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**THE BUSINESS STRATEGY OF LIETUVOS ENERGIJOS GAMYBA:
COMPANY'S VALUE TO INCREASE, FEWER SUBSIDIES TO FUND PSOs**

The producer and wholesaler of electricity Lietuvos Energijos Gamyba, which is part of the state-controlled energy group Lietuvos Energija, today has publicly announced the summary of its 2014-2020 business strategy. Lietuvos Energijos Gamyba is determined to contribute to the achievement of the strategic goals of Lietuvos Energija Group.

“The seven-year strategy was drafted by taking into consideration a number of various aspects that affect the activity of Lietuvos Energijos Gamyba. We have also considered the expectations of Lietuvos Energija, the main shareholder of Lietuvos Energijos Gamyba, and set ambitious strategic goals that will help to realise our vision – to be a national producer of electricity and operate efficiently in the integrated European electricity market,” said Mr. Juozas Bartlingas, CEO of Lietuvos Energijos Gamyba.

According to Bartlingas, the flexibility of electricity producers – Kaunas Hydroelectric Power Plant and Kruonis Pumped Storage Hydroelectric Plant – makes it possible for Lietuvos Energijos Gamyba to take part in the electricity regulation market (balancing electricity surpluses and shortages). However, the operations of Lietuvos Energijos Gamyba are negatively affected by uncompetitive production at Elektrėnai Complex, technologically obsolete equipment and inefficient processes. Another factor that hugely affects the operations of Lietuvos Energijos Gamyba is the unstable legal and regulation environment. New projects to be implemented in the energy sectors of Lithuanian and neighbouring markets may also have a direct impact on the company's activity.

The strategy predicts a drop in the total revenue of Lietuvos Energijos Gamyba for the next year due to enhanced competition and shrinking production volumes at Elektrėnai Complex. Despite this, Lietuvos Energijos Gamyba hopes that the strategic goals will help to increase the company's profit. “We seek to accomplish the goal set in the strategy of Lietuvos Energija Group – to achieve a twofold increase of the Group's value by 2020. So, Lietuvos Energijos Gamyba is also determined to boost its value,” pointed out Mr. Bartlingas.

Lietuvos Energijos Gamyba intends to increase its value consistently, by boosting the profitability of commercial operations, relinquishing unused production capacities and investing into the upgrade of remaining capacities, enhancing the effectiveness of processes and cutting operating costs.

The company has worked out a plan for optimising the operations of Elektrėnai Complex. According to the plan, when Lithuania starts operating power links with Sweden and Poland, Elektrėnai Complex will be comprised of just the modern 455 MW combined cycle unit and the seventh and eighth units of the reserve power plant, each with a capacity of 300 MW. The two units are powered by gas or fuel oil. By 2020, about 450-650 million litas is expected to be invested in the key development projects – the construction of a biofuel-fired boiler plant in Elektrėnai and the fifth hydro unit at Kruonis Pumped Storage Plant, given the favourable market conditions.

These developments will allow Lietuvos Energijos Gamyba to provide quality services to customers (the transmission system operator, suppliers and consumers) and cut back on subsidies to fund the delivery of public service obligations (PSOs). The company also seeks to contribute to efforts to enhance energy security and preserve the environment.

“Lietuvos Energijos Gamyba promotes the common values of Lietuvos Energija Group and aims to boost operational efficiency and performance results by increasing employee engagement, ensuring employee replacement, setting up a solid team of qualified, skilful and responsible specialists, and creating a safe and healthy work environment,” said Mr. Bartlingas talking about the key targets of the company's strategy.

Lietuvos Energijos Gamyba, AB is a company of strategic importance which operates unique energy reserve facilities – Kruonis Pumped Storage Hydroelectric Plant, the largest hydroelectric power plant in Lithuania, Kaunas Hydroelectric Power Plant and Elektrėnai Complex comprised of the reserve power plant and the combined cycle unit. Lietuvos Energijos Gamyba's shares are listed on NASDAQ OMX Vilnius.

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