

2019-04-30 No. *SD-341***CERTIFICATION STATEMENT**

Referring to the provisions of the Article 24 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Lietuvos energijos gamyba, AB Rimgaudas Kalvaitis, Chief Executive Officer, Mindaugas Kvekšas, Director of Finance and Administration, and Joana Vencloviienė, Head of Accounting Consulting Division of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, Lietuvos energijos gamyba, AB condensed Interim Financial Information for three-month period ended 31 March 2019 prepared according to International Accounting Standard 34 "Interim financial reporting" adopted by the European Union, give a true and fair view of Lietuvos energijos gamyba, AB assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the three-month period includes a fair review of the activities business development as well as the condition of Lietuvos energijos gamyba, AB and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer



Rimgaudas Kalvaitis

Finance and Administration Director



Mindaugas Kvekšas

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



Joana Vencloviienė

2019

LIETUVOS ENERGIJOS GAMYBA, AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER OF 2019 AND THREE-MONTH PERIOD ENDED 31 MARCH 2019 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



Lietuvos
energija

GAMYBA



Lietuvos
energija

Group of energy
companies

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Translation note:

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

CONTENTS

CONDENSED INTERIM FINANCIAL INFORMATION

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

The condensed interim financial information was approved on 30 April 2019 by Lietuvos Energijos Gamyba AB Chief Executive Officer, Finance and Administration Director and Head of Accounting Consulting Division of Verslo Aptarnavimo Centras UAB (acting under Order No IS18-77 of 13 August 2018).



Rimgaudas Kalvaitis
Chief Executive Officer



Mindaugas Kvekšas
Finance and Administration Director



Joana Vencloviene
Head of Accounting Consulting
Division of Verslo Aptarnavimo
Centras UAB, acting under Order No
IS18-77 of 13 August 2018

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
31 March 2019

All amounts are in EUR thousands unless otherwise stated

	Note	At 31 March 2019	At 31 December 2018
ASSETS			
Non-current assets			
Intangible assets	5	42,626	48,597
Property, plant and equipment	5	469,652	476,271
Investments in associates	6	1,676	1,588
Other non-current assets		5,087	5,087
Investment property	5	4,212	4,212
Other financial assets		2,533	232
Non-current assets managed on the basis of lease	5	5,445	-
Total non-current assets		531,231	535,987
Current assets			
Inventories		1,024	3,370
Prepayments		3,461	3,698
Trade receivables		14,670	12,037
Other financial assets		758	3,787
Loans granted	7	49,979	49,950
Cash and cash equivalents		76,089	47,885
Total current assets		145,981	120,727
TOTAL ASSETS		677,212	656,714
EQUITY AND LIABILITIES			
Equity			
Authorised share capital	8	187,921	187,921
Share premium		89,975	89,975
Legal reserve		13,897	13,897
Revaluation reserve		15,364	20,659
Retained earnings		91,175	74,184
Total equity		398,332	386,636
Non-current liabilities			
Borrowings	10	32,514	33,619
Finance lease liabilities		5,311	34
Grants	11	169,201	171,039
Provisions		723	723
Other non-current amounts payable and liabilities		13,253	10,614
Deferred income tax liabilities		22,037	23,466
Total non-current liabilities		243,039	239,495
Current liabilities			
Borrowings	10	4,417	4,417
Finance lease liabilities		281	138
Trade payables		18,432	13,425
Advance amounts received		4,431	6,562
Income tax payable		3,635	1,128
Provisions	12	2,589	1,744
Other amounts payable and liabilities		2,056	3,169
Total current liabilities		35,841	30,583
Total liabilities		278,880	270,078
TOTAL EQUITY AND LIABILITIES		677,212	656,714

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2019

All amounts are in EUR thousands unless otherwise stated

	Note	1 January 2019 – 31 March 2019	1 January 2018 – 31 March 2018
Revenue			
Revenue from contracts with customers		28,880	32,632
Other income		14,684	486
	13	43,564	33,118
Operating expenses			
Purchases of electricity or related services		(5,267)	(6,818)
Gas, biofuel and heavy fuel expenses		(6,725)	(7,429)
Depreciation and amortisation	5,11	(4,644)	(4,505)
Wages and salaries and related expenses		(2,141)	(2,169)
Repair and maintenance expenses		(1,651)	(602)
Emission allowance revaluation and release (expenses)/income		2	4,107
Other non-current assets impairment (expenses)/income		-	2,064
Inventory write-down allowance/reversal		8	(226)
(Impairment) of property, plant and equipment/reversal		(188)	11
Other expenses		(3,485)	(1,333)
Total operating expenses		(24,091)	(16,900)
OPERATING PROFIT		19,473	16,218
Finance income (costs)			
Finance income		66	30
Finance (costs)		(171)	(145)
		(105)	(115)
Share of results of operations of associates	6	88	99
PROFIT BEFORE INCOME TAX		19,456	16,202
Income tax and deferred income tax benefit/(expenses)		(2,462)	(2,247)
NET PROFIT FOR THE PERIOD		16,994	13,955
Other comprehensive income (loss) that will be subsequently reclassified to retained earnings (loss)		(5,298)	4,231
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11,696	18,186
Basic and diluted earnings per share (in EUR)		0.026	0.022
Weighted average number of shares		648,002,629	635,083,615

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2019

All amounts are in EUR thousands unless otherwise stated

	Authorised share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2018	184,174	85,660	2,289	12,871	68,880	353,874
Effect of change in accounting policies following the adoption of new IFRS	-	-	-	-	(21)	(21)
Restated balance at 1 January 2018	184,174	85,660	2,289	12,871	68,859	353,853
Revaluation of emission allowances	-	-	4,252	-	-	4,252
Net profit for the reporting period	-	-	-	-	13,955	13,955
Total comprehensive income for the period	-	-	4,252	-	13,955	18,207
Legal reserve	-	-	-	1,026	(1,026)	-
Depreciation of revaluation reserve	-	-	(8)	-	8	-
Dividends (Note 9)	-	-	-	-	(8,891)	(8,891)
Balance at 31 March 2018	187,921	85,660	6,533	13,897	72,905	363,169
Balance at 1 January 2019	187,921	89,975	20,659	13,897	74,184	386,636
Revaluation of emission allowances	-	-	(5,298)	-	-	(5,298)
Net profit for the reporting period	-	-	-	-	16,994	16,994
Total comprehensive income for the period	-	-	(5,298)	-	16,994	11,696
Depreciation of revaluation reserve	-	-	3	-	(3)	-
Balance at 31 March 2019	187,921	89,975	15,364	13,897	91,175	398,332

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the three-month period ended 31 March 2019

All amounts are in EUR thousands unless otherwise stated

	Note	1 January 2019 – 31 March 2019	1 January 2018 – 31 March 2018
Net profit for the period		16,994	13,955
Reversal of non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses	5	6,739	6,656
Inventory write-down/(reversal)	5	188	(11)
(Gain) on disposal of investments in subsidiaries and associates	5	(96)	-
Expenses/(income) of revaluation of emission allowances		(8)	226
Other impairments	5	(110)	(6,234)
Share of (profit) of associates		(293)	(68)
Income tax expenses	6	(88)	(99)
Change in deferred income tax liability		2,954	1,416
Depreciation of grants		(492)	831
Increase/(decrease) in provisions	11	(2,095)	(2,151)
Impairment of property, plant and equipment/(reversal)		931	63
(Gain)/loss on disposal/write-off of non-current assets (other than financial assets)		16	20
Elimination of results of financing and investing activities:			
- Interest (income)		(66)	(30)
- Interest expense		171	142
- (Gain) on disposal of a part of the business		-	(12)
Changes in working capital			
(Increase) decrease in trade receivables and other receivables		(3,612)	9,338
(Increase) decrease in inventories and prepayments		2,586	260
Increase (decrease) in amounts payable and advance amounts received		4,816	(5,057)
Income tax (paid)		(449)	(249)
Net cash flows used in operating activities		28,086	18,996
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets		(581)	(1,899)
Disposal of a part of the business		2,000	2,000
Loans granted	7	(29)	(4,910)
Interest received		66	29
Net cash flows generated from (used in) investing activities		1,456	(4,780)
Cash flows from financing activities			
Repayments of borrowings		(1,105)	(4,303)
Finance lease payments		(60)	(34)
Interest (paid)		(171)	(142)
Dividends (paid)		(2)	(2)
Net cash flows used in financing activities		(1,338)	(4,481)
Net increase (decrease) in cash and cash equivalents		28,204	9,735
Cash and cash equivalents at the beginning of the period		47,885	60,700
Cash and cash equivalents at the end of the period		76,089	70,435

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

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1 General information

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

The authorised share capital of Lietuvos Energijos Gamyba, AB amounts to EUR 187,920,762.41 and it is divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba, AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 31 March 2019 and 31 December 2018, the Company had not acquired its own shares.

During 31 March 2019 and 2018, the Company was engaged in electricity generation and electricity trading activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

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

This condensed interim financial information contains condensed interim financial information of Lietuvos Energijos Gamyba, AB as a separate entity. This condensed interim financial information has been prepared according to the requirements of Article 60¹ of the Lithuanian Law on Companies.

As at 31 March 2019 and 2018, the Company had no subsidiaries.

The Company is part of the Lietuvos Energija group which is one of the largest state-owned groups of energy companies in the Baltic countries. Its parent company is Lietuvos Energija UAB, which owns 96.82% of the Company's shares.

As at 31 March 2019, the number of employees of the Company was 361 (31 December 2018: 372).

2 Accounting policies

2.1 Basis of preparation

The Company's condensed unaudited interim financial information for the three-month period ended 31 March 2019 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 2018, 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 this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018.

a) New and amended standards, and interpretations

During three – month reporting period ended 31 March 2019 the Company for the first time adopted IFRS 16 „Leases“, that had material impact on Company's financial statements.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account

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for those two types of leases differently. The value of assets being transferred under the lease agreement and related lease liabilities must be stated in the Company's statement of financial position.

The Company applied IFRS 16 Leases starting from 1 January 2019 using the modified retrospective approach for the first time application of IFRS 16.

The Company performed the calculation of assets transferred according to the lease agreement and related liabilities under IFRS 16. At 1 January 2019, the Company recognised assets and liabilities managed under the right of use, which indicates the impact of the first-time adoption of IFRS 16 on the Company's financial statements.

b) Impact of new standards' adoption on the the items in the statement of financial position

The impact of the first-time adoption of IFRS 16 on the items of the Company's statement of financial position is shown in the table below:

	At 31 December 2018	IFRS 16	At 1 January 2019
<i>EUR thousands</i>			
ASSETS			
Non-current assets			
Non-current assets managed on the basis of lease	-	5,498	5,498
EQUITY AND LIABILITIES			
Non-current liabilities			
Finance lease liabilities	-	5,332	5,332
Current liabilities			
Current portion of finance lease liabilities	-	166	166

There are no new standards, amendments and interpretations that are mandatory for the Company with effect from 2019, and that would have a material impact on the Company's financial information.

The Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Company's reporting periods beginning on or after 1 January 2019 will have a material impact on the Company's financial statements.

2.3 Right-of-use asset

Right-of-use asset is an asset that represents a Company's right to use an underlying asset for the lease term. Company recognize right-of-use asset to all leases, including leases of right-of-use assets in a sublease, except for leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

Initial measurement of the right-of-use asset

At the commencement date, Company measures the right-of-use asset at cost. The cost of the right-of-use asset shall comprise: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by Company; and an estimate of costs to be incurred by Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Company recognize the costs described as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Subsequent measurement of the right-of-use asset

After the commencement date, a Company measure the right-of-use asset applying a cost model. To apply a cost model, Company measure the right-of-use asset at cost: less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

Company apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

If the lease transfers ownership of the underlying asset to Company by the end of the lease term or if the cost of the right-of-use asset reflects that Company will exercise a purchase option, Company shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Company presents right-of-use assets separately from intangible and tangible assets in the statement of financial position.

All amounts are in EUR thousands unless otherwise stated

2.4 Lease liability

Initial measurement of the lease liability

At the commencement date, Company measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, Company use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by Company under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects Company exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

Subsequent measurement of the lease liability

After the initial measurement, Company measure the lease liability by: increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate or if applicable the revised discount rate.

After the commencement date, Company shall recognise in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both: interest on the lease liability; and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

Reassessment of the lease liability

After the commencement date, Company remeasure the lease liability to reflect changes to the lease payments. Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, Company recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

Company remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term. Company determine the revised lease payments on the basis of the revised lease term or there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances described in the context of a purchase option. Company determine the revised lease payments to reflect the change in amounts payable under the purchase option.

If either there is a change in the lease term or there is a change in the assessment of an option to purchase, Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Unchanged discount rate

Company remeasure the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee. Company determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. Company remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (ie when the adjustment to the lease payments takes effect).

Company determine the revised lease payments for the remainder of the lease term based on the revised contractual payments.

Discounting revised lease payments, Company use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, Company use a revised discount rate that reflects changes in the interest rate.

Lease modifications

Company account for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

All amounts are in EUR thousands unless otherwise stated

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification Company:

- allocate the consideration in the modified contract;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, Company account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Company/Group recognise in profit or loss any gain or loss relating to the partial or full termination of the lease;
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Company present lease liabilities separately from other liabilities in the statement of financial position. Company present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, presented in the statement of profit or loss and other comprehensive income.

There were no changes in other principles of revenue recognition.

3 Critical accounting estimates and judgments

The preparation of the condensed interim financial information in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable. The significant management judgements regarding the application of the accounting policies and the main sources for determining uncertainties used in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018.

Provisions for emission allowances

The Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The quantity of actual emissions is approved by a responsible state authority during four months after the end of the year. The provision accounted for as at 31 December 2018 was consistent with actual quantities of emissions. Based on historic experience, the Company's management does not expect any significant differences to arise between the estimated provision at 31 March 2019 and the quantity of emissions which will be approved in 2020.

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

A part of fees received for PSO and tertiary capacity reserve services is allocated for the maintenance of the infrastructure of the Elektrėnai Complex and for the covering of expenses related to the testing of the necessary electricity generation facilities. Infrastructure maintenance costs cover fuel, emission allowance and other production costs that are incurred in the course of generation of heat which is necessary to support infrastructure, as well in the course of generation electricity which is consumed by the Elektrėnai Complex, and gas consumption capacity taxes.

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

As at 31 March 2019, the Company recognised PSO funds of EUR 7,517 thousand (31 December 2018: EUR 7,517 thousand) within 'Other non-current amounts payable and liabilities' to be refunded after 12 calendar months. PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. As at 31 March 2019, non-current amount payable was carried at amortised cost using the effective interest rate approach. When discounting the payable PSO funds during the period of refunding, a discount rate of 0.92% was used, and discounting effect of EUR 86 thousand as at 31 December 2018 was recognised within 'Other financial income'. Discounting effect was not adjusted as at 31 March 2019 as the effect of change was immaterial.

As at 31 March 2019, receivable amount of EUR 2,074 thousand (31 December 2018: EUR 2,765 thousand), which will be compensated in 2019, was recognised within current amounts receivable

Accrued revenue from capacity reserve services

As at 31 March 2019, based on Methodology for establishing the prices for electricity and capacity reserve services approved by Resolution No. O3-229 of the Commission, the Company's management accounted for EUR 4,579 thousand (31 December 2018: EUR 1,956 thousand) of PSO funds to be refunded in under the line item 'Other non-current amounts payable and liabilities'. As at 31 March 2019, the Company also accounted for EUR 2,095 thousand (31 December 2018: EUR 2,794 thousand) of amount receivable to be refunded in 2019.

All amounts are in EUR thousands unless otherwise stated

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

In 2014, the Commission adopted a resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market. Based on this resolution, earnings from sale of electricity generated at the Company's hydroelectric plants were subject to restriction by deducting the respective amount from the PSO funds approved for the Company. On 17 October 2016, the Supreme Administrative Court of Lithuania announced its judgement based on which the aforementioned resolution of the Commission was repealed. As at 31 March 2019, the amount of the Company's contingent assets related to the legal dispute concerning the Commission's decision, by which the Company was declared as an undertaking with significant power in the electricity generation market and thus the amount of the payable PSO funds was additionally reduced by EUR 2.51 million, corresponding amount of contingent assets of the Company amounted to EUR 2.51 million and remains unchanged from 31 December 2018.

4 Financial risk management

The Company is exposed to financial risks in its operations, i.e. liquidity risk, market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows, securities price risk) and credit risk.

This condensed interim financial information does not include all management's information relating to financial risks and disclosures mandatory in preparing the annual financial statements, therefore, it should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

There have been no changes in risk management or risk management policy since 31 December 2018.

Fair value of financial assets and financial liabilities

Trade and other amounts receivable, trade and other debts, non-current and current borrowings represent the major portion of the Company's financial assets and financial liabilities not carried at fair value. The fair value of the Company's financial assets and financial liabilities designated as at fair value through profit or loss is based on prices in the active market.

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

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

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, short-term loans granted, current trade and other accounts payable and current borrowings approximates their fair value;
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. As at 31 March 2019, the Company had non-current borrowings from Luminor and SEB Bank bearing variable interest rates. The fair value of non-current borrowings a bearing variable interest rate approximates their carrying amount, provided that the margin on such loans corresponds to margins currently prevailing in the market.
- The fair value of non-current amounts receivable and payable is determined with reference to the current interest rates available for the loans with the same maturity profile. As at 31 March 2019, the discount rate applied to the Company's non-current amounts receivable and payable approximated the market interest rate.

All amounts are in EUR thousands unless otherwise stated

5 Intangible assets and property, plant and equipment, and non-current assets managed on the basis of lease

The Company's intangible assets and property, plant and equipment as at 31 March 2019 comprised as follows:

	Intangible assets	Property, plant and equipment
At 31 December 2018		
Opening net book amount	48,597	476,271
Additions	28	109
Received grants	287	-
Revaluation of emission allowances	(6,244)	-
Write-offs	-	96
Impairment	-	(188)
Reclassification from/to inventories	-	5
Amortisation/Depreciation	(42)	(6,641)
Net book amount at 31 March 2019	42,626	469,652

The Company's non-current assets managed on the basis of lease as at 31 March 2019 comprised as follows:

	non-current assets managed on the basis of lease
At 31 December 2018	-
Additions	5,518
Write-offs/Disposals	(57)
Amortisation/Depreciation	(16)
Net book amount at 31 March 2019	5,445

The Company's investment property as at 31 March 2019 comprised as follows:

	Buildings	Constructions	Machinery and equipment	Other fixtures, fittings, tools and equipment	Total
Net book amount at 31 December 2018	3,731	100	4	377	4,212
Additions	-	-	-	-	-
Net book amount at 31 March 2019	3,731	100	4	377	4,212

6 Investments

As at 31 March 2019 and 31 December 2018, the Company's investments in associates were as follows:

Company	Registered office address	Company's ownership interest 31 March 2019	Company's ownership interest At 31 December 2018	Profile of activities
Geoterma UAB	Lypkių g. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy generation
Technologijų ir Inovacijų Centras UAB	Juozapavičiaus g. 13, Vilnius, Lithuania	20.01%	20.01%	IT services
Verslo Aptarnavimo Centras UAB	P. Lukšio g. 5B, LT-08221 Vilnius, Lithuania	15.00%	15.00%	Public procurement, accounting and employment relations administration services

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

Lietuvos Energijos Gamyba, AB, company code 302648707, address: Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the three-month period ended 31 March 2019

All amounts are in EUR thousands unless otherwise stated

Movements of the Company's investments in associates:

	Carrying amount at 31 December 2018	Impairment	The Company's share of results of operations	Dividends received	Carrying amount at 31 March 2019
Geoterma UAB	-	-	-	-	-
Technologijų ir Inovacijų Centras UAB	1,446	-	64	-	1,510
Verslo Aptarnavimo Centras UAB	142	-	24	-	166
Total	1,588	-	88	-	1,676

	Acquisition cost	Impairment	The Company's share of results of operations	Carrying amount at 31 December 2018
Geoterma UAB	2,142	(2,142)	-	-
Technologijų ir Inovacijų Centras UAB	1,287	96	63	1,446
Verslo Aptarnavimo Centras UAB	87	65	10	142
Total	3,516	(2,005)	73	1,588

7 Loans granted

On 19 February 2019, 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 49,979 thousand as at 31 March 2019 (31 December 2018: EUR 49,950 thousand). The market interest rate is applied to these loans.

8 Authorised share capital

As at 31 March 2019 and 31 December 2018, the share capital of the Company amounted to EUR 187,920,762 and it was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares have been fully paid.

As at 31 March 2019 and 31 December 2018, the Company's shareholder structure was as follows:

Shareholders	Authorised share capital At 31 March 2019		Authorised share capital At 31 December 2018	
	(in EUR)	%	(in EUR)	%
Lietuvos Energija UAB	181,938,103	96.82	181,938,103	96.82
Other shareholders	5,982,659	3.18	5,982,659	3.18
Total	187,920,762	100.00	187,920,762	100.00

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

9 Dividends

Approved dividends per share as follows:

	At 31 March 2019	At 31 March 2018
Dividends (EUR '000)	-	8,891
Weighted average number of shares (units)	648,002,629	635,083,615
Dividends per share (EUR)	0.000	0.014

General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 26 March 2018, a decision was made to pay out dividends of EUR 0.014 per share for July–December 2017, amounting to EUR 8,891 thousand in total.

All amounts are in EUR thousands unless otherwise stated

10 Loans received

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

	At 31 March 2019	At 31 December 2018
Non-current borrowings		
Loan from Luminor Bank AB Lithuania branch, in EUR, to be repaid by 31 March 2027	8,581	8,888
Loan from SEB Bankas AB, in EUR, to be repaid by 06 July 2027	23,933	24,731
Total non-current borrowings	32,514	33,619
Current borrowings and current portion of non-current borrowings		
Loan from Luminor Bank AB Lithuania branch, in EUR, to be repaid by 31 March 2027	1,226	1,226
Loan from SEB Bankas AB, in EUR, to be repaid by 06 July 2027	3,191	3,191
Total current borrowings and current portion of non-current borrowings	4,417	4,417

The Company has pledged property, plant and equipment amounting to EUR 21,978 thousand in total, cash, and future cash inflows to bank accounts to secure the repayment of the loans granted.

11 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movements on grants account during the three-month period ended 31 March 2019 were as follows:

	Asset-related grants			
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	Total
Balance at 1 January 2018	26,780	149,896	1,199	177,875
Grants received during the period	-	-	2,555	2,555
Depreciation of property, plant and equipment	(628)	(7,819)	-	(8,447)
Reversal of grants due to impairment of property plant and equipment	-	(769)	-	(769)
Utilisation of grant for emission allowances	-	-	(175)	(175)
Balance at 31 December 2018	26,152	141,308	3,579	171,039
Balance at 1 January 2019	26,152	141,308	3,579	171,039
Grants received during the period	-	-	287	287
Depreciation of property, plant and equipment	(108)	(1,987)	-	(2,095)
Reversal of grants due to impairment of property plant and equipment	-	-	-	-
Utilisation of grant for emission allowances	-	-	(30)	(30)
Balance at 31 March 2019	26,044	139,321	3,836	169,201

During the three-month period ended 31 March 2019 asset-related grants decreased by EUR 2,095 thousand, i.e. by the amount of depreciation of property, plant and equipment. Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

All amounts are in EUR thousands unless otherwise stated

12 Provisions for emission allowances

Movements in provisions for emission allowances were as follows:

	At 31 March 2019	At 31 March 2018
Balance at 1 January	895	528
Emission allowances utilised	-	-
Revaluation of emission allowances utilised	(85)	338
Provisions for emissions*	104	99
Balance at 31 March	914	965

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

13 Revenue

Recognised revenue from contracts with customers is presented below:

	1 January 2019 – 31 March 2019	1 January 2018 – 31 March 2018
Revenue from sale of electricity	10,427	13,612
Revenue from balancing and regulation	1,109	1,385
Revenue from PSO services	-	3,963
Revenue from capacity reserve services	15,269	11,742
Revenue from sale of thermal energy	2,075	1,930
Total sales revenue	28,880	32,632
Other income	14,684	486
Total	43,564	33,118

14 Segment information

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

Information on the Company's segments for the period between January and March ended 31 March 2019 is presented below:

2019	Regulated activities	Commercial activities	Total
Total revenue of segments	17,611	25,953	43,564
Adjusted EBITDA	7,274	7,251	14,525
Management's adjustments	-	9,276	9,276
Compensation received due to previously executed investments projects	-	9,276	9,276
Other adjustments	(3,470)	(859)	(4,329)
Depreciation and amortisation expenses of non-current assets	(3,470)	(1,175)	(4,645)
Increase (decrease) in value of non-current and other assets	-	210	210
Revaluation of emission allowances and provisions	-	106	106
Operating profit	3,804	15,668	19,472
Finance income			66
Finance (costs)			(171)
Share of results of operations of associates			88
Profit before income tax			19,455

All amounts are in EUR thousands unless otherwise stated

Information on the Company's segments for the period between January and March ended 31 March 2018 is presented below:

2018	Regulated activities	Commercial activities	Total
Total revenue of segments	17,544	15,574	33,118
Adjusted EBITDA	6,194	8,490	14,684
Management's adjustments	-	-	-
Other adjustments	(3,309)	4,843	1,534
Depreciation and amortisation expenses of non-current assets	(3,309)	(1,196)	(4,505)
Increase (decrease) in value of non-current and other assets	-	(175)	(175)
Write offs of non-current and other assets	-	(20)	(20)
Revaluation of emission allowances and provisions	-	6,234	6,234
Operating profit	2,885	13,333	16,218
Finance income			30
Finance (costs)			(145)
Share of results of operations of associates			99
Profit before income tax			16,202

15 Related-party transactions

The Company's transactions with related parties between January and March of 2019 and the balances arising on these transactions as at 31 March 2019 are presented below:

Related parties	Amounts payable and accrued expenses	Amounts receivable and unbilled revenue	Loans granted	Purchases	Sales
Associates of the Company	146	-	413	330	4
Companies of the Lietuvos Energija UAB group	2,259	125	49,566	4,623	82
Parent company Lietuvos Energija UAB	75	-	-	99	-
Companies of the state-owned EPSO-G Group	2,650	12,628	-	7,385	28,753
Total	5,130	12,753	49,979	12,437	28,839

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 4,285 thousand during January– March 2019, EUR 1,248 thousand during January–March 2018) and sales (EUR 13,090 thousand during January– March 2019, EUR 10,247 thousand during January– March 2018) of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transactions in the Company's sales revenue.

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

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

There were no guarantees or pledges given or received in respect of the related-party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

All amounts are in EUR thousands unless otherwise stated

16 Compensation to key management personnel

	1 January 2019 – 31 March 2019	1 January 2018 – 31 March 2018
Employment-related payments (EUR '000)	76	71
Whereof: other significant payments to key management personnel (EUR '000)	11	12
Number of key management personnel at 31 March	4	4

2019 and 2018, key management personnel included the chief executive officer and directors of services (including acting directors of services).

17 Commitments and contingencies

Guarantees issued and received

Between January and March of 2019, the Company did not sign any new guarantee agreements.

As at 31 March 2019, no other guarantees were received by the Company from other entities.

Litigations

Dispute over resolutions adopted by the Commission relating to revenue from the regulated activities is disclosed in Note 3. There were no significant changes in litigations as from 31 December 2018.

Tax audits

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

18 Events subsequent to the end of the reporting period

During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 19 April 2019, a decision was made to pay out dividends of EUR 0.01 per share for July–December 2018, total amount EUR 6,480 thousand.

There were no other significant events from 31 March 2019 and the date of approval of the condensed interim financial information.

2019

LIETUVOS ENERGIJOS GAMYBA, AB INTERIM REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019



Lietuvos
energija

GAMYBA



Lietuvos
energija

CONTENTS

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

Reporting period covered by the Interim Report

The Interim Report provides information to the shareholders, creditors and other stakeholders of Lietuvos Energijos Gamyba AB ("the Company") about the Company's operations for the period of January-March 2019.

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 Companies, the Rules for Disclosure of Information and the updated version of the Guidelines for Disclosure of Information approved by the Board of the Bank of Lithuania, the Lithuanian Government's Resolution On the approval of the guidelines for ensuring transparency of operations of state-owned entities and other legal acts.

Individuals responsible for the information contained in the Interim Report

Job title	Full name	Telephone number
Lietuvos Energijos Gamyba AB, chairman of the board, CEO	Rimgaudas Kalvaitis	+370 5 278 2907
Lietuvos Energijos Gamyba AB, member of the board, Director of Finance and Administration	Mindaugas Kvekšas	+370 5 278 2907

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

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

The report is also available on the website of the Company at www.gamyba.le.lt and the website of Nasdaq Vilnius stock exchange at www.nasdaqbaltic.com.

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

KEY OPERATING AND FINANCIAL INDICATORS OF LIETUVOS ENERGIJOS GAMYBA

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section "Financial Reports" ([link](#)) of the section "For Investors" of the Company's website.

		3 months 2019	3 months 2018	Change	
				+/-	%
KEY OPERATING INDICATORS					
Electricity generation volume	TWh	0.17	0.25	-0.08	-30.75
KEY FINANCIAL INDICATORS					
Revenues	EUR'000	43,564	33,118	10,446	-31.54
Costs of purchase of electricity, fuel and related services	EUR'000	11,992	14,247	-2,255	-15.83
Operating expenses ¹	EUR'000	7,771	4,190	3,581	85.47
EBITDA ²	EUR'000	23,801	14,682	9,119	62.11
EBITDA margin ³	%	54.6	44.3	10.3 p. p.	
Adjusted EBITDA ⁴	EUR'000	14,525	14,682	-157	-1.07
Adjusted EBITDA margin ⁵	%	42.4	44.3	-2 p. p.	
Net profit (loss)	EUR'000	16,994	13,955	3,039	21.78
		At 31/03/2019	At 31/03/2018	Change	
				+/-	%
Total assets	EUR'000	677,212	654,851	22,361	3.41
Equity	EUR'000	398,332	363,169	35,163	9.68
Financial debts	EUR'000	37,069	51,220	-14,151	-27.63
Net debt ⁶	EUR'000	-39,020	-19,215	-19,805	103.07
Return on equity (ROE) ⁷	%	17.1	15.4	1.7 p. p.	
Equity level ⁸	%	58.8	55.5	3.4 p. p.	
Net debt / 12-month EBITDA	%	-41.0	-32.7	-8.3 p. p.	
Net debt / Equity	%	-9.8	-5.3	-4.5 p. p.	
Asset turnover ⁹	%	25.7	20.2	5.5 p. p.	
Current ratio ¹⁰	%	407.3	201.4	205.9 p. p.	

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

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

³ EBITDA / Revenues.

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

⁵ Adjusted EBITDA / Revenues.

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

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

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

⁹ Revenue / Total assets at the end of the period.

¹⁰ Short-term assets at the end of the period / short-term financial liabilities at the end of the period.

MANAGEMENT'S FOREWORD

Dear customers, shareholders, partners and employees,

In January-March 2019, the results of Lietuvos Energijos Gamyba were significantly affected by dry spring and electricity prices formed in the market.

There was little snow in the beginning of the year. It was melting evenly, so no major flood was caused and Kaunas A. Brazauskas' Hydroelectric Power Plant (hereinafter – Kaunas A. Brazauskas HPP) generated 21 percent less electricity in January-March 2019 than in January-March 2018. The difference in prices of day and night electricity rates on the exchange in January-March 2019 was smaller, if compared to previous years. So, in January-March 2019 the amount of electricity generated in Kruonis Pumped Storage Hydroelectric Plant (hereinafter – Kruonis PSHP) was 45 percent smaller.

Well, the systemic service – secondary power reserve service provided by this power plant was needed much more often in January-March 2019. This service intended to safeguard safe electricity supply was activated 7 times in January-March 2018, while it was activated 16 times in January-March 2019.

In total, 31 percent less electricity was generated and sold by power plants controlled by the Company in January-March 2019, if compared to the same period in 2018. Although the Company's income was decreasing, its profitability indexes remained quite stable, if onetime factors are dismissed.

EBITDA corrected by the Company reached EUR 14.5 million in January-March 2019 and thus was smaller by EUR 0.2 million, if compared to the same period in 2018. The influence of smaller production scope in Kruonis PSHP and Kaunas A. Brazauskas HPP was compensated by positive sale results of fuel oil reserves and bigger volumes of regulated services in Elektrėnai Complex.

As the Company's team takes care about reliable and stable work of power plants, it is getting ready for works important for the entire energy system. We are controlling the biggest capacities of strategic generation, so we want to be well prepared to play our role in the project of synchronization with networks of continental Europe. The tests of the conserved units 7 and 8 carried out in March 2019 were successful, so they will be prepared for work when the operators of Baltic transmission systems agree about the testing date. They will have an important role together with the combined cycle unit in the course of testing of isolated network.

The Company's employees are continuing responsibly the clearing-up projects: the units 5 and 6 are being dismantled, the fuel oil was removed from Elektrenai Complex, and the preparatory works for disassembling of unused chimneys are carried out.

The implementation of new projects has made quite a progress, too. The first months of the year 2019 were used for procurement of equipment for two exclusive projects: experimental floating power plant in Kruonis PSHP and energy storage system in Kaunas A. Brazauskas HPP. I believe that these projects will be implemented soon and will make big contribution to creation of green, smart and global future of energy.

I am glad that all the works are carried out responsibly and safely. The health of the Company's employees is the major asset, so I wish to continue pursuing ambitious goals by taking care about oneself and the surrounding people.

Rimgaudas Kalvaitis
Chairman of the board, CEO,
Lietuvos Energijos Gamyba AB

MOST SIGNIFICANT EVENTS

During the reporting period

On 21 January, 2019 chairwoman of the board and CEO of the Company Eglė Čiužaitė provided a notification on her resignation from the position of chairwoman of the board and CEO of the Company. 21st January, 2019 was the last day she took the position at the Company.

On 8 January, 2019 the Company announced about the start of preparations for 1 megawatt energy storage system installation in Kaunas Algirdas Brazauskas' hydropower plant. Using a unique algorithm, the storage system would allow to provide a high-quality frequency containment reserve (FCR) service, compensating the asymmetries in hydro-unit operations. Operating in synergy with the plant, the new storage system would become the first and the biggest innovation of this kind in the Baltic States. The public procurement procedure for acquiring equipment parts of the aforementioned storage system is to be initiated by the Company.

On 26 February, 2019 it was announced that the experimental floating photovoltaic solar power plant project in Kruonis PSHP, developed by the Company, has received funding from the Lithuanian Business Support Agency (LBSA). The total amount of 235k EUR have been granted.

On 11 February, 2019 the Company received a remittance of EUR 9,275,871.04 from the Ministry of Finance of the Republic of Lithuania as a reparation for the potential loss that was inflicted through the actions carried out by Alstom Power Ltd while implementing Lietuvos Elektrinė's, AB Fuel Gas Desulphurisation (FGD) project, implemented from 2005 to 2009. The reparation has been ordered for the Republic of Lithuania by the court of the United Kingdom. It is planned that, after evaluating the necessary tax liabilities, the abovementioned reparation shall be used for the partial coverage of the debt related to the Fuel Gas Desulphurisation (FGD) project.

On 25 February, 2019 the Extraordinary General Meeting of Shareholders of the Company adopted decisions regarding the terms and conditions of the activities of an independent member of the Supervisory Board and regarding the election of the audit company for the audit of financial reports of the Company and the terms of remuneration for the audit services

On 12 March, 2019 the Company received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, UAB, Rimgaudas Kalvaitis has been nominated for the position of the CEO and member of the Board of the Company. Accordingly, on the same day R. Kalvaitis submitted his

request to resign from his current position as a member of the Supervisory Board of the Company.

On 13-15 March, 2019 the Company successfully tested the reserve production units of the Elektrėnai Complex. For testing, the 7th unit was first turned on, and after two days the 8th unit was tested. These units of the Elektrėnai Complex are preserved in 2019, but will be ready for work and together with the combined cycle unit will play a very important role in the isolated network test, which will be carried out after the testing date will be agreed between the Baltic transmission system operators.

On 27 March, 2019 the Supervisory Board of the Company elected the new member of the Board Rimgaudas Kalvaitis. The elected member of the Board of the Company started his duties as of the end of the meeting of Company's Supervisory Board that elected him. At the same day, after the meeting of the Supervisory Board, the Management Board of the Company has elected R. Kalvaitis as the Chairman of the Management Board and CEO of the Company.

After the reporting period

On 12 April, 2019 the Ordinary General Meeting of Shareholders of the Company adopted the decisions to approve the Annual Report of the Company for the year 2018 and audited Annual Financial Statements of the Company for the year 2018, and to allocate the profit the Company for the year 2018 (the dividends are to be paid for the period of July–December 2018).

On 24 April, 2019 Lietuvos Energija, UAB, which owns 96.82 % of shares of the Company, and acts as a parent company of Lietuvos Energija Group (hereinafter – the Group), announced about the submitting of applications to register following figurative and word trademarks: Ignitis, Ignitis power, Ignitis gamyba, Ignitis renewables, Ignitis grupė, Ignitis group. Applications were submitted to the European Union Intellectual Property Office (EUIPO) and State Patent Bureau of the Republic of Lithuania. The main aim of this change is to consolidate different trademarks owned by Lietuvos Energija, UAB and the Group in to the one modern international trademark, and optimize the expenses dedicated to the communication in a long run. It is intended to start using new trademark on a second half of the year.

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

ANALYSIS OF PERFORMANCE AND FINANCIAL INDICATORS

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section "Financial Reports" ([link](#)) of the section "For Investors" of the Company's website.

		3 months 2019	3 months 2018	3 months 2017	3 months 2016 ¹	3 months 2015 ¹
FINANCIAL INDICATORS						
Sales revenue	EUR'000	28,880	32,632	31,791	33,461	37,233
Other operating income	EUR'000	14,684	486	292	19,844	6,931
EBITDA ²	EUR'000	23,801	14,682	14,504	9,558	18,407
Adjusted EBITDA ³	EUR'000	14,525	14,682	14,504	9,558	18,407
Operating profit	EUR'000	19,473	16,218	4,651	18,119	17,828
Net profit (loss)	EUR'000	16,994	13,955	3,970	13,957	14,822
Profit before tax	EUR'000	19,456	16,202	4,394	17,809	17,190
Cash flows from operations	EUR'000	28,086	18,996	8,399	27,334	2,269
Financial debts	EUR'000	37,069	51,220	124,574	141,924	158,584
RATIOS						
Liabilities / equity		0.70	0.80	1.32	1.35	1.37
Financial debts / equity		0.09	0.14	0.36	0.40	0.41
Financial debts / assets		0.05	0.08	0.15	0.17	0.17
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) ⁴		17.82	3.28	1.68	2.01	3.77
PROFITABILITY RATIOS						
Operating profit margin	%	44.70	48.97	14.50	33.99	40.37
Profit before tax margin	%	44.66	48.92	13.70	33.41	39.92
Net profit margin	%	39.01	42.14	12.37	26.18	33.56
Return on equity	%	17.07	15.37	4.58	15.64	15.51
Return on assets	%	10.04	8.52	1.97	6.65	6.54
Return On Capital Employed (ROCE)	%	15.61	13.47	3.37	11.19	10.96
Earnings per share	EUR	0.026	0.022	0.006	0.022	0.023
P/E (share price / earnings)		5.24	6.60	25.52	7.38	9.77

¹ Comparative indicators were not recalculated.

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

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

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

In January-March 2019, the Company's adjusted EBITDA remained relatively stable and adjusted EBITDA margin decreased compared to January-March 2018. This change is illustrated by Figure 1 which presents EBITDA dynamics during January-march 2015-2019. Other profitability ratios of the Company (operating profit margin, profit before tax margin, net profit margin, return on equity) also were slightly

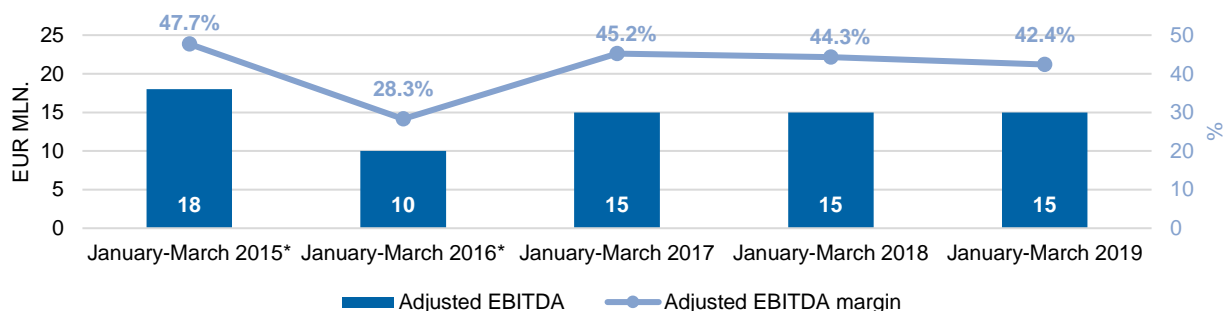
lower in January-March 2019 compared to January-March 2018. However, operating profit, profit before tax and net profit increased in January-March 2019 mainly due to a received compensation for the projects, which were implemented in the previous years.

In January-March 2019, the Company's adjusted EBITDA remained relatively stable compared to January-March 2018. The influence of smaller production volumes in Kruonis PSHP

and Kaunas A. Brazauskas HPP was compensated by the positive result of sales of fuel oil and larger volumes of regulated services in Elektrėnai Complex.

Figure 1

The Company's adjusted EBITDA and adjusted EBITDA margin dynamics



* Comparative indicators were not recalculated.

Statement of financial position

The Company's liabilities to financial institutions amounted to EUR 37.1 million as at 31 March 2019. They included liabilities under long-term loan agreements.

Statement of comprehensive income

Revenue

The Company's sales revenue totalled EUR 28.9 million in January-March 2019. Income from electricity trading, balancing power, regulation power, power reserve and income from sale of heat energy accounted for the largest part of sales revenue. The Company's sales revenue decreased by 11.5% in January-March 2019 compared to January-March 2018. Such decrease was mostly caused by decrease in electricity production volumes at Kaunas A. Brazauskas HPP and Kruonis PSHP.

The Company's regulated revenue for January-March 2019, i.e. electricity and heat energy generation at Elektrėnai Complex and power reserve services provided at Elektrėnai Complex and Kruonis PSHP, accounted for 40% of the Company's total revenue (January-March 2018: 53%).

Expenses

In January-March 2019, expenses incurred by the Company totalled EUR 24.1 million (EUR 24.2 million before revenue from revaluation of emission allowances). Expenses of purchasing electricity and related services as well as expenses of purchasing fuel for electricity generation accounted for the major part of the Company's expenses (EUR 12.0 million or 49.6%). In January-March 2018, these expenses amounted to EUR 14.2 million and made up 61.6% of total expenses. In January-March 2019, the Company's depreciation and amortisation expenses amounted to EUR 4.6 million (January-March 2018: EUR 4.5 million).

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

(also excluding the cost of fuel oil sold, which was reflected in expenses of January-March 2019) amounted to EUR 5.3 million in January-March 2019, i.e. increased by 27.1% or EUR 1.1 million compared to January-March 2018. This was mainly due to the provision for the costs of dismantling projects in the Elektrėnai Complex.

Profit

In January-March 2019, the Company's adjusted EBITDA decreased by EUR 0.2 million compared to January-March 2018, and adjusted EBITDA margin reached 42.4% in January-March 2019 (January-March 2018: 44.3%).

In January-March 2019, the Company's profit before tax totalled EUR 19.5 million, and net profit totalled EUR 17.0 million. In January-March 2018 the net profit of the Company was EUR 14.0 million.

Statement of cash flows

In January-March 2019, the Company's net cash flows from operating activities amounted to EUR 28.1 million compared to EUR 19.0 million in January-March 2018.

In January-March 2019, the Company's cash flows from financing activities were negative similarly as in January-March 2018 and amounted to EUR 1.3 million, compared to EUR 4.5 million in January-March 2018.

Investments in non-current assets

In January-March 2019, the Company's investments in property, plant and equipment and non-current intangible assets (CAPEX) totalled EUR 0.1 million compared to EUR 2.5 million in January-March 2018, when investments were mainly allocated for major repair works of the second unit of Kruonis PSHP.

Overview of activities of the Company's power plants and plans for 2019

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), Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas HPP) and Vilnius Third Combined Heat and Power Plant (Vilnius PP-3), which was taken over from Lietuvos Energija UAB since 31 March 2018. The Company's main objective is to contribute to ensuring the country's energy security by consolidating production capacity.

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

As from 1 January 2016, trade in electricity produced by the Company is conducted under the agreement by Energijos Tiekimas UAB (since 1 January 2019 the operations were disposed to Gamybos Optimizavimas UAB). Before that date, the Company used to conduct trading on the wholesale electricity market (i.e. the environment of communication between the producers and suppliers of electricity) on its own.

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

The tertiary reserve in the scope of 260 MW is guaranteed by the CCU in 2019, whereas the strategic reserve is not ordered. Therefore, the decision was made to conserve the unit 8 of Elektrėnai Complex as from the beginning of 2019, too (the unit 7

has been conserved since 1 January 2018). The periodical short-term technological tests of equipment are planned in the Elektrėnai Complex.

Kruonis PSHP is providing 400 MW secondary reserve service of (by means of two units) in 2019. The profitability of the commercial activities by means of two remaining units and the production volumes will depend mostly on the market conditions, i.e. difference in the prices of electricity in peak and nonpeak periods.

In 2019, the production volumes of Kaunas A. Brazauskas HPP will depend mostly on the Nemunas yield. The power plant is affected a lot by seasonality, i.e. the major part of electricity is produced at times of spring flood, whereas the smallest part of electricity is produced in cold winter and hot summer. The efforts will be put to make use of the flexible production in the power plant during those hours when the highest price is reached in the exchange.

It is not planned to produce energy in Vilnius TPP-3 in 2019.

The Company sets availability goals for the power plants. The devices are considered accessible when they are producing electricity or when they are completely ready to produce it. It is planned that the average annual availability indicators in 2019 will be at least 97.8% for the CCU, 90.2% for Kruonis PSHP, and 92.5% for Kaunas A. Brazauskas HPP.

The efforts will also be put for the power plants to participate reliably in isolated network tests according to the TSO's pre-scheduled testing programme.

Key performance indicators

Electricity generation and system service indicators for January-March 2019

In January-March 2019, the Company produced electricity and heat, provided strategic reserve and tertiary active power reserve assurance service in the Elektrėnai Complex, the secondary emergency reserve service in Kruonis PSHP and other system services.

The Company has permits for indefinite term to engage in electricity generation activities. The amount of electricity generated at the power plants controlled by the Company in January-March 2019 decreased comparing to January-March 2018 (see Figure 2). In total 0.173 TWh of electricity produced at the power plants controlled by the Company was sold during January-March 2018, i.e. almost 31% less compared to 0.249 TWh in January-March 2018.

The conditions of **Kaunas A. Brazauskas HPP** production were aggravated by the fact that the beginning of 2019 was relatively dry. There was little snow in the beginning of the year. It was melting evenly, so no major flood was caused and Kaunas A. Brazauskas HPP generated 21 percent less electricity in January-March 2019 than in January-March 2018 (0.106 TWh and 0.134 TWh respectively).

The difference in prices of day and night electricity rates on the exchange in January-March 2019 was getting smaller, if compared to previous years. So, in January-March 2019 the amount of electricity generated in **Kruonis PSHP** was 45 percent smaller (0.059 in January-March 2019 and 0.108 in January-March 2018).

In January-March 2019, the Company sold 0.014 TWh and purchased 0.005 TWh of regulation electricity (the service necessary to balance the surplus/ shortage of electricity in the system) compared to 0.025 TWh and 0.009 TWh in January-March 2018, respectively.

Another system service provided by Kruonis PSHP is secondary power reserve, i.e. the power of facilities or hydro-units maintained by the producer activated in 15 minutes. This service was needed 16 times in January-March 2019. In January-March 2018, this service aimed at ensuring security of electricity supply was activated as many as 7 times. The transmission system operator activates this reserve, for the provision whereof two Kruonis PSHP units (400MW) are attributed in 2019, when compensating a sudden reduction in the amount of electricity getting to Lithuania is necessary. In January-March 2019, the Company sold about 0.864 TWh of secondary power reserve, the same amount as in January-March 2018.

Units of the **Elektrėnai Complex** produced 0.008 TWh of electricity in January-March 2019 – only 1 percent less than in January-March 2018 (0.008 TWh)

In 2019, the tertiary power reserve in the scope of 260 MW is ensured by the most effective unit of Elektrėnai Complex – combined cycle unit. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. The reserve could be activated by the TSO. The unit is constantly ready to produce electricity, in order

INTERIM REPORT

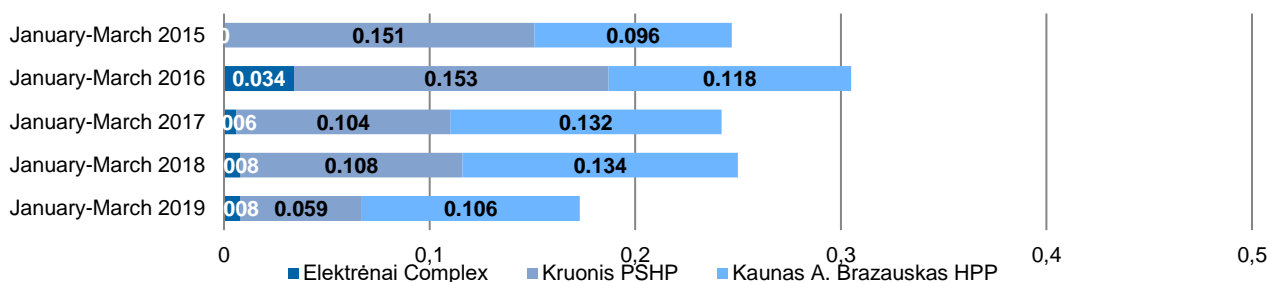
For the three-month period ended 31 March 2019.

to contribute ensuring the security of the energy system. The production of the combined cycle unit on a commercial basis is only available with the residual power (the power remaining from des-

ignated for the service of tertiary reserve), but not less than technological unit minimum (160 MW). In January-March 2019, the Company sold approx. 0.561 TWh of tertiary power reserve, the same amount as in January-March 2018.

Figure 2

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



Other factors affecting the Company's financial indicators

The Company's business environment was discussed in the annual report of 2018. No changes took place in the Company's business environment in January-March 2019 that would have had significant influence on the Company's results.

The banks operating in Lithuania continue forecasting reasonable growth of gross domestic product, the changes of which have the major impact on increased demand for energy and competitive environment, where the Company is operating.

The price of electricity in the Lithuanian bidding area of Nord Pool market has been decreasing every month from the beginning of 2019. However, its average price was still higher than in previous years. The average price in January-March 2019 was 47.82 EUR/MWh, in January-March 2018 it was 42.4 EUR/MWh, and in January-March 2017– 3487 EUR/MWh. This has positive impact on the Company's results, because the generated energy is sold on the market for higher price. On the other hand, the decreasing difference between peak and non-peak prices on the power market has negative impact on production of Kruonis PSHP.

The price of tradable pollution permits for in the beginning of 2019 decreased a little (e.g., price in March was 21.45 EUR), when compared to December 2018 (24.63 EUR); however, it still remained much higher than at the same time in 2018, and this had positive influence on the Company's results.

The Company is operating in accordance with the Company's Strategy revised and updated in the end of 2018. It is stressed in the Strategy that the most important activities of the Company are strategic generation as a basis for achievement of growth purposes of the entire group of the Lithuanian Energy. The main objective set for the Company is to contribute to successful synchronization of the Baltic States with the system of networks of continental Europe and to maintain capacities of reliable local electricity production and to develop new capacities in Lithuania. It is also provided in the Strategy that while implementing its main role to

safeguard reliable and effective strategic generation, the Company will contribute significantly to implementation of the strategy LE 2030 in the direction of green generation and through implementing of innovations. 10 strategic solutions are planned in the Company's Strategy – particular projects and performance areas planned for the period 2019-2030. The document of the Company's Strategy for 2019-2030 is available on the Company's website.

In January-March 2019, the Company continued implementation of the majority of the projects and innovations described in the annual report of 2018 ([link](#), p. 24) according to the plans. In implementation of the decision to stop using reserve fuel oil in the devices of Elektrėnai Complex, the remaining reserves of fuel oil were removed from Elektrėnai Complex in March 2019. It is planned to settle the remaining infrastructure of fuel oil's storage and supply to reserve plants and to offer it for the customers, whose activities in that territory would be beneficial for the entire region. The units 5 and 6 of reserve power plant of Elektrėnai Complex were further dismantled in January-March 2019; and the dismantling project of chimneys 1 and 2 is under preparation. Besides, the preparatory works of experimental solar power plant in Kruonis PSHP and arrangement of energy storage system in Kaunas A. Brazauskas' HPP are being carried out. There are no significant changes in the projects mentioned in the annual report of 2018 that would have taken place in January-March 2019.

In January-March 2019, there were no cases of manifestation of any significant risks of the Company described in detail in the annual report of 2018 ([link](#), p. 26).

A comprehensive integrated Lietuvos Energija Group social responsibility report for the year 2018, which will also present the progress achieved in this field by the Company, will be prepared and published separately in May.

Company's objectives in 2019

In 2019, the Company seeks to satisfy the shareholders' expectations and to ensure profitable activities of the Company (objective 1) and to ensure effective control of expenses (objective 2). Similarly as every year, ensuring the reliable work of power plants is relevant (objective 3). The Company is providing systemic services important to the country, so it has to be ready to produce electricity when needed. Besides, efforts are put to make use of all the opportunities to produce on the commercial grounds as

much as possible. Another important objective is a reliable participation in the isolated network testing program (objective 4). The fifth objective of the Company for 2019 is to improve experience of the employees – it will be measured in the entire group of Lietuvos Energija according to the unified methodology. The sixth objective is operation without health and safety accidents. In January-March 2019, there were no factors that would let to predict that the Company's objectives will not be achieved.

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 amounted to EUR 187,920,762.41 as at the end of the reporting period (31 March 2019) and it was divided into 648,002,629 ordinary registered shares with par value of EUR 0.29 each. All the shares have been fully paid.

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

The Company neither acquired, nor transferred its own shares during the reporting period. The Company had not acquired its own shares.

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

ISIN code LT0000128571. Ticker - LNR1L.

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

Structure of authorised share capital (as at 31 March, 2019)

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

The Company's share price and turnover dynamics

Statistics on trade in the Company's shares

		3 months 2015	3 months 2016	3 months 2017	3 months 2018	3 months 2019
Last trading session price, EUR		0.912	0.649	0.638	0.611	0.55
Maximum price, EUR		0.930	0.713	0.655	0.64	0.565
Minimum price, EUR		0.783	0.623	0.600	0.575	0.51
Average price, EUR		0.853	0.633	0.632	0.609	0.546
Turnover, shares		167,086	144,233	220,186	340,053	136,960
Turnover, EUR MLN		0.14	0.096	0.14	0.21	0.07
Capitalisation, EUR MLN	Company	579.19	412.17	405.18	368.35	353.16
	Baltic Main List	4,914.94	4,565.49	5,224.42	5,721.62	5,601.7

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

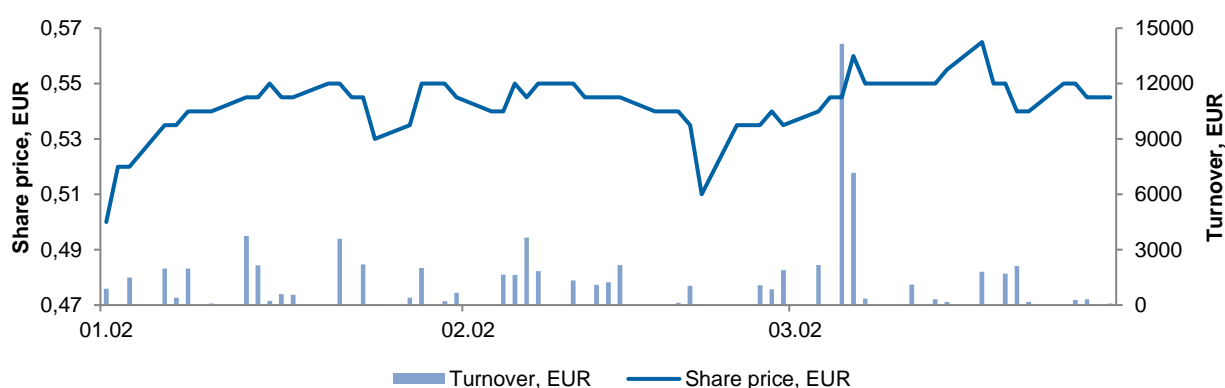


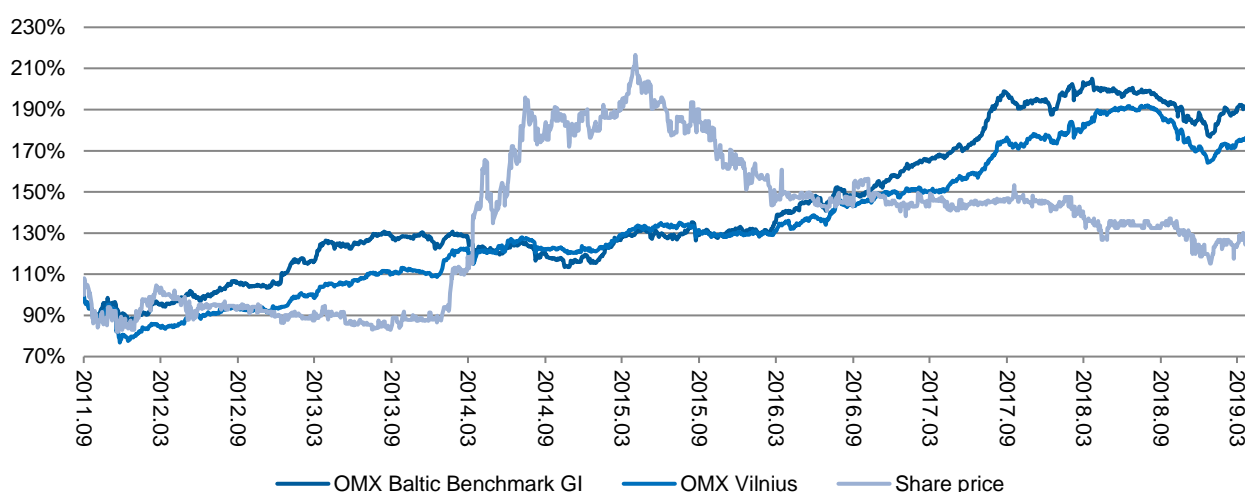
Figure 4

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



Figure 5

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



Shareholder structure

As at 31 December 2018, the Company had in total 5,886 shareholders.

As at 29 April 2019, at the record date of the rights of shareholders, the Company had in total 5,884 shareholders.

Shareholders holding more than 5% of the Company's shares (as at 31 March 2019)

Name	Class of shares	Number of shares	% of authorised share capital	% of shares with voting rights
Lietuvos Energija UAB Company code – 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	627,372,769	96.82	96.82
Other shareholders	Ordinary registered shares	20,629,860	3.18	3.18
TOTAL	Ordinary registered shares	648,002,629	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

AB SEB bankas is authorised to keep and manage the Company's securities accounts.
AB SEB bankas contact details:
Gedimino pr. 12, LT-01103 Vilnius,
Tel. 1528 or +370 5 268 2800.

Dividends and dividend policy

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

On 12 April 2019, the Ordinary General Meeting of Shareholders of the Company approved the distribution of the Company's profit (loss) of 2018. The plan is to pay EUR 6.48 million in dividends for the six-month period ended on 31 December 2018. EUR 0.01 in dividends per share is paid for this period. Persons, who were shareholders of the Company at the end of the 10th working day following the decision on the payment of dividends adopted by the Extraordinary General Meeting of Shareholders, i.e. at the end of the working day of 29 April 2019, received dividends.

The dividends were also paid on the basis of the decision of the Extraordinary General Meeting of Shareholders of the Company held on 27 September 2018, whereby they decided on the allocation of dividends to the shareholders of the Company for a period shorter than the financial year. Dividends of EUR 0.023 per share (EUR 14.9 million in total) were allocated for the six-month period ended on 30 June 2018.

The Company's net profit from continuing operations for 2018 was EUR 29.64 million, and accordingly the indicator of dividends paid for 2018 / net profit was 0.72.

THE COMPANY AND ITS MANAGEMENT BODIES

Information about the Company and its contact details

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

The Company's main business activity

The Company's business objective is effective energy generation and supply in contribution to assurance of energy security. The Company's business object is energy generation and supply, as well as import, export and trade in electricity. The Company may engage in other activities that are not in conflict with its objectives and laws of the Republic of Lithuania.

The Company operates the following power generation facilities:

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

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

Information about the Company's branches and representative offices

The Company has no branches or representative offices.

Information about ownership interest in other entities

The Company belongs to Lietuvos Energija state-owned group of companies, which is one of the biggest group of energy companies in Baltic countries. The group's parent company Lietuvos Energija UAB holds 96.82% of the Company's shares.

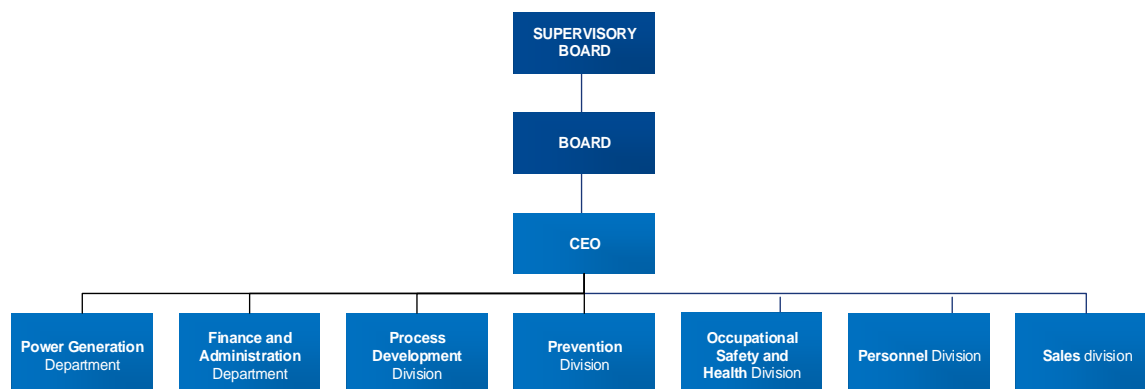
As at the date of signing the report, the Company had no subsidiaries and had ownership interest jointly with other entities in the following entities: Geoterma UAB, which is under bankruptcy, Technologijų ir Inovacijų Centras UAB, Verslo Aptarnavimo Centras UAB (see below).

	Technologijų ir Inovacijų Centras UAB	Verslo Aptarnavimo Centras UAB	Geoterma UAB (under bankruptcy)
Name	A. Juozapavičiaus g. 13, Vilnius, Lithuania	P. Lukšio g. 5B, Vilnius, Lithuania	Lypkių g. 17, Klaipėda, Lithuania
Registration date	4 December 2013	30 July 2014	1 March 1996
Company code	303200016	303359627	123540818
Contacts	+370 5 278 2272, info@etic.lt	+370 5 259 4400, vac@le.lt	+370 46 326 163, info@geoterma.lt
Website	www.etic.lt	http://vac.le.lt	www.geoterma.lt
Ownership interest	20.01%	15%	23.44%
Main activities	Provision of information technology and telecommunication services to energy companies.	Organization and execution of public procurement, provision of accounting, labor relations administration, customer service, human resources administration, legal services, operational efficiency consulting and training.	Gheothermal heating plant.

Information on major related party transactions

Information on related party transactions is available in the notes to the Annual Financial Statements of January-March 2019.

Figure 6
Structure of the Company (as at 31 March 2019)



Information about the Company's management bodies

Based on the Articles of Association effective as at 31 March 2019, 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 election of management bodies and compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius is made available together with the Annual Report.

The General Meeting of Shareholders

Two General Meetings of Shareholders of the Company were held from 1 January, 2019 until the day of publication of this report:

1. On 25 February, 2019 the Extraordinary General Meeting of Shareholders of the Company adopted decisions regarding the terms and conditions of the activities of an independent member of the Supervisory Board (an hourly pay (before taxes) in the amount of 54.43 EUR for the actual activity as an independent member of the Supervisory Board was defined and the monthly pay was limited to a maximum amount of 1,300 EUR) and regarding the election of the audit company for the audit of financial reports of the Company and the terms of remuneration for the audit services (ERNST & YOUNG BALTIC UAB was elected as the audit company for the audits of financial reports of the Company for the period

of 2019-2021. The remuneration for the audit services shall not exceed 194,850.00 EUR (VAT excluded) for the year 2019-2021).

2. On 12 April, 2019 the Ordinary General Meeting of Shareholders of the Company adopted the decisions to approve the Annual Report of the Company for the year 2018 and audited Annual Financial Statements of the Company for the year 2018, and to allocate the profit the Company for the year 2018. The dividends are to be paid for the six-month period ended 31 December, 2018.

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

The Company's Supervisory Board

Changes in the structure of the Company's Supervisory Board during the reporting period:

- On 12 March, 2019, the Company received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, UAB, Rimgaudas Kalvaitis has been nominated for the position of the CEO and member of the Board of the Company. Accordingly, on the same day R. Kalvaitis submitted his request to resign from his current position as a member of the Supervisory Board of the Company. He is out of these duties from 27 March, 2019.
- During the reporting period, no new member of the Supervisory Board of the Company was elected.

The expected end of term of office of the current Supervisory Board of the Company is 25 March 2022.

Overall 7 meetings of the Supervisory Board were held in January-March 2019. All of them were attended by all members of the Supervisory Board who were elected at that time.

More details about the members of the Company's Supervisory Board are available in the table below. Description of their education and professional experience is available on the Company's website under section "[Company Management](#)".

Members of the Supervisory Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)
Dominykas Tučkus Chairman	26 March 2018 – 25 March 2022	–	<ul style="list-style-type: none"> Lietuvos Energija UAB, Member of the Board, Director for Infrastructure and Development. LITGAS UAB, Chairman of the Board (until 1 January 2019). Lietuvos Energijos Tiekimas UAB, Chairman of the Board (until August 28, 2018), Member of the Board (from August 28, 2018). Energijos Tiekimas UAB, Chairman of the Board (until June 14, 2018), Member of the Board (from June 14, 2018). Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board. Eurakras UAB, Chairman of the Board Tuulueenergia OU, Chairman of the Board Vilnius Third Combined Heat and Power Plant, Member of the Board (from March 19, 2018). Lietuvos Energija Renewables UAB, Member of the Board (since January 3, 2019). KŪB Smart Energy Fund powered by Lietuvos Energija, Member of the Advisory Committee. 	–
Živilė Skibarkienė Member	26 March 2018 – 25 March 2022	–	<ul style="list-style-type: none"> Lietuvos Energija, UAB, Member of the Board, Director for Organizational Development. Verslo Aptarnavimo Centras, UAB, Member of the Board (since April 4, 2018, Chairwoman since September 26, 2018). Technologijų Ir Inovacijų Centras, UAB, Chairwoman of the Board (until September 26, 2018). Elektroninių Mokėjimų Agentūra UAB, Member of the Supervisory Board (from December 10, 2018). 	–
Rimgaudas Kalvaitis Independent Member	26 March 2018 – 27 March 2019	–	<ul style="list-style-type: none"> Technology Competence Center, UAB, Director (until 27 March 2019). Lietuvos Radijo ir Televizijos Centras, UAB, Independent Member of the Board (until 27 March 2019). Luno, UAB, consultant (until 27 March 2019). 	–

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.

During the reporting period, independent member received a monthly remuneration of EUR 771 (before taxes) for the activities carried out in the Supervisory Board. No other payments were made.

The Company's Board

Changes in the structure of the Company's Board during the reporting period:

- Taking into account a notification received from Eglė Čiužaitė on her resignation from the position of the CEO of the Company, the Board and the Supervisory Board of the Company on 7 January, 2019 adopted a decision to recall E. Čiužaitė from the position of CEO of the Company from 21 January, 2019. E. Čiužaitė also resigned from the position of Chairwoman of the Board from 21 January, 2019.
- The Company initiated a public selection of a new CEO. From 22 January, 2019 until the election of the new CEO, Darius Kucinas, member of the Board of the Company,

Director of Power Generation, took the position of acting CEO of the Company.

- On 12 March, 2019, the Company received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, UAB, Rimgaudas Kalvaitis has been nominated for the position of the CEO and member of the Board of the Company.
- On 27 March, 2019 the Supervisory Board of the Company elected the new member of the Board Rimgaudas Kalvaitis. The elected member of the Board of the Company shall start his duties as of the end of the meeting of Company's Supervisory Board that elected him. At the same day, after the meeting of the Supervisory

INTERIM REPORT
For the three-month period ended 31 March 2019.

Board, the Board of the Company has elected R. Kalvaitis as the Chairman of the Board and CEO of the Company.

The end of term of office of the current Board of the Company expected as at the date of publication of this report is 2 April 2022.

Overall 11 meetings of the Board were held in January-March 2019. All of them were attended by all elected members of the Board.

The table below presents more detailed information on the members of the Board of the Company; the description of their education and professional experience is available on the Company's website, under the section "[Company Management](#)".

Members of the Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Ownership interest in other companies (>5%)	Monthly remuneration for the activities of the member of the Board (before taxes, EUR)
Eglė Čiužaitė Chairwoman of the Board, CEO	3 April 2018 – 21 January 2019*	–	<ul style="list-style-type: none"> - Geoterma UAB (Lypkių str. 53, Klaipėda, Lithuania, c. c. 123540818), Member of the Board (until 23 March 2018) - Sponsorship Foundation of Lietuvos Energija (Žvejų str. 14, Vilnius, Lithuania, c. c. 303416124), Member of the Board. - Technologijų ir Inovacijų Centras UAB (A. Juozapavičiaus str. 13, Vilnius, Lithuania, c. c. 303200016), Member of the Board. (until January 21, 2019). 	–	981
Darius Kucinas Member of the Board, Director of Power Generation	3 April 2018 – 2 April 2022	–	–	–	1,300
Mindaugas Kvekšas Member of the Board, Director of Finance and Administration	3 April 2018 – 2 April 2022	–	<ul style="list-style-type: none"> - Verslo Aptarnavimo Centras UAB (P. Lukšio str. 5B, Vilnius, Lithuania, c. c. 303359627), Member of the Board 	–	1,300
Rimgaudas Kalvaitis Chairman of the Board, CEO	27 March 2019 – 2 April 2022	–	–	–	293

The Company's 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 re-calling 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)

	Fixed monthly remuneration (average, before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)
To the CEO Eglė Čiužaitė	6,059	1,781
To the acting CEO Darius Kucinas	5,239	1,060
To the Chief Financier *	–	–

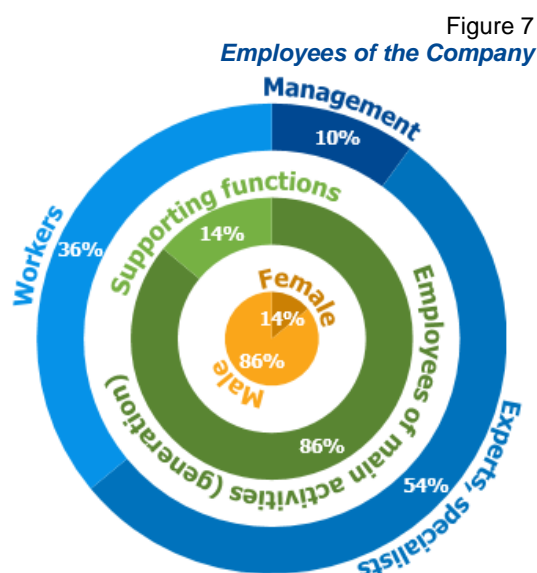
* As from 1 December 2014, the accounting function has been moved from the Company to Verslo Aptarnavimo Centras UAB, and accordingly, the Company no longer has accounting employees, nor the Chief Financier. Verslo Aptarnavimo Centras UAB performs a complete set of accounting services for the Company,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

The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During January-March 2019, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

Employees of the Company

On 31 March 2019, the Company had 361 employees (including employees on parental leave). There were 372 employees in the Company as at 31 December 2018. The number of employees decreased due to lower production volumes, as well as due to integration of communication function in Lietuvos Energija Group and retirement of a number of employees or termination of employment with the Company for other reasons.

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



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

	Breakdown of headcount by category of employees as at 31 March, 2019	Average work pay in January-March 2019, EUR
CEO	1	7,405
Top level management	3	5,662
Middle-level management	33	3,005
Experts, specialists	192	1,864
Workers	132	1,264
Total	361	1,804

* When current and earlier published data on remuneration of management bodies are compared to average wages announced in previous statements, the increase of wages in all the categories is noticed. The reason for this is that recalculated data of wages have been announced since 2019 (multiplied by 1,289).

MATERIAL EVENTS AT THE COMPANY

Notifications on materials events during the reporting period

7/01/2019	<u>Regarding the resignation of Eglė Čiužaitė, Chairwoman of the Board and CEO of Lietuvos Energijos Gamyba</u>
11/01/2019	<u>On adopted Resolution of the Court</u>
31/01/2019	<u>Regarding the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
31/01/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 12 months of 2018</u>
12/02/2019	<u>Regarding the financial reparation received by Lietuvos Energijos Gamyba</u>
25/02/2019	<u>Regarding the decisions of the Extraordinary General Meeting of shareholders of Lietuvos Energijos Gamyba, AB</u>
28/02/2019	<u>Interim information of Lietuvos Energijos Gamyba for the twelve-month period of 2018: good financial results and a new strategy</u>
28/02/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for the 1st month of 2019</u>
12/03/2019	<u>Regarding the nomination of the Chief Executive Officer of Lietuvos Energijos Gamyba, AB</u>
15/03/2019	<u>Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB</u>
27/03/2019	<u>The Supervisory board of Lietuvos Energijos Gamyba, AB elected Rimgaudas Kalvaitis as the member of the Management board. He became the Chairman of the Management Board and Chief Executive Office</u>
28/03/2019	<u>Regarding the resolutions of Lietuvos Energijos Gamyba, AB Supervisory Board</u>
29/03/2019	<u>Lietuvos Energijos Gamyba preliminary financial results for 2 months of 2019</u>

Notifications on materials events after the end of the reporting period

12/04/2019	<u>Regarding the resolutions of Ordinary General Meeting of Lietuvos Energijos Gamyba, AB Shareholders</u>
12/04/2019	<u>Regarding the Lietuvos Energijos Gamyba, AB, Annual Information 2018</u>
24/04/2019	<u>A notice of the new trademark applications</u>