December 2016: EUR 331,151 thousand).



Visos sumos tūkstančiais eurų, jei nenurodyta kitaip

## 7 Investments

As at 30 June 2017 and 31 December 2016, the Company's investments in associates comprised as follows:

Company	Registered office address	Ownership interest held at 30 Jun 2017	Ownership interest held at 31 Dec 2016	Principal activities
Geoterma UAB	Lypkių g. 53, LT-94100 Klaipėda, Lietuva	23.44%	23.44%	Production of geothermal energy
Technologijų ir Inovacijų Centras UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	20.01%	20.01%	IT services
Verslo Aptarnavimo Centras UAB	P. Lukšio g. 5B, LT-08221 Vilnius, Lithuania	15.00%	15.00%	Public procurement, accounting and employment relationship administration services

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

Movements of the Company's investments in associates:

	Carrying amount at 31 Dec 2016	Impairment	The Company's share of results of operations	Dividends received	Carrying amount at 30 Jun 2017
Geoterma UAB	-	-	-	-	-
Technologijų ir Inovacijų Centras UAB	1,403	-	(3)	(57)	1,343
Verslo Aptarnavimo Centras UAB	108	-	51	(20)	139
<b>Total</b>	<b>1,511</b>	<b>-</b>	<b>48</b>	<b>(77)</b>	<b>1,482</b>

	Cost	Impairment	The Company's share of results of operations	Carrying amount at 31 Dec 2016
Geoterma UAB	2,142	(2,142)	-	-
Technologijų ir Inovacijų Centras UAB	1,287	-	116	1,403
Verslo Aptarnavimo Centras UAB	87	-	21	108
<b>Total</b>	<b>3,516</b>	<b>(2,142)</b>	<b>137</b>	<b>1,511</b>

In its stand-alone financial statements as at 31 December 2016, the Company accounted for investments into associates using the equity method, whereas until 31 December 2016, investments into associates were accounted for at cost less impairment. The change in accounting policies was adopted prospectively in view of the fact that the result of associates was immaterial for the Company's financial statements. Equity of Geoterma UAB was negative and the Company was not obliged to cover this loss. Accordingly, its part was not accounted for.

## 8 Loans granted

On 27 April 2016, the Company signed the Group account agreement under which the Company's current loans granted to the companies of the Lietuvos Energija UAB group amounted to EUR 15,133 thousand as at 30 June 2017 (31 December 2016: EUR 18,098 thousand). The market interest rate is applied to these loans.

## 9 Authorised share capital

As at 30 June 2017 and 31 December 2016, the share capital of the Company amounted to EUR 184,174,248 and it was divided into 635,083,615 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid. The number of shareholders as at 30 June 2017 was 5,886 (31 December 2016: 5,931)

As at 30 June 2017 and 31 December 2016, the Company's shareholder structure was as follows:

Shareholders	Authorised share capital at 30 June 2017		Authorised share capital at 31 December 2016	
	(in EUR)	%	(in EUR)	%
Lietuvos Energija, UAB	178,191,589	96.75	178,191,589	96.75
Other shareholders	5,982,659	3.25	5,982,659	3.25
<b>Total</b>	<b>184,174,248</b>	<b>100.00</b>	<b>184,174,248</b>	<b>100.00</b>

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

„Lietuvos energijos gamyba“, AB, Bendrovės kodas: 302648707, adresas: Elektrinės g. 21, LT-26108, Elektrėnai, Lietuva  
**SUTRUMPINTA TARPINĖ BENDRŲJŲ PAJAMŲ ATASKAITA**  
 Už trijų mėnesių laikotarpį, pasibaigusį 2017 m. kovo 31 d.

Visos sumos tūkstančiais eurų, jei nenurodyta kitaip

## 10 Dividends

During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 24 March 2017, a decision was made to pay out dividends of EUR 0.020 per share for July–December 2016.

Dividends (EUR'000)	12,701
Weighted average number of shares (units)	635,083,615
<b>Dividends per share (EUR)</b>	<b>0.020</b>

No decision to pay out dividends for the respective period of 2016 was made.

## 11 Borrowings

The Company's borrowings grouped by maturity:

	At 30 June 2017	At 31 December 2016
<b>Non-current borrowings</b>		
Loan from Nordea Bank AB Lithuania branch, EUR, to be repaid by 31 March 2027	10,727	11,340
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	31,918	99,911
<b>Total non-current borrowings</b>	<b>42,645</b>	<b>111,251</b>
<b>Current borrowings and current portion of non-current borrowings</b>		
Loan from Nordea Bank AB Lithuania branch, EUR, to be repaid by 31 March 2027	1,226	1,226
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	15,986	19,982
<b>Total current borrowings and current portion of non-current borrowings</b>	<b>17,212</b>	<b>21,208</b>

As at 30 June 2017 and 31 December 2016, the Company had no balances of borrowings and overdrafts that were not withdrawn; a part of the non-current loan granted by SEB Bankas AB was repaid. See Note 17 for additional information on a new loan granted to the Company.

To secure the repayment of borrowings, the Company has pledged its property, plant and equipment (Note 6).

## 12 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movements on grants account during the six-month period ended 30 June 2017 were as follows:

	Assets-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
<b>Balance at 1 January 2016</b>	<b>28,044</b>	<b>252,268</b>	<b>31</b>	<b>280,343</b>
Grants received	-	-	1,733	1,733
Depreciation of property, plant and equipment	(318)	(5,213)	-	(5,531)
Utilisation of grant for emission allowances	-	-	(374)	(374)
<b>Balance at 30 June 2016</b>	<b>27,726</b>	<b>247,055</b>	<b>1,390</b>	<b>276,171</b>
<b>Balance at 1 January 2017</b>	<b>27,408</b>	<b>241,843</b>	<b>507</b>	<b>269,758</b>
Grants received	74	-	1,128	1,202
Depreciation of property, plant and equipment	(319)	(9,569)	-	(9,888)
Utilisation of grant for emission allowances	-	-	(241)	(241)
<b>Balance at 30 June 2017</b>	<b>27,163</b>	<b>232,274</b>	<b>1,394</b>	<b>260,831</b>

During the six-month period ended 30 June 2017, assets-related grants decreased by EUR 9,888 thousand, i.e. by the amount of depreciation of property, plant and equipment. Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

Visos sumos tūkstančiais eurų, jei nenurodyta kitaip

## 13 Provisions for emission allowances

Movements in provisions for emission allowances were as follows:

	2017	2016
<b>Balance at 1 January</b>	<b>1,316</b>	<b>3,735</b>
Emission allowances utilised	(932)	(2,999)
Revaluation of emission allowances utilised	(384)	(736)
Provisions for emissions*	177	322
<b>Balance at 30 June</b>	<b>177</b>	<b>322</b>

\*For the purpose of the statement of comprehensive income, expenses of provisions for emissions were reported net of government grants (Note 12).

## 14 Segment reporting

In 2017, 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. Adjusted EBITDA is a profitability measure analysed by the Board. Comparing to EBITDA measure as disclosed in the interim report, there is additionally eliminated management fee and sponsorship expenses. 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. i.e. the operating profit indicator was replaced with adjusted EBITDA indicator. Comparative information was adjusted accordingly.

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

Information on the Company's segments for the period between January and June ended on 30 June 2017 is presented in the table below:

	2017	Regulated activities	Commercial activities	Total
<b>Total revenue of segments</b>		<b>40,974</b>	<b>22,798</b>	<b>63,772</b>
<b>Adjusted EBITDA</b>		<b>17,161</b>	<b>10,151</b>	<b>27,312</b>
Depreciation and amortisation expenses of non-current assets				(12,441)
Impairment of assets/(increase) in the value of assets				(1,290)
Revaluation of emission allowances				(3,025)
Management fee expenses				(228)
<b>Operating profit</b>				<b>10,328</b>
Finance income				148
Finance (costs)				(558)
Share of results of operations of associates				48
<b>Profit before income tax</b>				<b>9,966</b>

Information on the Company's segments for the period between January and June ended on 30 June 2016 is presented in the table below:

	2016	Regulated activities	Commercial activities	Total
<b>Total revenue of segments</b>		<b>41,924</b>	<b>47,400</b>	<b>89,324</b>
<b>Adjusted EBITDA</b>		<b>7,700</b>	<b>14,162</b>	<b>21,862</b>
Depreciation and amortisation expenses of non-current assets				(10,254)
Impairment of assets/(increase) in the value of assets				(15)
Revaluation of emission allowances				(7,886)
Income from non-typical activities				19,530
Management fee expenses				(77)
Sponsorship expenses				(123)
<b>Operating profit</b>				<b>23,037</b>
Finance income				557
Finance (costs)				(804)
Share of results of operations of associates				-
<b>Profit before income tax</b>				<b>22,790</b>

Visos sumos tūkstančiais eurų, jei nenurodyta kitaip

## 15 Related-party transactions

The Company's transactions with related parties between January and June of 2017 and the balances arising on these transactions as at 30 June 2017 are presented below:

Related party	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	74	4	1,536	474	4
Companies of the Lietuvos Energija UAB group	1,749	2,851	11,411	5,325	119
Parent company Lietuvos Energija UAB	1,180	3,906	2,186	228	68
Companies of the state-owned EPSO-G Group	2,628	13,156	-	13,831	64,384
<b>Total</b>	<b>5,631</b>	<b>19,917</b>	<b>15,133</b>	<b>19,858</b>	<b>64,575</b>

The Company carries out the functions of a designated entity, i.e. bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 2,417 thousand during January– June 2017) and sales (EUR 25,679 thousand during January–June 2017) of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transaction in the Company's sales revenue.

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

Related party	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	116	11	-	421	10
Companies of the Lietuvos Energija UAB group	2,051	4,808	4,773	10,281	19,613
Parent company Lietuvos Energija UAB	1,099	3,877	13,325	82	177
Companies of the state-owned EPSO-G Group	691	4,330	-	20,107	55,478
<b>Total</b>	<b>3,957</b>	<b>13,026</b>	<b>18,098</b>	<b>30,891</b>	<b>75,278</b>

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

## 16 Compensation to key management personnel

	1 January 2017 – 30 June 2017	1 January 2016 – 30 June 2016
Employment-related payments (EUR'000)	119	113
Whereof: other significant payments to key management personnel (EUR'000)	24	24
Number of key management personnel at 30 June	4	4

In 2017 and 2016, key management personnel includes the general manager and directors of departments (including acting directors of departments).

Visos sumos tūkstančiais eurų, jei nenurodyta kitaip

## 17 Commitments and contingencies

### Guarantees issued and received

Between January and June of 2017, the Company did not sign any new guarantee agreements.

On 3 December 2014, the Company signed a guarantee agreement with Swedbank under which the Company issued a guarantee to secure the fulfilment of obligations of Geoterma UAB under the credit agreement signed between the bank and Geoterma UAB. Upon the expiry of the guarantee term, in April the Company paid to the bank EUR 109 thousand for non-fulfilment of obligations of Geoterma UAB. The Company included this amount in amounts receivable and recognised impairment loss in respect of it.

As at 30 June 2017, no other guarantees were received by the Company from other entities.

### Legal disputes

Dispute over resolutions adopted by the NCC relating to revenue from the regulated activities is disclosed in Note 3. There were no significant changes in legal disputes since 31 December 2016.

### Tax audits

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

## 18 Correction of published Company condensed interim financial information for the 3 month period ended 31 March 2017

Starting 1 January 2017 the Company established new depreciation rates of energy units No 7 and 8 of the Reserve Power Plant (refer to Note 3), therefore the Company recalculated depreciation in the condensed interim financial information for the 3 month period ended 31 March 2017.

The correction impact to statement of comprehensive income of the Company is as follows:

	1 January 2017 – 31 March 2017 published version	Depreciation difference	1 January 2017 – 31 March 2017 corrected version
<b>Revenue</b>			
Sales revenue	31,791	-	31,791
Other income	292	-	292
	<b>32,083</b>	<b>-</b>	<b>32,083</b>
<b>Operating expenses</b>			
Purchases of electricity or related services	(5,725)	-	(5,725)
Gas, biofuel and heavy fuel expenses	(7,665)	-	(7,665)
Depreciation and amortisation	(4,981)	(1,245)	(6,226)
Wages and salaries and related expenses	(1,947)	-	(1,947)
Repair and maintenance expenses	(896)	-	(896)
Emission allowance revaluation and release (expenses)/income	(3,025)	-	(3,025)
Impairment (expenses)/income of other non-current assets	(752)	-	(752)
Inventory (write-down allowance)/reversal	4	-	4
(Impairment) of property, plant and equipment/reversal	(1,085)	-	(1,085)
Other expenses	(1,360)	-	(1,360)
<b>Total operating expenses</b>	<b>(27,432)</b>	<b>(1,245)</b>	<b>(28,677)</b>
<b>OPERATING PROFIT</b>	<b>4,651</b>	<b>(1,245)</b>	<b>3,406</b>
Finance income/(costs):			
Finance income	54	-	54
Finance (costs)	(311)	-	(311)
	<b>(257)</b>	<b>-</b>	<b>(257)</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>4,394</b>	<b>(1,245)</b>	<b>3,149</b>
Income tax and deferred income tax benefit/(expenses )	(424)	-	(424)
<b>NET PROFIT FOR THE PERIOD</b>	<b>3,970</b>	<b>(1,245)</b>	<b>2,725</b>
Other comprehensive income/(loss)	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,970</b>	<b>(1,245)</b>	<b>2,725</b>
<b>Basic and diluted earnings per share (in EUR)</b>	<b>0.006</b>	<b>(0.002)</b>	<b>0.004</b>
<b>Weighted average number of shares</b>	<b>635,083,615</b>	<b>-</b>	<b>635,083,615</b>



All amounts in EUR thousands unless otherwise stated

## 19 Events after the reporting period

On 5 July 2017, the Company signed the credit agreement with SEB Bankas AB for the amount of EUR 60,000 thousand. This agreement was signed for the purpose of refinancing the existing long-term loan of EUR 47,904 thousand granted by SEB Bankas AB. Under the new credit agreement, without undermining existing terms and conditions, the term for the repayment of the loan was extended and the pledge of a part of property, plant and equipment (the Combined-Cycle Unit, units 7 and 8 of the Reserve Power Plant) was removed.

There were no other significant events between 30 June 2017 and the date of approval of the condensed interim financial information.

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