

2015

LIETUVOS ENERGIJOS GAMYBA, AB  
CONSOLIDATED INTERIM  
REPORT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015  
(unaudited)



Lietuvos  
energija

GAMYBA



Lietuvos  
energija

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### **Reporting period for which the Consolidated Interim Report has been prepared**

The Consolidated Interim Report provides information to shareholders, creditors and other stakeholders of Lietuvos Energijos Gamyba, AB ("the Company") about the Company's and the Group's operations for the nine-month period ended 30 September 2015.

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

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

### **Persons responsible for the information provided in the Consolidated Interim Report**

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## KEY INDICATORS OF LIETUVOS ENERGIJOS GAMYBA GROUP

		9 months of 2015	9 months of 2014	Change	
				+/-	%
<b>KEY OPERATING INDICATORS</b>					
Electricity generation volume	TWh	1.652	1.464	0.188	12.8
Electricity sales in free market	TWh	0.889	1.173	-0.284	-24.2
<b>KEY FINANCIAL INDICATORS</b>					
Revenues	EUR '000	185,134	203,479	-18,345	-9.0
Costs of purchase of electricity, fuel and related services	EUR '000	114,977	116,227	-1,250	-1.1
Operating expenses <sup>1</sup>	EUR '000	29,480	31,571	-2,091	-6.6
EBITDA <sup>2</sup>	EUR '000	37,157	48,858	-11,701	-23.9
EBITDA margin <sup>3</sup>	%	20.1	24.0	3.9	
Net profit	EUR '000	23,539	33,957	-10,418	-30.7
		<b>30/09/2015</b>	<b>30/09/2014</b>	<b>Change</b>	
				<b>+/-</b>	<b>%</b>
Assets total	EUR '000	893,064	959,285	-66,221	-6.9
Equity	EUR '000	372,831	366,862	5,969	1.6
Financial debts	EUR '000	149,978	165,869	-15,891	-9.6
Net financial debts <sup>4</sup>	EUR '000	91,012	92,362	-1,349	-1.5
Return on equity (ROE) <sup>5</sup>	%	8.4	12.3	-3.9	
Equity level <sup>6</sup>	%	41.7	38.2	3.5	
Net financial debts / 12-month EBITDA	%	183.7	252.1	-68.4	
Net financial debts / Equity	%	24.4	25.2	-0.8	

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

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

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

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

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

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

## COMMENT FROM CEO

In January–September 2015, Lietuvos Energijos Gamyba generated incomes from sales amounting to EUR 168.06 million, or 7.2% smaller than in the same period in 2014. Company's EBITDA (earnings before interest, taxes, depreciation and amortisation) in January–September 2015 amounted to EUR 39.19 million, and if compared with the EBITDA of the same period in 2014 (EUR 48.36 million) dropped down by 19.0%. Company's net profit was EUR 26.46 million, or 5.4% smaller than during the same period last year (EUR 27.96 million). The major adverse impact on the figures of January–September 2015 was made by the decisions made by the National Commission for Energy Control and Prices (hereinafter – NCC) setting reduced regulated prices of services for the Company for 2015, which are currently contested in court.

Sales earnings of Lietuvos Energijos Gamyba Group were dropping by 5% (from EUR 182.91 million down to EUR 173.66 million). Group's EBITDA (EUR 37.16 m) were 23.9% smaller than EBITDA in the same period last year (EUR 48.86 m). Net profit of the Group was EUR 23.54 million (30.7% less than in the period of January–September 2014).

Summer months and early autumn have been marked by the biggest generation volumes for a couple of years in the units of "Lietuvos energijos gamyba". This year is not an exception: for the whole third quarter, Elektrėnai combined cycle unit operated to great capacity and produced electricity needed to secure energy supply, while Kruonis pumped storage hydroelectric plant also generated bigger amounts of electricity and successfully used the chances on the market. Despite drastically decreased operating volumes of Kaunas Algirdas Brazauskas' hydroelectric power plant caused by dry year, the production of these two plants determined the total quantity of electricity generated in the power plants controlled by the Company to reach nearly 1,652 TWh in January–September 2015, which was nearly 13% bigger than in the same period last year.

Such production output has positive impact on the financial results of the Company: if regulatory environment stayed stable, earnings and profit in January–September 2015 would be bigger than during the same period in 2014. But today we see that these indicators during nine months of this year significantly decreased if compared with the same period last year. The main reason for that is the decisions made by the regulator in 2014 causing decrease in the earnings from public service obligations (PSO) funds allocated for the Company and power reserve securing services.

A share of the Company's proceeds from the regulated activities is not recognised by the NCC's decisions regarding the Company's activity inspection results 2010–2012 and because of the recognition of the Company has having major influence on the electricity generation market. Following auditors' recommendations, the Company does not include these proceeds into the interim financial reports of 2015 but continues actively defending its position for their recognition, applying for abolition of the above-mentioned NCC's decisions in court. Having rejected the impact by these decisions, the EBITDA and net profit in January–September 2015 would be EUR 10,7 million and EUR 9,0 million bigger, respectively.

Following the long-term business strategy guidelines, the Company was further exerting measures to increase its efficiency and to reduce the burden of subsidies on its consumers. Electricity generation efficiency in Elektrėnai complex, which generated 0.953 TWh (which is nearly one quarter more supported electricity than during the same period last year (0.768 TWh), was about 9% bigger.

Throughout the period from mid-April, the combined cycle unit experienced reliable and stable operation, while in the beginning of October with electricity prices nearly doubling during certain hours in the Lithuanian price zone of Nord Pool Spot Exchange, the unit's generation was increased almost to the maximum. For some time, it operated as a plant competitive on the electricity market. On one hand, our main task is to secure uninterrupted electricity supply, which we are diligently fulfilling. On the other hand, the situation showed that next year, when no electricity generation quota for supported electricity in Elektrėnai will be set, the role of the latter power plan will not decrease: once a price jumps on the exchange, this plant will help to secure reliable power supply and stable electricity prices.

Other important aspects in increasing Company's operating efficiency include: implementation of important projects, reduction of operating and service costs.

The Company is further proceeding with dismantling of the first and second unit of the standby power plant. In order to keep reducing the demand for PSOs, inefficient fifth and sixth units are planned to be decommissioned from 2016. Efforts are made to ensure that the most reliable and efficient equipment is operating in Elektrėnai complex: for electricity generation – seventh and eighth units of the standby power plant and combined cycle unit are used, for heat generation – the new biofuel boiler house constructed this year is used. The latter boiler house makes lower heating production price possible for Elektrėnai residents.

If comparing the Company's performance results in January–September 2015 with the performance results of the same period in 2014, the outcome of prioritising functions of procurement, accounting and employment relations administration is obvious, furthermore costs of lease, transport, public utilities and other services also experienced significant decrease.

Such results are encouraging, but this is only the beginning. We are further looking for solutions which would ensure provision of quality services to our customers and would keep equipment in good technical condition and would sustain qualified staff, thus reducing operation support costs. Furthermore, in September we announced about our agreement to sell a share of our commercial wholesale electricity trade business from early 2016. Purifying our activities, we are focusing on energy generation, assurance of reliability of controlled power plants, increase of operating efficiency.

**Juozas Bartlingas**  
Chairman of the Board and CEO  
Lietuvos Energijos Gamyba, AB

## MOST-SIGNIFICANT EVENTS IN THE REPORTING PERIOD

### The company appeals against the decisions taken by the regulator

During the reporting period, judicial processes regarding the Company's complaints to court regarding the decisions of 2014 made by the National Commission for Energy Control and Prices (hereinafter - NCC), which were related to the inspection results of the Company's performance during 2010-2012, the Company's recognition of having a significant impact on the electricity generation market (because of these decisions, reduced regulated prices were set to the Company for 2015) and the Company's unilateral determination of price components of the generated heat, took place.

More information is provided in the Section "[Important events in the Company's activities](#)" of this Report.

### The Company becomes an electricity price derivatives market maker in the Latvian bidding area

On January 2015 the Company was the first among Lithuanian electricity market players to become a Market Maker and to begin offering derivatives pegged to the price differential between the price that forms in the Latvian bidding area and the overall Nord Pool Spot system price EPAD RIGA (Electricity Price Area Differential, EPAD).

More information is provided in the Section "[Important events in the Company's activities](#)" of this Report.

### The Company transfers subsidiaries' shares

Pursuant to a decision of the Company's board, on 31 May 2015 the Company concluded an agreement on the purchase and sale of all the shares of its fully controlled subsidiaries UAB Kauno Energetikos Remontas and Energijos Tiekimas UAB with its parent company Lietuvos Energija, UAB.

On 27 April 2015, the Company and Lietuvos Energija, UAB, concluded a share-purchase agreement on all the shares held by the Company in in NT Valdos, UAB.

More information is provided in the Section "[Important events in the Company's activities](#)" of this Report.

### During the warm period, electric power was generated in the combined cycle unit

During the non-heating period from 15 April to 15 October, the energy needed in order to secure the supply was generated at Elektrėnai under an agreement with the transmission system operator LITGRID.

During this period, electricity was generated in the combined cycle unit because at the end of the heating season the towns' combined heat and power plants are shut down and there are fewer possibilities to import energy because of the connections' repair works. The offer of electric power has also decreased because of less water in Latvian and Lithuanian hydroelectric power stations during the warm period of the year.

In October, because of significantly increased energy prices in the Nord Pool Spot market, the combined cycle unit in-

creased its production and was operating as a competitive unit in the electric power market, which helped to stabilize the price of electric power. The Company constantly follows the situation in the market and evaluates possibilities to generate electric power by operated units under commercial bases.

### Clarification of activities

In the beginning of 2015, the Company's parent company "Lietuvos energija", UAB started the implementation of the activity chain clarification programme of the group of companies belonging to "Lietuvos energija". During the reporting period, the clarification of the Company's production activity provided in the programme was implemented – a part of the commercial electric power wholesale activity performed by the Company was separated.

According to the sale and purchase agreement, since 2016 this activity will be taken over by another company of the group "Energijos tiekimas", which currently performs less electric power trade activities and where the electric power trade activity is going to be concentrated.

The part of business sold to "Energijos tiekimas" will consist of the trade by financial derivatives, which is not related to physical generation of electric power, and the provision of the compensation service. After this part of business is sold, the Company will continue receiving income for the electric power sold in the market and generated in its operated power stations, as well as for the provided systematic services.

In order to determine the price of the sold part of the commercial electric power wholesale business transparently and objectively, an independent evaluation of the part of the electric power wholesale business was performed. According to the evaluation results and after risk assessment of the sold activity, the companies have agreed that the initial price of the agreement is EUR 13.1 million. The sum will be paid by "Energijos tiekimas" in cash during the period until 31 March 2017. Other EUR 8 million (EUR 2 million per year) may be paid subject to the results of the sold activity during the period until 2019. It is determined that the maximum final price of the agreement can reach EUR 21.1 million.

It is predicted that the separation of the part of the electric power trade activity will raise the efficiency of the activity performed by the group of companies belonging to "Lietuvos energija", as well as it will reduce operating costs of the Company and will make the Company's activity transparent.

For more information refer to the Company's website.

### New biofuel boiler house put into operation in Elektrėnai

On 6 May 2015, a certificate of completion of a biofuel-fired boiler house in the Elektrėnai Complex was issued. Construction of the boiler house was started in February 2014. Highly efficient state-of-the-art equipment that contributes to the control of environmental pollution has been installed in the boiler house. The boiling-layer furnace technology that minimises pollutants' emissions to the atmosphere has been selected for the biofuel combustion process as a one most suitable for the biomass. Wood-cutting waste and wood that is not useful for other industries are used as a fuel.

A 40 MW biofuel-fired plant will meet approx. 90% of the heat demand of Elektrėnai town, Kietaviškių Gausa UAB greenhouse company, and Elektrėnai Complex. Heat generation will be continuous.

**A quota for supported production at Elektrėnai was not imposed for 2016**

During the reporting period, intensive discussions regarding the quotas corresponding with public service obligation (PSO) took place. After the reporting period, on 7 October 2015, the Government of the Republic of Lithuania decided not to impose quotas for supported production of electric power in combined heat and power plants and Elektrėnai complex for 2016.

The quotas were not imposed with regard to the statement of the Ministry of Energy that cheaper imported electric power

should reach Lithuanian after the new electric connections with Poland and Sweden are launched in 2016; therefore, it is not worth supporting local production artificially because it is more expensive.

In 2016, the Company will ensure a tertiary emergency power reserve using the units of Elektrėnai complex. It means that the units will produce electric power only in cases if there are problems regarding the import of energy or there is a situation in the market under which it will be able to produce energy by using gas for a competitive price in the market.

In 2015, the quota imposed to Elektrėnai complex for the production of energy was 1.1 TWh.

## ANALYSIS OF FINANCIAL INDICATORS OF THE COMPANY AND THE GROUP

Unaudited financial information of Lietuvos Energijos Gamyba, AB and Lietuvos Energijos Gamyba, AB group of companies is shown on the table for January – September 2015.

		Company			Group		
		9 months of 2015	9 months of 2014	9 months of 2013	9 months of 2015	9 months of 2014 <sup>4</sup>	9 months of 2013 <sup>5</sup>
<b>FINANCIAL INDICATORS</b>							
Sales revenue	EUR'000	168,055	181,151	245,284	173,656	182,906	247,089
Other operating income	EUR'000	10,277	1,652	1,315	11,478	20,573	8,813
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	EUR'000	39,189	48,355	52,033	37,157	48,858	54,177
Operating profit	EUR'000	30,551	33,692	30,684	26,898	40,410	32,277
Net profit	EUR'000	26,459	27,958	24,767	23,539	33,957	25,627
Profit before tax	EUR'000	29,071	33,166	26,946	25,729	39,265	27,976
Cash flows from operations	EUR'000	20,067	57,262	93,757	19,927	61,398	98,260
Liabilities to financial institutions	EUR'000	149,978	163,320	165,660	149,978	165,869	168,556
<b>RATIOS</b>							
Liabilities / equity		1.41	1.61	1.42	1.40	1.61	1.42
Financial liabilities / equity		0.41	0.45	0.42	0.40	0.45	0.42
Financial liabilities / assets		0.17	0.17	0.17	0.17	0.17	0.17
<b>LOAN COVERAGE RATIO</b>							
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) <sup>1</sup>		2.72	5.12	3.05	2.56	5.13	3.00
<b>PROFITABILITY RATIOS</b>							
Operating profit margin	%	17.13	18.43	12.44	14.53	19.86	12.61
Profit before tax margin	%	16.30	18.14	10.93	13.90	19.30	10.93
Net profit margin	%	14.84	15.29	10.04	12.71	16.69	10.01
Return on equity <sup>2</sup>	%	9.55	10.30	8.34	8.42	12.34	8.43
Return on assets <sup>2</sup>	%	3.97	3.95	3.44	3.51	4.72	3.49
Earnings per share, LTL <sup>2</sup>	EUR	0.042	0.044	0.039	0.037	0.053	0.040
P/E <sup>3</sup> (share price / earnings)		14.04	13.90	7.67	15.78	11.45	7.42

<sup>1</sup> Re-financed loans were not included in the calculation of the indicator.

<sup>2</sup> The indicator has been recalculated for a year.

<sup>3</sup> The indicator has been calculated as a ratio between the share price at the end of reporting period and the profit per share recalculated for a year.

<sup>4</sup> Recalculated financial information.

<sup>5</sup> Non-recalculated financial information.



Profitability ratios of both the Company and the Group for the nine months of 2015 are lower compared with the same period of 2014.

In the evaluation of the changes in the consolidated net profit indicator of the Group, it should be noted that the interim unaudited financial statements of the Group for January-September 2015 present recalculated figures for the same period of 2014. The sale of a subsidiary Duomenų Logistikos Centras UAB on 31 March 2014 is no longer carried as discontinued operations, therefore, the accrued result of the company (profit) by the date of the sale is reflected in the recalculated results of the Group for January-September 2014.

The greatest negative impact on the profitability ratios of the Company and the Group in January-September 2015 has been made by the pending judicial dispute over the decisions of the National Commission on Energy and Price Control (NCC) on the results of inspection of the Company's operations in 2010-2012 and on the recognition of the Company as a one with significant power on the electricity generation market. As a result of these decisions, lower prices of regulated services were set for the Company for 2015. The negative impact on EBITDA and net profit for the nine months of 2015 amounts to EUR 10.7 million and EUR 9.0 million respectively.

Income from regulated operations of the Group in January-September 2015, i. e. the generation of electricity and heat at the Elektrėnai Complex and the power reserving services provided by the Elektrėnai Complex and the Kruonis PSHP accounted for approx. 60% of total income of the Group (January-September 2014: 54%).

## Statement of Financial Position

As of 30 September 2015, the Company's and the Group's liabilities to financial institutions totalled EUR 150.0, consisting of obligations under long-term loan agreement.

There have been no significant changes in the asset structure of the Company and the Group during January-September 2015.

## Comprehensive Income Statement

### Income

Sales income of the Company totalled EUR 168 million in the period January-September 2015. Income from electricity trading, balancing power, regulating power, power reserving and PIS services as well as income from sale of heat energy account for the largest part of the income. Compared with the same period of 2014, there has been a 7.2% decrease in the Company's income. This has been mainly determined by the mentioned decisions of NCC.

Sales income of the Group totalled EUR 173.7 million in the period January-September 2015, which is an 5.2% decrease compared with the same period of 2014.

### Costs

In the period January-September 2015, costs incurred by the Company amounted to EUR 147.8 million and those incurred by the Group – to EUR 158.2 million. Costs of purchasing electricity and related services and costs of fuel for electricity generation accounted for the largest part of the Company's costs (EUR 111.3 million or 75.3%) and of the Group's costs (EUR 115.0 million or 72.7%). Depreciation and amortisation costs of the Company and the Group during January-September 2015 were EUR 16.8 and EUR 16.9 respectively.

Operating costs of the Group during the period January-September 2015 totalled EUR 29.5 million excluding purchases related to electricity and its generation, depreciation and amortisation costs, costs of revaluation of tradable emission allowances and impairment losses; compared with the same period of 2014, they decreased by EUR 2.1 million.

### Profit

EBITDA of the Company for the period January-September 2015 are lower by EUR 9.2 million compared with the same period of 2014, while EBITDA of the Group is lower by EUR 11.7 million. The Group's EBITDA margin decreased 3.9 p. p. and was 20.1% in the period January-September 2015. In the same period, the Company's EBITDA margin was 22.0%.

In the period January-September 2015, the Group earned EUR 25.7 million as profit before tax and the net profit from continued operations amounted to EUR 23.5 million. The Company's profit before tax was EUR 29.1 million and the net profit from continued operations amounted to EUR 26.5 million. The net profit margin of the Company decreased from 15.3% in the period January-September 2014 to 14.8% in the same period of 2015.

## Cash Flow Statement

Net cash flows from operations of the Company were EUR 20.1 million in the period January-September 2015, and those of the Group were EUR 19.9 million. In the same period of 2014, the net cash flows of the Company and the Group were EUR 57.3 million and EUR 61.4 million respectively.

Net cash flows from investments of the Group were negative (- EUR 4.3 million) in the period January-September 2015 (same period of 2014: - EUR 7.2 million). In this period, the Group's cash flows from financial activities were negative (- EUR 36.1 million) (same period of 2014: - EUR 4.3 million).

## Investments in Non-Current Assets

In the period January-September 2015, the Company's investments in non-current tangible and intangible assets amounted to EUR 11.3 million.

## ANALYSIS OF OPERATING INDICATORS

### Performance and Prospects





The Company conducts wholesale trading in electricity in the wholesale market (i. e. between power generation companies and electricity suppliers). The Company sells electricity and provides power balancing services to public and independent suppliers operating in the Lithuanian market; it also sells electricity on an electricity exchange.

The Company generates electricity at its three power plants (the Elektrėnai complex consisting of a reserve power plant

and a combined-cycle unit, the Kruonis PSHP and the Kaunas A. Brazauskas HPP), purchases electricity from other suppliers and power generating companies under contracts, buys electricity on an electricity exchange (see Figure 1).

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

Figure 1  
*Operations of the Company (generation and trading) and prospects*

<b>Elektrėnai complex</b> Reserve power plant and combined-cycle unit	<b>Kruonis Pumped Storage Hydroelectric Plant</b>	<b>Kaunas Algirdas Brazauskas Hydroelectric Power Plant</b>	<b>Electricity trading</b>
 <p><b>Capacity: 1655 MW*</b></p> <p>The main power plant in the Lithuanian power system, having the greatest production capacities in the country and maintaining the tertiary reserve for ensuring the security of energy supply and reserves.</p> <p>The larger part of the electricity generation will be concentrated at the most efficient unit – the combined-cycle unit.</p> <p>Units 3 and 4 of the reserve power plant have been dismantled, and Units 1 and 2 decommissioned from 2015 (150 MW capacity each). Units 5 and 6 are being put into prolonged storage until the decision on decommissioning them will be taken in 2015. Units 7 and 8 are the reserve ones (these four units - 300 MW capacity each).</p> <p>A project on the construction of new heat energy production facilities is nearing completion.</p> <p><small>* The capacity of the power plant referred to is as of 1 January 2015.</small></p>	 <p><b>Capacity: 900 MW</b></p> <p>Kruonis PSHP is designed for the balancing of electricity generation and consumption as well as for the power system's emergency prevention and response. Kruonis PSHP is responsible for the securing the larger part of the emergency reserve required for the Lithuanian power system.</p> <p>As the need for regulation increases, and on completion of the power links with Sweden and Poland, the power plant will provide more system services.</p> <p>If market conditions are favourable, the Company plans to implement a Kruonis PSHP development project.</p>	 <p><b>Capacity: 100,8 MW</b></p> <p>Kaunas A. Brazauskas HPP is the largest power plant in Lithuania that uses renewable energy sources.</p> <p>Kaunas A. Brazauskas HPP contributes to the balancing of electricity generation and consumption and levels out the power system. It is one of the power plants in the Lithuanian power system that can start an autonomous operation in case of the total power system failure.</p> <p>The plant is going to maximise the generation of green energy, depending on natural conditions, and to provide system services.</p>	 <p>The Company conducts wholesale trading in electricity in the wholesale market, i. e. between power generation companies and electricity suppliers.</p> <p>On completion of the power links with Sweden and Poland, trading will become more active due to wider opportunities for trading in electricity and system services in the interconnected systems.</p> <p>The Company seeks to maintain its market share by an efficient combination of its production capacities and the electricity purchasing in both Lithuania and the neighbouring markets.</p>

## Key Performance Indicators

### Electricity generation indicators for January–September 2015

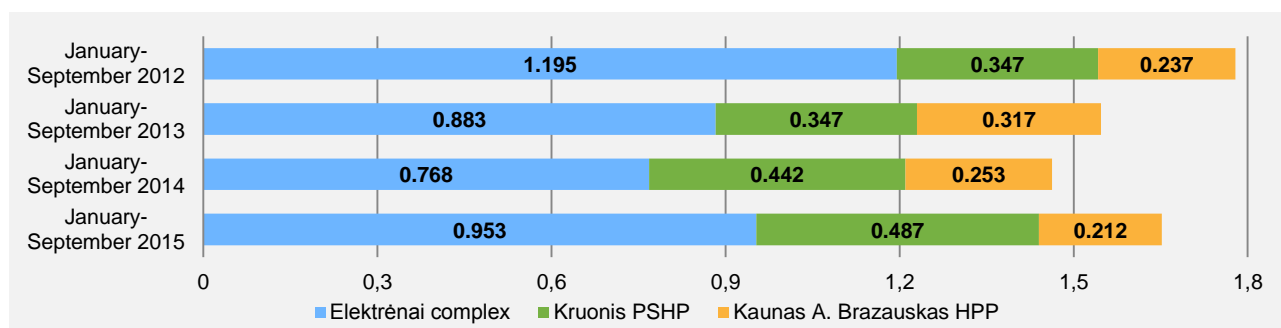
The Company has permissions of unlimited validity to produce electric power. In total, there were almost 1.652 TWh of electric power produced in the power stations administered by the Company and sold during January–September 2015. In comparison to the same period of the last year, the amount of energy produced in the Company's power stations had increased by 12.9 % during January–September 2015; mostly the increase was influenced by the increased supported production of electric power at Elektrėnai complex (see Figure 2).

If production amounts of individual power stations are compared, it is seen that during January–September 2015 the production of energy significantly decreased in Kaunas A. Brazauskas HPP in comparison to the same period of the last year. During January–September 2015, this power plant produced and sold almost 0.212 TWh of electric power. It is approx. 16 % less in comparison to the same period in 2014 (0.253 TWh). Kaunas A. Brazauskas HPP's capacity was less than usual because of a low water flow of the Nemunas River.

The output of Kruonis PSHP has increased in comparison to the output of the last year: during January–September 2015, the plant produced and sold 0.487 TWh of electric power, i.e. approx 10.2 % more in comparison to the same period in 2014 (0.442 TWh).

There were 0.953 TWh of supported electric power generated in Elektrėnai complex during January - September 2015, while there were only 0.768 TWh during the same period in 2014. The increase was influenced by the changed provision terms of the service corresponding with public interests, which include the production of electric power necessary in order to ensure the supply of electric power. Production of the supported electric power in 2015 continuously took place from 15 April until 15 October. After the end of that period and increase of energy prices, the combined cycle unit was generating electric power over quota as a competitive unit in the market for a few days.

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



### Electricity trade indicators for January–September 2015

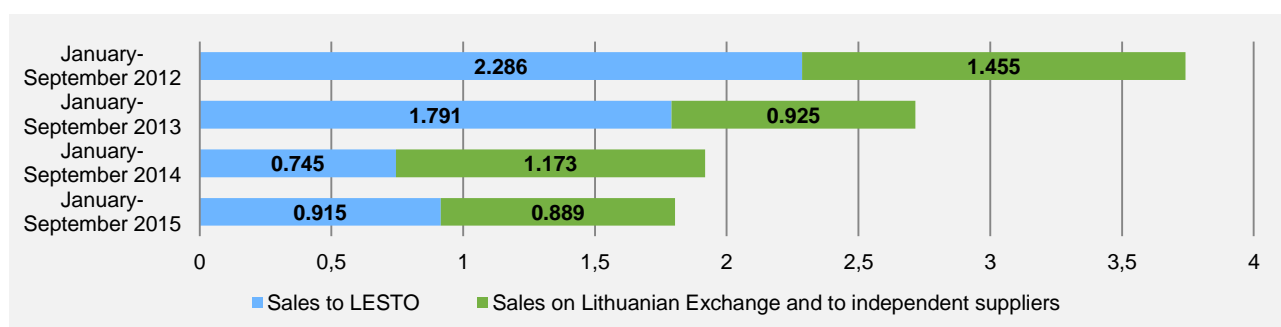
During the period January-September 2015, the Company sold nearly 1.804 TWh of electricity, which is 6% less than in the same period of 2014, when sales totalled slightly over 1.918 TWh (see Figure 3).

The Company sold 24% less on exchange and to independent suppliers. The main reason for the decrease is the fact that trading in derivative financial instruments (mainly Contracts for Difference) rather than trading in physical

electricity is having an increasingly larger share in the Company's electricity trading portfolio.

Since 8 January 2013 the Company is performing the functions of the designated entity, i. e. it buys the total amount of electricity projected to be generated at wind farms and sells it in the Lithuanian bidding area of Nord Pool Spot exchange. During the period January-September 2015, 0.40 TWh of electricity generated at wind farms was sold on the exchange.

Figure 3  
*Company's electricity sales on the domestic market (TWh)*



## System services

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

The power reserving service is a means to ensure the reliable operations of the energy system when, in unforeseen (emergency) situations, power generation volumes drop or consumption increases suddenly. Power generating companies provide the service of maintaining the secondary and tertiary reserves. The secondary active power reserve is the power of the installations or hydroelectric units in operation maintained by the generating company and activated within 15 minutes. The tertiary reserve is the power of the generating sources maintained by the generating company and activated within 12 hours. All the three power plants managed by the Company provide the secondary and tertiary power reserve services. The secondary power reserve is ensured by Kaunas A. Brazauskas HPP, Kruonis PSHP and, Elektrėnai Complex; the tertiary power reserve is ensured by Elektrėnai Complex. During January–September 2015, the Company sold around 1.31 TWh of electricity as secondary power reserve and 1.77 TWh of electricity as tertiary power reserve. Sales of power reserves remained similar as in the respective period of 2014.

The regulation power service is required to balance the surplus and shortage of power in the energy system. Trading in the regulation power is carried out in real time and ensures the reliable operation of the energy system every hour. When the amount of electricity in the system is

not sufficient and the TSO gives an instruction to increase production, the Company increases generation volumes and sells the necessary amount of regulation power to the TSO. When there is a surplus of power in the energy system and the TSO gives instruction to reduce production, the Company reduces electricity generation volumes and purchases the surplus regulation power from the TSO. During January–September 2015, the Company sold 0.006 TWh and purchased 0.015 TWh of regulation power (during the same period of 2014, 0.025 TWh and 0.024 TWh, respectively).

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

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

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

## OTHER FACTORS DETERMINING FINANCIAL INDICATORS

### Business Strategy of the Company

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

The Strategy envisages that in 2014–2020:

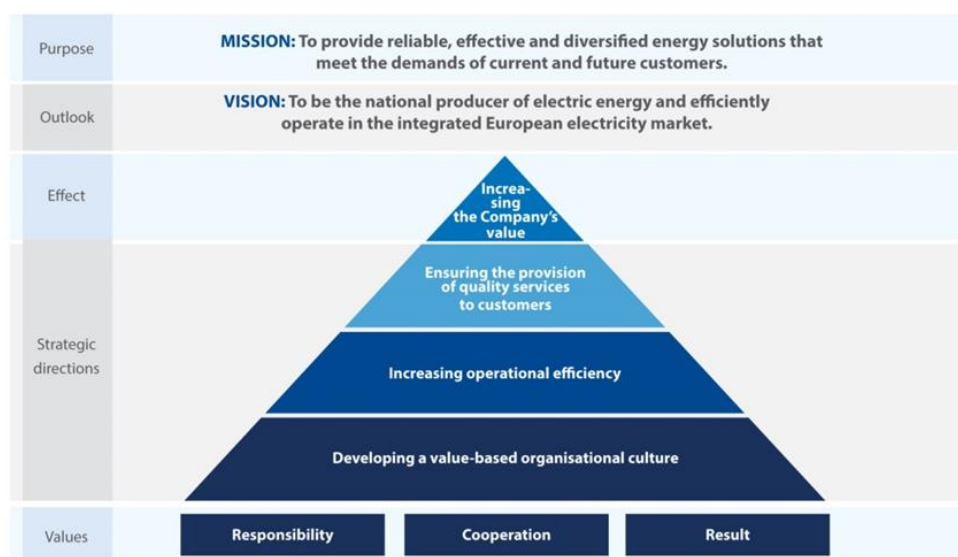
- profitability of the Company will increase in accordance with the general objectives of the Group provided for in the strategy of Lietuvos Energija, UAB, the main shareholder of the Company;
- until 2019, revenues of the Company will decrease due to stronger competition on the exchange and shrinking production volumes at the Elektrėnai Complex (market liberalisation effect), however, later stabilisation is expected due to additional revenues from commercial activities of the Company;
- approximately LTL 450–650 million will be invested during 2014–2020 in the two main development projects (the biofuel thermal power plant and (if market conditions are favourable) the construction of Unit 5 of Kruonis PSHP).

### Strategic Directions

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

- **Increase value of the Company:** By consistently increasing the profitability of commercial activities; eliminating those production capacities that are not in use; investing in the modernisation of other capacities; increasing process efficiency and cutting operating costs.
- **Ensure quality of service to the clients (TSO, suppliers, customers):** By reducing the dependence on the state support (public service obligation (PSO)); formulating an electricity portfolio that is in line with the wishes of electricity suppliers; ensuring optimal electricity prices for suppliers and end customers; fulfilling the obligations of a socially responsible company to the public and increasing the focus on environmental protection.
- **Increase operational efficiency:** By reviewing and optimising the business processes through the use of LEAN principles and tools; improving project management; developing the employees' competences; optimising the production capacities under the Company's control and abandoning those units which are not used in full.
- **Create an organisational culture based on corporate values:** By increasing the employees' involvement and developing the leadership competences; ensuring continuity of business by planning future competence requirements and organising timely employee training and/or requalification; attracting and retaining human resources, reducing the scope of key employees' turnover, implementing and consistently applying the system of providing replacement / substitute personnel; and effecting a cultural change in the health and safety at work area.

Figure 4  
*Strategic Directions of the Company 2014–2020*



## Innovative activities

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

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

## Research and development projects

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

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

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

In June 2015, the Company completed the implementation of an investment project on the chemical water treatment facilities for the water supply to the combined-cycle unit and put into operation modern and efficient automated equipment at the facilities for the preparation of desalinated water and treatment of contaminated condensate.

Research and development projects the implementation of which was continued in January–September 2015:

### Heat production facilities expansion project in Elektrėnai

In 2015, the Company continued construction of new heat generation facilities (biofuel and steam boiler houses). In January, testing of part of the new heat generation facilities at Elektrėnai, i. e. a steam boiler house was completed. This 49.8 MW boiler house was installed to maintain the heat reserves, to ensure the generation of heat energy in cold periods, and to start up the reserve power plant units. The heat energy generated at the boiler house is supplied to the Elektrėnai town as well.

Since 2012, the Company's employees proposed 140 innovative ideas, 56 of which have been implemented.

At 2015, all units of the Company began the practice of day-to-day operations visual management with integrated performance indicators and cascaded meetings system. On the basis of the LEAN culture and tools, wastages that do not create value are eliminated, problems are addressed more efficiently and quickly, and processes and their individual steps are improved according to the Company's priorities.

Construction of the biofuel-fired boiler house was continued. In the period of January-September 2015, the boiler house structures were built, equipment was installed, system testing was completed, and construction completion procedures were carried out. The certificate of completion was issued by the commission on 6 May 2015. At the moment heat energy is generated from biofuel on as-needed basis. Preparations for the warranty testing of the boiler house and the correction of defects is underway.

### Assessment of the wind power potential at Kruonis PSHP

At the beginning of 2015, complex measurement of the wind's speed, directions and other meteorological conditions were completed in the territory of Kruonis PSHP in order to perform a primary assessment of the site's potential for the installation of a wind farm. With reference to positive wind measurement results, the Company has initiated preparatory works in order to install the wind farm in the territory of Kruonis PSHP. In September, conclusions of the coordinating authority regarding the possible influence of Kruonis wind farm to the territories of NATURA 2000 were received where it was appointed to perform a full-scale environmental impact assessment. Considering that, an environmental impact assessment programme is prepared, also the preparation of the study on wind resources and the assessment of possibilities to produce electric power is almost finished.

### Syderiai Underground Gas Storage Project

In 2014, all investigations for the suitability assessment of Syderiai Geological Structure and possibilities of its use for the storage of natural gas were completed. In 2015, pursuant to a resolution of the Government of the Republic of Lithuania, work is carried out with the aim of securing financial support for the project from the European Union and the CEF and ascertaining Polish energy companies' interest in and preparedness for the joint implementation of this project.

## The Company's main risks and contingencies

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

### Risk of external regulation

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

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

### Risk of market changes and competition

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

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

### Risk of inaccurate trade forecast

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

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

### Risk of technical fault

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

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

### Risk of safety and health insecurity

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

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

### Risk of information security

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

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

## INFORMATION ABOUT AUTHORIZED CAPITAL AND SECURITIES OF THE COMPANY

### Structure of Authorized Capital and Securities

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

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

The Company has not acquired or transferred own shares during the reporting period. The Company has not acquired its own shares. No subsidiary has acquired shares of the Company either.

On 1 September 2011, shares of the Company were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange ("VSE").

ISIN code LT0000128571.

Abbreviation of securities – LNR1L.

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

### Structure of Authorized Capital

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

### Trading in the Company's Shares

#### Price and turnover of the Company's shares

		9 months of 2013	9 months of 2014	9 months of 2015
Last trading session price, EUR		0.399	0.816	0.780
Maximum price, EUR		0.411	0.854	0.940
Minimum price, EUR		0.360	0.395	0.751
Average price, EUR		0.381	0.616	0.836
Turnover, shares		444,662	1,362,493	492,558
Turnover, EUR MLN		0.17	0.84	0.41
Capitalisation, EUR MLN	Company	253.40	518.23	495.37
	Baltic Main List	4,457.59	4,495.51	4,756.25

Figure 5  
*Dynamics of the Company's share prices and turnover in the reporting period*

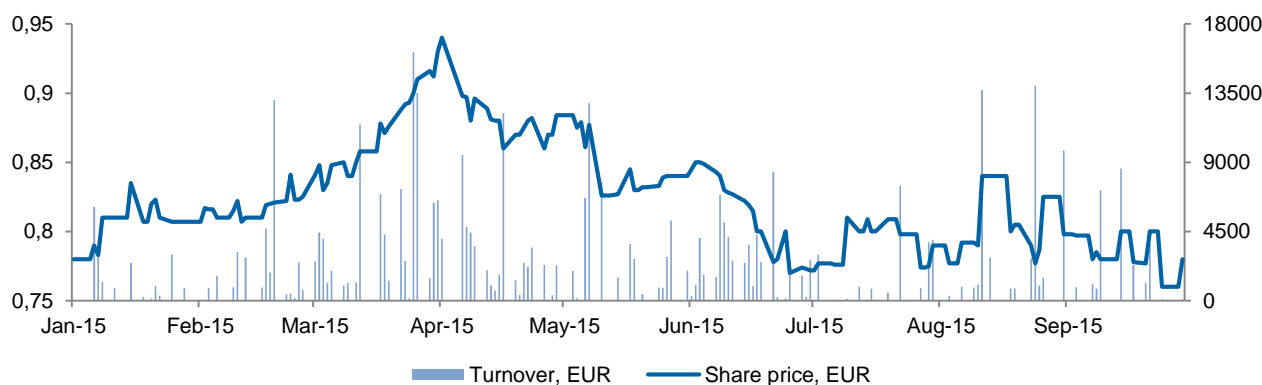


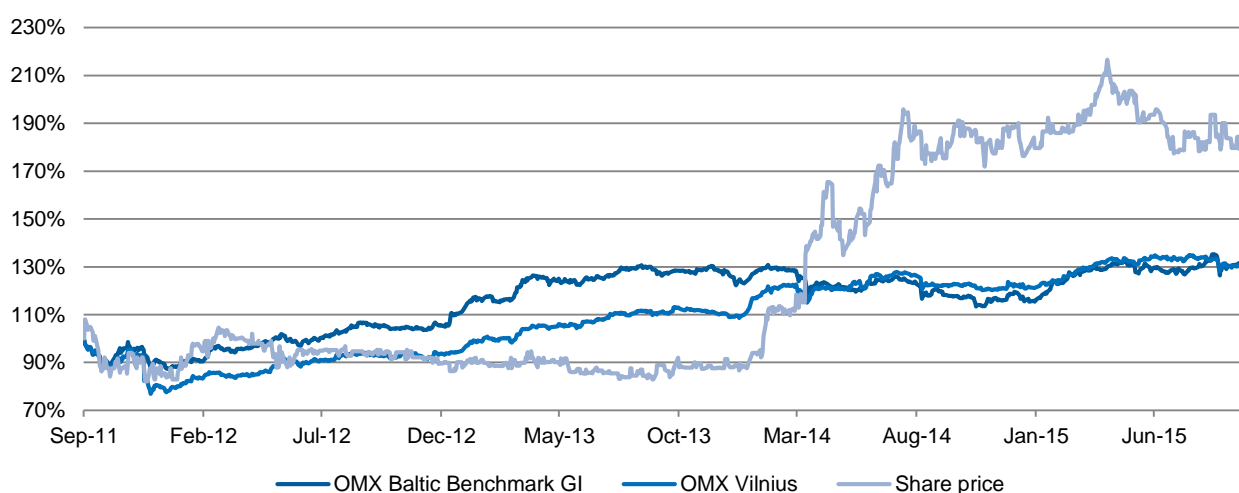
Figure 6



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



Figure 7  
*Prices of the Company's shares, dynamics of OMX Vilnius and OMX Baltic Benchmark indexes*



**Information about shareholders of the Company**

Total number of shareholders as of 30 September 2015: 6,119.

Total number of shareholders as of 31 December 2014: 6,137.

**List of shareholders whose shares account for more than 5% of the Company's authorised capital (as of 30 September 2015)**

Name	Class of shares	Number of shares	% of authorised capital	% of voting shares
<b>Lietuvos Energija, UAB</b> Business ID – 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	610,515,515	96.13	96.13
Other shareholders	Ordinary registered shares	24,568,100	3.87	3.87
<b>TOTAL</b>	Ordinary registered shares	635,083,615	100.00	100.00

**Structure of shareholders by country**

Country	%
Lithuania	97.1
Russia	0.7
Belarus	0.6
Estonia	0.6
USA	0.3
Latvia	0.2
Other	0.5

**Information on agreements with intermediary of public trading in securities**

On 9 December 2013 the Company has concluded an agreement on keeping of accounting for the Company's securities and on management of personal securities accounts with Swedbank, AB.

**Shareholders having special control rights and description of such rights**

None of the shareholders of the Company has special control rights. All the shareholders of the Company have equal rights (property and non-property rights) provided for in the Republic of Lithuania Law on Companies and the Articles of Association of the Company.

**Restrictions on voting rights**

There were no restrictions on voting rights in the Group.

**Agreements between shareholders on restrictions of the transfer of securities**

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

## CORPORATE SOCIAL RESPONSIBILITY

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

### Promoting Community Spirit

To strengthen ties with the community of Elektrėnai region where its core operations are based, the Company organises a series of public events under the title 'Lietuvos Energijos Gamyba Presents'. During the nine months of 2015, three meetings were held: with athletes from Kaunas 'Žalgiris' basketball club and Elektrėnai 'Energija' hockey club, singer Andrius Kulikauskas and inventors from Kaunas University of Technology. Twelve meetings of this series have taken place so far. The Company organises them jointly with Elektrėnai Library. The events are aimed at rallying the community of the town and the region as well as employees of the Company by offering them unique meetings with well-known, interesting, original people.

### Environment Clean-up Initiative

Employees of the Company took part in an annual campaign under the title 'Let's Do It', which is popular all over Lithuania, by cleaning up the shores of water bodies in Elektrėnai, Kaunas and Kruonis and collecting litter.

### Educational activities

The Company organises free excursions to its facilities for members of the public: the combined cycle unit, Kruonis PSHP, and Kaunas A. Brazauskas HPP. In this way the Company seeks to increase public awareness of the energy sector, focussing, in particular, on the younger generation. In January-September 2015, more than almost 2.000 people from various organisations including schools were received; there were delegations from foreign countries as well. The biggest part of these excursions took place in Kruonis PSHP.

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

### Environmental Protection

The Company seeks to protect the environment in its operations, sparingly use the natural resources, and introduce advanced, efficient and environmentally friendly technologies in its operations. The Company complies with the environmental laws and regulations and implements preventive measures to reduce the adverse impact upon the environment in a professional manner.

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

The Environmental Management System compliant with LST EN ISO 14001:2005 has been successfully operating at the Company's facilities. The Company implements the requirements for the air, surface water, ground water and soil monitoring and protection laid down in the Integrated Pollution Prevention and Control (IPPC) permits.

During January–September 2015, the following materials were transferred for utilisation from Elektrėnai complex: 384 t of liquid fuel ashes, 16.35 t of activated carbon waste, 10.57 t of ion exchange resin waste, 1168 t of building and insulating materials which contain asbestos, 4.5 t of plastic and rubber waste, 3 t of paper and cardboard waste, 2 t of timber waste, and the following was sold to metal collection points: 766 t of electrotechnical waste, 2327 t of ferrous metal scrap, 47 t of copper scrap and 20 t of aluminium scrap. Household waste collected in the territory of the object is taken out by a specialised company under the agreement. During the operation of the Chemical Bar, 123 t of clarifier sludge waste was accumulated and transferred to Obeniai site for clarification.

Household waste collected in the territory of Kruonis PSHP is taken out by a specialised company under the agreement. During January–September 2015, 24.96 t of household waste was taken out. During January–September 2015, the following materials were transferred for utilisation in Kruonis PSHP: 6.6 t of hazardous waste (including 6.0 t of oily water, 0.04 t of fluorescent lamps, 0.035 t of used batteries, 0.4 t of oily wipers, 0.11 t of electric and electronic waste), and 0.3 t of non-hazardous waste, 12.66 t of ferrous metal scrap was sold.

During January–September 2015, the following materials were transferred for utilisation from Kaunas A. Brazauskas HPP: 0.158 t of hazardous waste and 0.54 t of non-hazardous waste, 2.12 t of ferrous metal scrap was sold. Household waste collected in the territory of the object is taken out by a specialised company under the agreement; there were 4.86 t of household waste accumulated in nine months.

Paper and cardboard waste in all plants are transferred to relevant waste processing companies.

## THE COMPANY AND ITS MANAGEMENT BODIES

### Information about the Company and its contact details

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

### Core activities of the Company

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

### Information about branches and representative offices of the Company

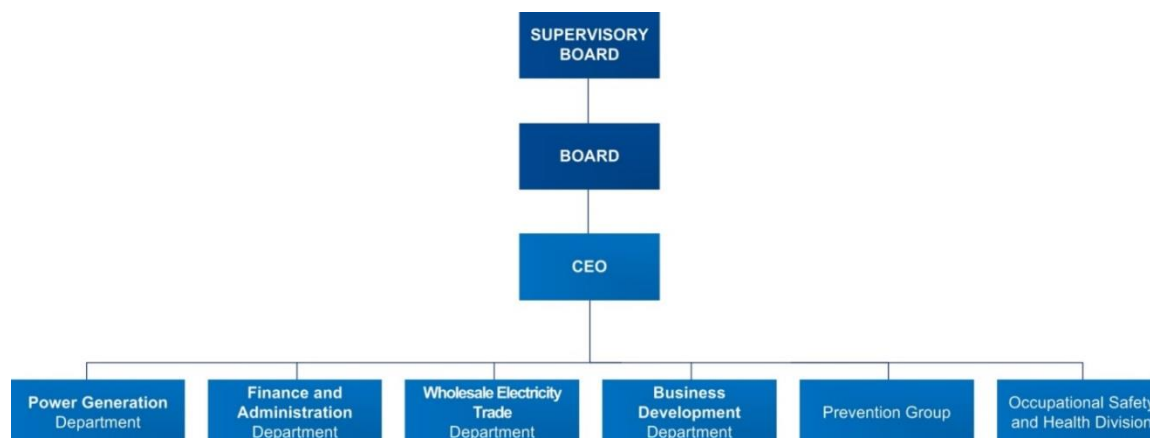
The Company has no branches or representative offices.

### Divisions and organizational structure of the Company

The Company is comprised of state-owned power generation facilities:

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

Figure 8  
*Structure of the Company (as of 30 September 2015)*



### Information about the Group

On March 21, 2015 the Company sold all of its shares in UAB Kauno Energetikos Remontas and Energijos Tiekimas UAB. Until then the Company had a direct control (100 per cent of the shares) in these subsidiaries.

Main types of operations of **UAB Kauno Energetikos Remontas** include: electrical engineering and mechanical repairs and maintenance works, manufacture of steel structures, management of investment projects, provision of the Training Centre's and laboratory services, and production of biofuel.

**Energijos Tiekimas UAB** is the largest independent electricity supplier, a company with Lithuanian capital invested. Its core activity is the sale of electricity in the free market. The company has over 6,000 customers, which is the largest customer base among the independent electricity suppliers operating in Lithuania. The company is the sole supplier of certified electricity produced in Lithuania from renewable energy resources, i. e. the 'green Lithuanian energy'.

Until March 31, 2015 the Company indirectly, via UAB Kauno Energetikos Remontas, held the majority of votes in UAB Gotlitas. The Company also held the majority of votes in Energijos Tiekimas OU and Energijos Tiekimas SIA via UAB Energijos Tiekimas.

On 27 April, 2015 the Company has signed an agreement to sell shares owned by the Company of NT Valdos, UAB. Under this agreement the Company sold shares, which is 41.73 % of authorised capital of NT Valdos, UAB.

On 30 September 2015, after the end of liquidation processes, the company AS NordicEnergy Link, which 25% of shares was administered by the Company, was unregistered

For September 30, 2015 the Company took part in the management of the following associated companies: UAB Geoterma (23.44 percent of the shares), UAB Technologijų ir Inovacijų Centras (20 percent) and UAB Verslo Aptarnavimo Centras (15 percent).

Figure 9  
**Shares of other companies owned by the Group (as of 30 September 2015)**



### Information about Management Bodies of the Company

According to the Articles of Association valid as of 30 September 2015, management bodies of the Company include:

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

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

### General Meeting of Shareholders

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

The Articles of Association of the Company may be amended according to the procedure established in the Republic of Lithuania Law on Companies, by the decision of the general meeting of shareholders adopted by at least 2/3 (two-thirds) majority vote of the shares of the shareholders attending the meeting.

Two general meetings of shareholders were held in January–September 2015:

1. The ordinary general meeting of the Company's shareholders held on 27 April 2015 approved the set of annual financial reports of the Company and audited consolidated reports of 2014 and the distribution of the Company's profit of 2014. It was decided to allocate 21.72 million EUR to payment of dividends (approximately 0.0342 EUR dividends per share). During the same general meeting of

shareholders renewed Articles of Association of the Company were approved.

2. The extraordinary general meeting of shareholders of the Company held on 1 July 2015 adopted the decision to appoint UAB PricewaterhouseCoopers as the auditor of financial statements for 2015 of Lietuvos Energijos Gamyba, AB, and to fix a fee not exceeding EUR 35.000,00, VAT excluded, for the above mentioned audit services.
3. The extraordinary meeting of shareholders of the Company held on 24 September resolved to approve the Company's interim financial statements for the six-month period ended on 30 June 2015 and to declare dividend for the Company's shareholders for a period shorter than the financial year. It has been resolved to pay 0.0042 EUR dividends per share.

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

### Supervisory Board

As stated in the Articles of Association of the Company, the Supervisory Board is a collegiate body exercising supervision over operations of the Company. It consists of three members – natural persons. At least one-third of the Supervisory Board's members are independent members. The

Supervisory Board is elected for the period of four years by the general meeting of shareholders. The Chairman of the Supervisory Board is elected by the members of the Supervisory Board from among themselves. The Supervisory

Board and its members start and terminate their activities according to the procedures established in legal acts.

The person that puts up a candidate for the position of the member of the Supervisory Board must submit to the general meeting of shareholders a written statement about the candidate's qualifications, experience in managing positions, and fitness for the position of the member of the Supervisory Board. The following persons may not be elected as Members of the Supervisory Board: the Chief Executive Officer, a member of the Board, a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the electric-

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

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

ity or gas transmission operations, and any person who is not entitled to occupy such position on other grounds established in legal acts.

In case if a member of the Supervisory Board is recalled, resigns or ceases to occupy this position for any other reason but the shareholders of the Company holding more than 1/10 of total voting rights oppose elections of individual members of the Supervisory Board, then the Supervisory Board forfeits its powers and must be elected anew. In case of election of individual members of the Supervisory Board, such members may only be elected for the period remaining until the end of the term of the current Supervisory Board.

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

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

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

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
<b>Dalius Misiūnas</b> Chairman	5 August 2013 – to date*	–	<ul style="list-style-type: none"> <li>- Lietuvos Energija, UAB – Chief Executive Officer and Chairman of the Board.</li> <li>- National Electricity Association – President.</li> <li>- EURELECTRIC – Member of Council of Directors.</li> <li>- Association of KTU Alumni – President.</li> <li>- Lietuvos Energija Foundation, Member of the Board</li> </ul>	–
<b>Mindaugas Keizeris</b> Member	20 November 2014 – to date	–	<ul style="list-style-type: none"> <li>- Lietuvos Energija, UAB Director for Strategy and Development, Member of the Board.</li> <li>- UAB Elektros Tinklo Paslaugos Member of the Board.</li> <li>- UAB Lietuvos Dujų Tiekimas Member of the Board</li> <li>- Energijos Tiekimas UAB Chairman of the Board.</li> <li>- UAB LITGAS Chairman of the Board.</li> <li>- UAB Kauno Energetikos Remontas Chairman of the Board.</li> </ul>	–
<b>Pranas Vilkas</b> Independent members	5 August 2013 – to date	–	–	–

\* On 18 November 2015 the Company received a notification of resignation of Mr. Dalius Misiūnas, Chairman of the Supervisory Board of the Company, from the post of a member (chairman) of the Company's Supervisory Board. The last day of Mr. Misiūnas's term of office in the Company's Supervisory Board will be 2 December 2015.

The Supervisory Board of the Company was formed on 5 August 2013. The expected end of the term of office of the current Supervisory Board of the Company is 5 August 2017.

No changes took place in the composition of the Supervisory Board during the reporting period.

**CONSOLIDATED INTERIM REPORT**  
**For the nine-month period ended 30 September 2015**

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

In January-September 2015 five meetings of the Company's Supervisory Board were held. All of the meetings were attended by all three members.

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

	<b>Pay in January–September 2015, EUR</b>	<b>Other payments in January–September 2015, EUR</b>	<b>Total, EUR</b>
All members of the Supervisory Board collectively	–	3,473	3,473
Per member of the Supervisory Board on average *	–	3,473	3,473

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

**Audit Committee**

The Company has no Audit Committees. On 27 August 2014, the Supervisory Board of Lietuvos Energija, UAB formed an Audit Committee servicing Lietuvos Energija, UAB and its directly and indirectly controlled affiliates, including Lietuvos Energijos Gamyba, AB. The Committee also performs the functions of the Group's Audit Committee in accordance with the Law on Audit.

**Main functions of the Audit Committee:**

- oversee the process of drawing up of the financial statements of Lietuvos Energija, UAB and the Group's companies, with a focus on the appropriateness and consistency of accounting policies applied;
- oversee the effectiveness of the internal control system and risk management systems in place at Lietuvos Energija, UAB and the Group's companies; perform analyses and reviews of the need for and appropriateness of such systems; conduct reviews of existing internal control systems;
- oversee the adherence to the principles of independence and objectivity by the certified auditor and the audit firm and make relevant recommendations; make recommendations for the selection of auditor;
- oversee the conduct of audits of Lietuvos Energija, UAB and the Group's companies, evaluate the effectiveness of the audits and management's response to

the recommendations made by the auditors in the management letter;

- oversee the effectiveness of the internal audit function of Lietuvos Energija, UAB and the Group's companies, analyse the need for and appropriateness of such function, make recommendations on matters related to the internal audit and take action as required;
- make proposals for the internal audit plans of Lietuvos Energija, UAB and the Group's companies, make recommendations for the regulations of internal audit units of Lietuvos Energija, UAB and the Group's companies, for the appointment and dismissal of the head of the internal audit unit, approval of his/her job regulations, and incentives/sanctions upon him/her;
- monitor compliance of the activities of Lietuvos Energija, UAB and the Group's companies with the Lithuanian laws and regulations and the Articles of Association and operating strategies;
- assess and analyse other matters falling within the scope of the Audit Committee as decided by the Supervisory Board;
- perform other relevant functions identified in the, Lithuanian laws and regulations and the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius.

**Members of the Audit Committee (as of 30 September 2015)**

<b>Member</b>	<b>Shareholding in the Company</b>	<b>Start of work in the Committee</b>	<b>Institution/company and position</b>
<b>Rasa Noreikienė</b> Chairperson	–	August 2013	Ministry of the Economy of the Republic of Lithuania, Vice-Minister
<b>Aušra Vičkačkienė</b> Member	–	August 2013	Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department
<b>Danielius Merkinas</b> Independent member	–	August 2013	UAB Nordnet, Finance Director
<b>Gintaras Adžgauskas</b> Member	–	August 2013	World Energy Council, Lithuania Committee, Director
<b>Irena Petruškevičienė</b> Member	–	28 October 2014	Member of European Commission Audit Development Committee

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

## The Board

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

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

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

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

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

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
<b>Juozas Bartlingas</b> Chairman of the Board, Chief Executive Officer	17 September 2013 – to date	–	National Electricity Association, Member of the Board. Lietuvos Energija Foundation, Member of the Board.	–
<b>Eglė Čiužaitė</b> Member of the Board, Director of Finance and Legal Department	17 September 2013 – to date	–	UAB “Geoterma”, member of the Board. UAB Verslo aptarnavimo centras, member of the Board	–
<b>Adomas Birulis</b> Member of the Board, Director of Business Development Department	17 September 2013 – to date	–	UAB Technologijų ir Inovacijų Centras, member of the Board.	–
<b>Darius Kucinas</b> Member of the Board, Director of Production Department	17 September 2013 – to date	–	–	–
<b>Vidmantas Saliotis</b> Member of the Board, Director of Wholesale Department	17 September 2013 – to date	–	Nord Pool Spot – Member of Client Advisory Council EURELECTRIC – Member of Market Committee.	–

No changes took place in the composition of the Company's Board during the reporting period. The expected end of the term of office of the current Board of the Company is 17 September 2017.

### The Board has the right to adopt decisions on:

- the Company's acting as a founder or a member of a legal person;
- any transfer to third parties or encumbrance of the shares/interests held by the Company, or of rights attached thereto;
- formation or termination of branches and representatives offices of the Company;
- bond emissions;
- disposal of facilities which are owned by the Company and which are specified in the Republic of Lithuania Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security;
- transactions the value of which exceeds 10,000,000 (ten million Litas);
- other decisions provided for in the Articles of Association of the Company.

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

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

Further information on the members of the Company's Board is available on the Company's website, under the section [Company Management](#).

In January–September 2015, the Board met for 29 times. All meetings were attended by all five Board members.



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

	<b>Pay in January–September 2015, EUR</b>	<b>Other payments in January–September 2015, EUR</b>	<b>Total, EUR</b>
All members of the Board collectively	211,453	44,312	255,765
Per member of the Board on average	42,291	8,862	51,153

**Management Bodies**

The Chief Executive Officer is a one-man management body of the Company. The Chief Executive Officer organises and directs operations of the Company, acts on its behalf, and has the right to conclude transactions single-handedly except for cases established in the Articles of Association

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

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

	<b>Pay in January–September 2015, EUR</b>	<b>Other payments in January–September 2015, EUR</b>	<b>Total, EUR</b>
Chief Executive Officer Juozas Bartlingas	52,972	13,033	66,005
Chief Financier*	-	-	-

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

**Employees of the Company**

The main purpose of the Company's human resources policy is to attract and retain highly-qualified employees and to ensure, based on a long-term partnership and mutual-value creation, a common successful future of the Company.

The Company continues the process of formation of its organisational culture, implementing the Human Resources Management Policy of the Lietuvos Energija Group approved at the end of 2013. The policy establishes the general principles and provisions of human resources management in the implementation of strategic corporate objectives.

Based on the Company's reward system, pay received by all employees of the Company, including management, consists of the fixed part, the variable part, and fringe benefits.

The fixed part of pay is established based on a position level and the competences possessed by the employee. The variable part of pay depends on the measurable performance results, i.e. attainment of objectives or tasks set for each position. Annual objectives are identified for managers and specialists of support functions, whereas the variable pay of production specialists and blue-collar workers depends on monthly performance results.

Pecuniary fringe benefits include benefits, financial assistance, additional paid leave, and one-off payments for additional workload, extraordinary performance, proposals for and implementation of innovations. Non-pecuniary fringe benefits include training financed by the Company, events organised by the Company for employees and their children, services of an in-house medical station, and vaccination against seasonal diseases.

The performance evaluation process starts from a '360° assessment' whereby management and general competences of managers and specialists are assessed. The competences are assessed by the employees themselves and

their supervisors and colleagues. According to the procedure of the employees' performance management in the Company the manager and the employee holds a performance assessment interview. During annual interviews, the employee and his/her manager discuss the results of the review, assess the level of achievement of last year's targets, plan objectives and, based on the competence assessment, outline tasks and specific employee development measures for next year.

When a need for a new employee arises, an internal selection process is organised in the first place. In case if there are no suitable candidates among the present employees of the Company, the search is continued outside the Company. During the search process due to the internal rotation 24 employees of the Company were promoted (vertical career), 13 employees were transferred to similar positions in other units (horizontal career) in January–September 2015. While expanding career opportunities and encouraging intra-Group mobility of employees among Lietuvos Energija companies, 9 employees moved to other companies of the group.

**Number of the Company's employees and change during the reporting period**

As of 30 September 2015, the Company employed 448 people (including employees on child care leave) including specialists and line managers 61%, blue-collar workers 38%, and top management 1%. As of the end of 2014 the Company had 474 employees.

The main reason for the change in the number of employees is that the employees of the internal audit department moved to work to Lietuvos Energija, UAB, tenured employees have retired and some employees left the Company due to structural changes.

Men accounted for 83% and women accounted for 17% of the Company's employees. 45% of the employees have higher educational attainment, 18% have further education, and 37% vocational secondary education.

In the first quarter of 2015, most employees of the Company were people aged from 35 to 54, having a 10-year or longer record of service with the Company. These are highly qualified and experienced specialists forming the core of the organisation, in particular in production units where knowhow

and experience are of vital importance. Employees in this age group accounted for 44% of all of the employees in the Company. Employees, aged from 25 to 34, accounted for 16% of the Company's employees.

The distribution of employees by position levels and the information on average pay is provided in the table below. The pay amounts include the fixed pay, the variable pay, and the extra pay for extraordinary performance.

**Number of the Company's employees and average pay (as of January–September 2015)**

	<b>CEO</b>	<b>Top management</b>	<b>Line management</b>	<b>Experts, specialists and workers</b>
Numbers of employees by position levels	1	4	33	410
Average pay*, EUR	5.886	4.402	2.121	1.097

\* The increase of average pay in all categories of workers is apparent when the data is compared with the information presented in the Interim Reports for earlier periods. This is due to the fact that those workers, who receive the variable part of their pay once in a year for the past year, were paid for 2014 in the period of April–June. As the amount of the variable part paid and holiday payment is included in the calculation of the average pay, the latter was increased considerably. The same trend of the average pay statistics is seen in the Company every year.

**Collective agreement and trade unions**

There are four trade unions in the Company.

A new version of the collective agreement was approved at the conference of the Company's employees on 28 February 2014. It contains a social benefit package that is more favourable to the Company's employees compared with the provisions of the Labour Code of the Republic of Lithuania.

According to the collective agreement, the employees receive additional guarantees (payments) in case of accident, illness, death in the family, childbirth (as well as additional days of paid leave), marriage etc.

**Organisational culture, development of competences, training and internship/apprenticeship opportunities**

In October, 2014 the Company conducted an employee involvement survey, which became the starting point for further increase of the employee involvement. After the survey all the departments of the Company held discussions of the results and concrete measures were agreed both for the Company and for the individual department, aiming at improving areas of the activities of the Company, which were not adequately assessed by the workers, and promoting the employees' involvement.

improvement needs, therefore, the employees are encouraged to take part in the training aimed at skills improvement and development of relevant competencies. At such professional training courses, the employees refresh the technical knowledge mandatory for their jobs and are issued relevant certificates upon completion. During seminars and conferences, the employees familiarise themselves with innovations and best practices in the energy sector.

The Company has continued its value dialogue project on the communication and practical implementation of the corporate values. Four sessions of the 'value game' were held, led by a group of twelve 'value ambassadors' selected from among the employees for the project. In this way new models of working behaviour that is in line with the corporate values and operating objectives were being developed and implemented.

January through September 2015, 194 employees of the Company took part in technical training and 127 employees took part in management training courses. The total number of unique employees, taking part in training January through September 2015, amounts to 278 (62% of all employees). Excursions for employees to other production enterprises are also organised in order to get the employees acquainted with the organisation of work, innovations, production equipment, problem resolution etc.

Proactive communication with the employees was a priority for the Company. In March, June and September regular quarterly meetings attended by top management, Board Members and employees from all the divisions was held. Operating results of the Company, progress in projects that are underway, and new projects being planned were discussed at the meetings; the employees' questions were answered by the Company management during the meetings.

In order to attract young highly-qualified specialists, the Company is actively collaborating with educational institutions and accepts students of higher and vocational schools for internships/apprenticeships so that they can use their theoretical knowledge and acquire practical skills. In March of 2015, the Company took part in the Career Days organised by the Kaunas University of Technology, and ISM University of Management and Economics. 13 students had placements in the Company January through September 2015. 5 students, having placements in the Company, were from the Kaunas University of Technology, 3 were from the vocational training centre of Elektrėnai, 2 from Vilnius Gediminas Technical University, 3 from other universities.

The Company seeks to purposefully develop and improve skills of the employees based on the work objectives set for the employees, assessment of competences and the skills

## Information on other Committees

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

### Risk Management Supervision Committee

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant to the attainment of objectives of Lietuvos Energija, UAB and the Group;
  - assess appropriateness of internal control procedures and risk management measures with respect to the risks identified;
  - assess progress in the implementation of risk management measures;
  - monitor the risk management process;
  - analyse availability of funding for the implementation of risk management measures;
  - assess the risks and risk management plan of Lietuvos Energija, UAB and the Group;
  - assess the periodic risk identification and assessment cycle;
  - exercise control over risk registers, analyse data therein and make proposals;
  - monitor the drawing up of internal risk management documentation;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Board.

### Members of the Risk Management Supervision Committee (as of 30 September 2015)

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
<b>Antanas Danys</b> Chairperson	–	August 2013	Public Entity „Lietuvos Junior Achievement“, Board Member
<b>Tomas Garasimavičius</b> Member	–	August 2013	Energy Advisor to the Prime Minister of the Republic of Lithuania
<b>Raimundas Petrauskas</b> Independent member	–	August 2013	Schmitz Cargobull Baltic, UAB, Chief Executive Officer
<b>Donatas Kauburys</b> Independent member	–	October 2013	UAB Dovirma, Director

### Nomination and Remuneration Committee

Main functions of the Committee:

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

### Members of the Nomination and Remuneration Committee (as of 30 September 2015)

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

## IMPORTANT EVENTS IN THE COMPANY'S ACTIVITIES

### Significant agreements

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

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

### Information on related party transactions

Information on significant related party transactions is disclosed in the Notes forming part of interim financial information for the nine-month period ended 30 September 2015.

### Detrimental transactions

No detrimental transactions have been concluded in the reporting period on behalf of the Company (transactions that are not consistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders etc.), which have or could potentially have a negative impact on the Company's operations and/or operating results, or transactions concluded under a conflict of interests between the Company's management's, majority shareholders' or other related parties' responsibilities to the Company and their private interests and/or other responsibilities

## Material events during the reporting period

### The Court accepted the Company's complaint

On 16 January, 2015 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices (the Commission) „On the approval of the components of the price on the production of the heat of Lietuvos Energijos Gamyba, AB”, dated 11/12/2015, No. O3-934 (the Resolution).

By this the Commission its sole decision approved components of the heat prices produced by the Company.

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

### The Court accepted the Company's complaint

On 21 January, 2015 Vilnius Regional Administrative Court accepted the Company's appeal on the partial repeal of Resolution No O3-941 of 19 December 2014 of the National Commission for Energy Control and Prices (the Commission) “On the amendment of Resolution No O3-840 of 17 October 2014 of the National Commission for Energy Control and Prices “On the establishment of the funds and the price of services of general interest for 2015” (the Resolution).

The Company seeks to repeal the clauses of the Resolution whereby the Commission decided to reduce the funds for the Company for 2015 for the provision of the service of general interest – the production of electricity, which is vital for ensuring the security of electricity supply.

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

### The Company will publish preliminary unaudited indicators

On 13 February 2015, in order to give more information to investors, the Company announced preliminary unaudited financial indicators for 12 months of 2014.

The Company intends to publish preliminary unaudited financial indicators for each quarter, including net profit / loss, earnings before interest, taxes, depreciation and amortization (EBITDA), and the Company's sales revenue. Information will be provided in accordance with the terms established in Company's Reporting dates in 2015, published 31 December, 2014 and 10 February 2015.

Link to the notification on material event: [Preliminary unaudited financial indicators of Lietuvos Energijos Gamyba, AB, for 12 months of 2014.](#)

### The Company has transferred shares of the subsidiaries

In accordance with the decision of the Board of the Company, on 31 March, 2015 the Company has signed an agreement to sell 100% of shares of Energijos Tiekimas UAB and 100% of shares of UAB Kauno Energetikos Remontas to its parent company Lietuvos Energija, UAB.

Under this agreement the Company sold to Lietuvos Energija, UAB 15,244,112 ordinary registered shares with par value 0.29 EUR each, which is 100% of authorised capital of UAB Kauno Energetikos Remontas, and 750,000 ordinary registered shares with par value 0.29 EUR each, which is 100% of authorised capital of Energijos Tiekimas UAB.

Energijos Tiekimas UAB shares sold in accordance with valuation of the independent advisors for 6,883,398.98 EUR.

UAB Kauno Energetikos Remontas shares sold in accordance with valuation of the independent advisors for 4,778,151.07 EUR.

Link to the notification on material event: [Regarding the sale of shares of Energijos Tiekimas UAB and UAB Kauno Energetikos Remontas.](#)

#### **Ordinary general meeting of shareholders of the Company is convened**

By the 3 April, 2015 initiative and resolution of the Board an ordinary general meeting of shareholders of the Company is convened on 27 April 2015.

Link to the notification on material event: [Regarding the agenda and proposed draft resolutions of ordinary general meeting of shareholders of Lietuvos Energijos Gamyba, AB.](#)

#### **Decision to pay dividends and approval of the new Articles of Association**

The ordinary general meeting of the Company's shareholders held on 27 April 2015 approved the set of annual financial reports of 2014 and the distribution of the Company's profit of 2014. It was decided to allocate 21.72 million EUR to payment of dividends (approximately 0.0342 EUR dividends per share).

During the same general meeting of shareholders renewed Articles of Association of the Company were approved.

Link to the notification on material event: [Regarding decisions adopted at the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba, AB, on 27 April, 2015.](#)

#### **Sold shares of NT Valdos UAB**

In accordance with the decision of the Board of the Company, on 27 April, 2015 the Company has signed an agreement to sell shares owned by the Company of NT Valdos, UAB to its parent company Lietuvos Energija, UAB.

Under this agreement the Company sold to Lietuvos Energija, UAB 1,232,897 (one million, two hundred and thirty two thousand, eight hundred and ninety-seven) ordinary registered shares, which is 41.73 % of authorised capital of NT Valdos, UAB.

NT valdos, UAB shares sold in accordance with valuation of the independent advisors for 29,987,000 EUR.

Link to the notification on material event: [Regarding the sale of shares of NT Valdos, UAB](#)

#### **The Court rejected the company's complaint**

On 30 April, 2015 Vilnius Regional Administrative Court rejected the Company's appeal on the resolutions of the National Commission for Energy Control and Prices "On the results of electricity generation market inquiry", dated 07/08/2014, No. O3-757.

According to the Company, the decision of the court is unjustified, therefore the Company, in accordance with the laws, will consider to appeal this decision of the court.

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

#### **Development of production activities is estimated**

On 4 May, 2015 Company received a letter from the Company's shareholder – Lietuvos Energija, UAB, holding 96,13 % of Company shares – containing information about expected changes.

The letter informs that the Board of Lietuvos Energija approved the concept of the program on development of chain of value of Lietuvos Energija group. One of the approved projects indicates the development of the power generation operations of the Company by separating the part of wholesale energy trading activity carried out by the Company.

The separation of the part of the wholesale energy trading activity will lead to increasing efficiency of the Lietuvos Energija group activities, to reducing expenses of the operations of Company and to develop activity of the Company.

Abovementioned actions should be carried out by the 1 January, 2016. Any subsequent actions and decisions will be announced by the Company publicly in accordance with the laws..

Link to the notification on material event: [Regarding a planned development of power generation operations.](#)

#### **The Company pledged steam boiler facilities**

In accordance with the decision of the Board of the Company and the decision of general meeting of shareholders of the Company and in order to carry out the obligations laid down in Loan agreement dated 26 June, 2013, signed between the Company and „Nordea Bank AB“ Lithuanian branch and AB DNB bank, on 14 May, 2015 pledged part of the property, which was created during the Investment project of Construction of heat energy generation capacities at Elektrėnai complex – Steam Boiler Plant.

The Steam Boiler Plant is equipped with three steam boilers with a total capacity of 49.8 MW. The aim of this steam boiler plant is to ensure heat energy reserves, generation of heat during the coldest periods at winter season and to provide heat reserve for the units of Reserve Power Plant.

The remaining part of the property created during the Investment project of Construction of heat energy capacities – biofuel boiler plant – will be pledged after the registration in the Real Property Register.

Link to the notification on material event: [Regarding the Pledge of the Steam Boiler Plant of Lietuvos Energijos Gamyba, AB.](#)

#### **The Company announced preliminary indicators**

On 15 May, 2015, in order to give more information to investors, the Company announced preliminary unaudited financial indicators for 3 months of 2015.

Link to the notification on material event: [Preliminary unaudited financial indicators of Lietuvos Energijos Gamyba, AB, for January-March 2015.](#)

### **The Court accepted the Company's appeal**

The Supreme Administrative Court of Lithuania accepted the Company's appeal on Decision of the Vilnius Regional Administrative Court dated 30 April, 2015. By this decision Vilnius Regional Administrative Court rejected the Company's appeal on the resolution of the National Commission for Energy Control and Prices "On the results of electricity generation market inquiry", dated 7 August, 2014, No. O3-757.

The Company finds that the electricity generation market inquiry is conducted under incorrect presumptions. Due to this, the Company appealed to the Vilnius Regional Administrative Court the decision to declare the Company undertaking significant market power in electricity generation market and to impose related obligations.

According to the Company, the decision of the Vilnius Regional Administrative Court is unjustified, therefore the Company submitted its appeal to the Supreme Administrative Court of Lithuania.

Link to the notification on material event: [Regarding the accepted appeal of the Company.](#)

### **The Court closed the case**

On 25 May, 2015 Vilnius Regional Administrative Court decided to dismiss the legal proceedings initiated by the Company on 28 November, 2014, in regards to the appeal of the resolutions of the National Commission for Energy Control and Prices „On the approval of the recount of the components of the price on the production of the heat of Lietuvos Energijos Gamyba, AB, dated 30 October, 2014, No. O3-875.

The Company would like to remind that there is a pending case at Vilnius Regional Administrative Court, which is directly linked to above-mentioned case – on 16 January, 2015 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices „On the approval of the components of the price on the production of the heat of Lietuvos Energijos Gamyba, AB, dated 11 December, 2014, No. O3-934.

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

### **Extraordinary general meeting of shareholders of the Company is convened**

By the 8 June, 2015 initiative and resolution of the Board an extraordinary general meeting of shareholders of the Company is convened on 1 July 2015.

Link to the notification on material event: [Regarding the agenda and proposed draft resolutions of extraordinary general meeting of shareholders of Lietuvos Energijos Gamyba, AB.](#)

### **The Company's auditor was appointed**

The extraordinary general meeting of shareholders of the Company held on 1 July 2015 adopted the decision to appoint UAB PricewaterhouseCoopers as the auditor of financial statements for 2015 of Lietuvos Energijos Gamyba,

AB, and to fix a fee not exceeding EUR 35.000,00, VAT excluded, for the above mentioned audit services.

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

### **The Company's Board Members were nominated to the management of other companies of the**

On 28 July 2015 the Company received the Letter from Lietuvos Energija, UAB, with the information on decisions adopted by the Supervisory Board to approve the nomination of the Company's Board Member Eglė Čiužaitė to the Board of the new electricity and gas distribution company which will continue in operation after the pending reorganisation of AB LESTO and AB Lietuvos dujos and the nomination of the Company's Board Member Vidmantas Salielis to the post of the General Manager of Energijos Tiekimas UAB.

Link to the notification on material event: [Regarding decisions adopted by Lietuvos Energija, UAB.](#)

### **The Company announced preliminary indicators**

On 14 August, 2015, in order to give more information to investors, the Company announced preliminary unaudited financial indicators for the 6 months of 2015.

Link to the notification on material event: [Preliminary unaudited financial indicators of Lietuvos Energijos Gamyba, AB, for the period January – June 2015.](#)

### **Extraordinary general meeting of shareholders of the Company is convened**

By the 31 August, 2015 initiative of the "Lietuvos energija", UAB,, to disburse dividends for shareholders of the Company and the resolution of the Board of the Company, an extraordinary general meeting of shareholders of the Company will be held on 24 September, 2015.

Link to the notification on material event: [Regarding the Agenda and Proposed Draft Resolutions of The Extraordinary General Meeting of Shareholders of "Lietuvos energijos gamyba", AB](#)

### **Informed about intention to sell part of business**

On 3 September, 2015 the Company informed about its intention to sell part of commercial wholesale electricity trading business to Energijos tiekimas UAB.

Link to the notification on material event: [Regarding agreement on sale of commercial part of business of wholesale electricity trade of "Lietuvos energijos gamyba", AB](#)

### **The Court accepted the Company's claim**

On 16 September, 2015 Lithuanian supreme administrative court decided to satisfy Company's claim on the dismissal of Vilnius regional administrative court decision dated 25 May 2015. By this decision 2015 Lithuanian supreme administrative court also decided to return the case to the court of first instance for renewed proceedings.

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

### **The Court rejected the Company's claim**

On 21 September, 2015 Vilnius Regional Administrative Court rejected Company's claim on the dismissal of the resolution „On the results of “Lietuvos energijos gamyba”, AB audit” (the Resolution), dated 30/09/2014, No. O3-818, of the NCC.

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

## **Other events during the reporting period**

### **Decommissioning of units 1 and 2 in Elektrėnai**

While implementing the strategy of the Company, and taking into account the decision of the Board of the Company on 20 October, 2014, decommissioning of units 1, 2 of the Lithuanian power plant, owned by the Company started as of 1 January, 2015. Decommissioning of unit 1 started at the beginning of January, unit 2 as of the beginning of April, 2015.

Units 1 and 2 of the Lithuanian power plant, built in 1962–1965, are non-competitive, require significant investment in repairs and were mainly used for the production of heat power. They will be replaced by the new facility which will produce heat from biofuel in Elektrėnai.

### **The Company became a Market Maker for EPAD RIGA**

On January 2015, the Company was the first among Lithuanian electricity market players to become a Market Maker and to begin offering derivatives pegged to the price differential between the price that forms in the Latvian bidding area and the overall Nord Pool Spot system price EPAD RIGA (Electricity Price Area Differential, EPAD).

By cooperating with other energy companies and transmission system operators of Baltic States as well as NASDAQ OMX, The Company seeks to contribute to the development of liquid electricity derivatives market. Developing liquid electricity derivatives market will not only enable market participants to hedge against fluctuations of power prices on „Nord Pool Spot“ power exchange but also will let anyone to publicly see the aggregated expectations of market players about the future power prices

Pursuing its goal to actively contribute to the integration of Nordic and Baltic electricity markets the Company joined NASDAQ Commodities in August 2014.

Please find more information on Company's website.

### **Shareholders of the Company decide to pay dividends**

The extraordinary meeting of shareholders of the Company held on 24 September resolved to approve the Company's interim financial statements for the six-month period ended on 30 June 2015 and to declare dividend for the Company's shareholders for a period shorter than the financial year. It has been resolved to pay 0.0042 Eur dividends per share.

Link to the notification on material event: [Regarding decisions adopted at the extraordinary general meeting of shareholders of public company “Lietuvos energijos gamyba”, AB, on 24 September 2015.](#)

### **The Report on the Activity and Social Responsibility of 2014 of the Company was published**

The report presents the overview of the Company's operations and progress in the corporate social responsibility area in 2014. Involvement of the Company's employees in to the activities of the Company, relations with local communities and society, environmental protection and market activities of the Company are covered in the report. The report describes the Company's social responsibility strategic directions, actions and achievements.

The Company is a member of the “Global Compact” initiative by the United Nations and submits an annual progress report, which is prepared in accordance with the ten principles of Global Compact.

Reports are published on the Company's website [www.gamyba.le.lt](http://www.gamyba.le.lt) (in the social responsibility section), on the NASDAQ Baltic stock exchange website as well as the Global Compact website [www.globalcompact.org](http://www.globalcompact.org).

### **The safety of strategic objects will be secured by modern technology**

In September 2015, a new heavy vehicle SCANIA was officially transferred to Elektrėnai Fire and Rescue Service (EFRS). In addition, the end of the EFRS technical base modernisation project was marked: since now, both the specialists operating the Company's objects in Elektrėnai and citizens may feel safer.

A modern, functional and powerful (331 kW) SCANIA fire truck, which is in the EFRS garage now, will allow the firemen to be more flexible in difficult situations and more efficient while performing fire and rescue works.

The process of the EFRS technical modernization took several years. Earlier, a mobile foam cannon and a fire ladder-hoist VOLVO was bought using the Company's funds. In case of emergency, the SCANIA car, as well as other equipment purchased by the Company, can be used not only for the Company's objects, but within the territory of Elektrėnai, in 5 km radius from the fire fighters' base, as well.

## Material events after the end of the reporting period

### The Court accepted the Company's appeal

On 8 October, 2015 the Company informed, that on 7 October, 2015 Company's appeal on Vilnius Regional Administrative Court decision dated 21 September, 2015 by which Vilnius Regional Administrative Court dismissed Company's claim on the dismissal of the resolution „On the results of „Lietuvos energijos gamyba“, AB audit” (the Resolution), dated 30/09/2014, No. O3-818, of the National Commission for Energy Control and Prices (the Commission) was accepted.

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

### Signed an agreement on sale of part of business

On 12 October 2015 Company and Energijos tiekimas UAB signed agreement on sale of commercial part of business of wholesale electricity trade. The part of business consists of the trade activities, which are not related to physical electricity trading, through financial derivatives and the provision of balancing services. Title of ownership of the part of business will pass to Energijos tiekimas on 1 January 2016.

Link to the notification on material event: [Regarding signing of the agreement on sale of commercial part of business of wholesale electricity trade of „Lietuvos energijos gamyba“, AB](#)

### The redemption of shares was approved

On 26 October 2015 the Government of the Republic of Lithuania approved the draft government resolution 'On the redemption of shares'(hereinafter referred to as the 'Resolution'). The Government decided to propose that Lietuvos energija, UAB, would acquire the redeemable shares of former public company LIETUVOS ELEKTRINĖ under a judgment of the Supreme Court of Lithuania handed down on 19 November 2014 in civil case No 3K-3-370/2014. The Government assigned the Ministry of Finance of the Republic of Lithuania to make decisions and take actions necessary to implement the share acquisition referred to in Clause 1 of the Resolution.

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

### Member of the Company Board will take a new position

Member of the Company Board and Director of Wholesale Electricity Trade Department Vidmantas Salielis starting from 2 November, 2015, additionally to his position at the Company, is appointed as Chief Executive Officer of the Energijos tiekimas UAB.

Link to the notification on material event: [Regarding additional duties of the Member of the Board of „Lietuvos energijos gamyba“, AB](#)

### The Company announced preliminary indicators

On 16 November, 2015, in order to give more information to investors, the Company announced preliminary unaudited financial indicators for six months of 2015.

Link to the notification on material event: [Preliminary unaudited financial indicators of „Lietuvos energijos gamyba“, AB of January–September 2015](#)

### The Court rejected the Company's appeals

On 17 November 2015 Vilnius Regional Administrative Court decided to dismiss the Company's appeals regarding repeal of Resolution No. O3-875 of the NCC of 30 October 2014 "On recalculation of the price components of heat production by "Lietuvos energijos gamyba", AB, Lietuvos elektrinė" and of Resolution No. O3-934 of the NCC of 11 December 2014 "On unilateral determination of the price of heat production by "Lietuvos energijos gamyba", AB, Lietuvos elektrinė".

Link to the notification on material event: [Regarding the Decision of the Court](#)

### Chairman of the Supervisory Board of the Company resigns

On 18 November 2015 the Company received a notification of resignation of Mr. Dalius Misiūnas, Chairman of the Supervisory Board of the Company, from the post of a member (chairman) of the Company's Supervisory Board.

Link to the notification on material event: [Regarding resignation of Dalius Misiūnas from the Supervisory Board of „Lietuvos energijos gamyba“, AB](#)



## OTHER IMPORTANT INFORMATION

### The main characteristics of the internal control and risk management systems in relation to drawing of consolidated financial statements

The Group's consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by EU.

The Company collects and analyses financial statements from its subsidiary companies on a monthly basis. The Company consolidated the financial statements of its subsidiary companies. The employees of the company which

performs accounting functions for the Company safeguards the financial statements are properly consolidated and drawn up and makes sure the data of the Group's companies is collected in a timely and accurate manner. The drawing up of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the consolidated financial statements are controlled and managed.