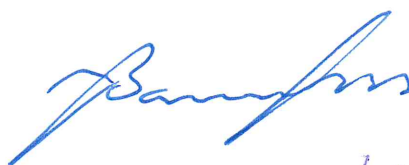


CERTIFICATION STATEMENT

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania, we, the undersigned Juozas Bartlingas, Chief Executive Officer, Eglė Čiužaitė, Director of Finance and Legal Department, and Giedruolė Guobienė, Chief Financier, hereby confirm that, to the best of our knowledge, "Lietuvos Energijos gamyba", AB and consolidated financial statements for the six months period of the financial year 2014 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of "Lietuvos Energijos gamyba", AB and its consolidated group assets, liabilities, financial position, period profit or loss and cash flows, the Consolidated semi - annual Report includes a fair review of the development and performance of the business and the position of the Lietuvos Energija, AB and consolidated position of group.

Chief Executive Officer



Juozas Bartlingas

Director of Finance and Legal Department



Eglė Čiužaitė

Chief Financier



Giedruolė Guobienė

**CONSOLIDATED AND COMPANY'S
CONDENSED INTERIM FINANCIAL
INFORMATION AND CONSOLIDATED
INTERIM REPORT**
for the six-month period
ended 30 June 2014
(unaudited)



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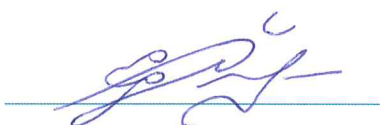
This condensed interim financial information has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of condensed interim financial information takes precedence over the English language version.

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The condensed interim financial information was approved by the Chief Executive Officer, Director of Finance and Law Department and Chief Financier of Lietuvos Energijos Gamyba, AB on 29 August 2014.



Juozas Bartlingas
Chief Executive Officer



Eglė Čiužaitė
Director of Finance and Law
Department



Giedruolė Guobienė
Chief Financier



LIETUVOS ENERGIJOS GAMYBA, AB

**CONSOLIDATED AND COMPANY'S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2014
(unaudited)**

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
At 30 June 2014

All amounts in LTL thousands unless otherwise stated

ASSETS	Note	Group at 30 June 2014	Company at 30 June 2014	Group at 31 December 2013	Company at 31 December 2013
Non-current assets					
Intangible assets	5	24,209	23,705	29,542	28,968
Property, plant and equipment	6	2,583,313	2,562,182	2,636,706	2,597,392
Prepayments for property, plant, equipment		1	8,802	384	10,479
Investments in subsidiaries	13	-	11,050	-	52,397
Investments in associates and joint ventures	13	156,944	156,209	154,833	153,884
Deferred income tax assets		710	-	988	-
Other non-current assets		21,064	21,064	20,949	17,850
Amounts receivable		17,838	17,838	17,850	20,949
Total non-current assets		2,804,079	2,800,850	2,861,252	2,881,919
Current assets					
Inventories		26,669	23,330	24,032	23,113
Prepayments		20,437	15,912	15,725	5,659
Trade receivables		150,268	136,519	169,973	133,274
Other receivables		84,305	48,155	10,513	9,242
Prepaid income tax		8,552	8,523	10,147	10,073
Other financial assets		2	-	86	-
Cash and cash equivalents		99,768	91,575	219,746	178,087
		390,001	324,014	450,222	359,448
Non-current assets classified as held for sale		130	-	131	-
Total current assets		390,131	324,014	450,353	359,448
TOTAL ASSETS		3,194,210	3,124,864	3,311,605	3,241,367

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
At 30 June 2014

All amounts in LTL thousands unless otherwise stated

EQUITY AND LIABILITIES	Note	Group at 30 June 2014	Company at 30 June 2014	Group at 31 December 2013	Company at 31 December 2013
Capital and reserves					
Share capital	7	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		7,635	3,900	37,852	4,015
Legal reserve		37,896	37,540	7,928	37,540
Other reserves	8	-	-	677,775	677,775
Retained earnings	9	342,891	327,666	(284,805)	(277,529)
Total equity attributable to owners of the Company		1,319,273	1,299,957	1,369,601	1,372,652
Non-controlling interest		-	-	43,896	-
Total equity		1,319,273	1,299,957	1,413,497	1,372,652
Non-current liabilities					
Borrowings	10	497,806	489,906	506,761	498,261
Finance lease liabilities		75	-	36	-
Grants	11	1,049,141	1,049,141	1,062,730	1,062,730
Other non-current accounts payable and liabilities		53,481	53,385	77,879	75,631
Deferred income tax liabilities		47,554	47,529	39,688	39,688
Total non-current liabilities		1,648,057	1,639,961	1,687,094	1,676,310
Current liabilities					
Borrowings	10	59,619	58,719	57,729	57,129
Finance lease liabilities		356	-	8	-
Trade payables		75,637	48,497	85,428	76,753
Advance amounts received		64,581	53,430	29,489	27,564
Income tax payable		-	-	1,222	-
Provisions for emission allowances	12	1,861	1,861	9,745	9,745
Other accounts payable and liabilities		24,826	22,439	27,393	21,214
Total current liabilities		226,880	184,946	211,014	192,405
Total liabilities		1,874,937	1,824,907	1,898,108	1,868,715
TOTAL EQUITY AND LIABILITIES		3,194,210	3,124,864	3,311,605	3,241,367

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For six months period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

	Group 1 January – 30 June 2014	Company 1 January – 30 June 2014	Group 1 January – 30 June 2013 <i>(restated)</i>	Company 1 January – 30 June 2013 <i>(restated)</i>
Revenue				
Sales revenue	321,701	318,599	482,559	478,079
Other operating income	45,954	3,877	15,430	3,826
	367,655	322,476	497,989	481,905
Operating expenses				
Purchase of electricity and related services	(109,410)	(109,224)	(212,767)	(212,774)
Gas and heavy fuel expenses	(59,164)	(59,164)	(96,392)	(96,392)
Depreciation and amortisation	(39,582)	(38,475)	(40,052)	(39,013)
Wages and salaries and related expenses	(22,104)	(16,084)	(22,106)	(16,892)
Repair and maintenance expenses	(1,092)	(8,012)	(9,911)	(10,900)
Income/(expenses) on revaluation of emission allowances	2,036	2,036	(17,284)	(17,284)
Increase/(decrease) in value of other non-current assets	3,263	3,263	(8,629)	(8,629)
Inventory write-down (expenses)/reversal	155	155	(271)	(271)
Other expenses	(51,791)	(9,033)	(21,228)	(13,467)
Total operating expenses	(277,689)	(234,538)	(428,640)	(415,622)
OPERATING PROFIT	89,966	87,938	69,349	66,283
Finance income:				
Share of result of operations of associates and joint ventures	6,820	11,774	784	2,473
Other finance income	1,509	-	1,225	-
Other finance (costs)	(11,618)	(11,484)	(10,083)	(9,914)
	(3,289)	290	(8,074)	(7,441)
PROFIT BEFORE INCOME TAX	86,677	88,228	61,275	58,842
Current year income tax expense	(3,320)	(3,082)	(3,399)	(2,932)
Deferred income tax expense	(7,837)	(7,841)	(2,657)	(2,695)
	(11,157)	(10,923)	(6,056)	(5,627)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	75,520	77,305	55,219	53,215
DISCONTINUED OPERATIONS				
Profit (loss) for the period from discontinued operations, net of income tax	524	-	2,688	-
PROFIT (LOSS) FOR THE PERIOD	76,044	77,305	57,907	53,215

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For six months period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

Note	Group 1 January – 30 June 2014	Company 1 January – 30 June 2014	Group 1 January – 30 June 2013 <i>(restated)</i>	Company 1 January – 30 June 2013 <i>(restated)</i>
Other comprehensive income (loss)				
Other comprehensive income less deferred income tax	-	-	-	-
COMPREHENSIVE INCOME	76,044	77,305	57,907	53,215
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	75,803	77,305	56,672	53,215
Non-controlling interest	241	-	1,235	-
	76,044	77,305	57,907	53,215
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	75,803	77,305	56,672	53,215
Non-controlling interest	241	-	1,235	-
	76,044	77,305	57,907	53,215
Basic and diluted earnings per share (in LTL)	0.12		0.09	

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For three months period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

Note	Group 1 April – 30 June 2014	Company 1 April – 30 June 2014	Group 1 April – 30 June 2013 <i>(restated)</i>	Company 1 April – 30 June 2013 <i>(restated)</i>
Revenue				
Sales revenue	176,296	174,298	267,660	265,814
Other operating income	26,015	2,361	8,433	1,604
	202,311	176,659	276,093	267,418
Operating expenses				
Purchase of electricity and related services	(52,848)	(52,678)	(111,342)	(111,340)
Gas and heavy fuel expenses	(42,576)	(42,576)	(53,524)	(53,524)
Depreciation and amortisation	(19,781)	(19,225)	(20,382)	(19,860)
Wages and salaries and related expenses	(10,989)	(7,799)	(11,164)	(8,393)
Repair and maintenance expenses	2,474	(4,471)	(3,890)	(4,228)
Income/(expenses) on revaluation of emission allowances	3,902	3,902	(5,382)	(5,382)
Increase/(decrease) in value of other non-current assets	4,278	4,278	(2,683)	(2,683)
Inventory write-down (expenses)/reversal	40	40	23	23
Other expenses	(33,592)	(5,572)	(12,152)	(7,985)
Total operating expenses	(149,092)	(124,101)	(220,496)	(213,372)
OPERATING PROFIT	53,219	52,558	55,597	54,046
Finance income:				
Share of result of operations of associates and joint ventures	303	5,266	462	301
Other finance income	1,775	-	630	-
Other finance (costs)	(6,214)	(6,145)	(5,931)	(5,829)
	(4,136)	(879)	(4,839)	(5,528)
PROFIT BEFORE INCOME TAX	49,083	51,679	50,758	48,518
Current year income tax expense	(1,966)	(1,804)	(2,456)	(2,289)
Deferred income tax expense	(4,622)	(4,659)	(34)	-
	(6,588)	(6,463)	(2,490)	(2,289)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	42,495	45,216	48,268	46,229
DISCONTINUED OPERATIONS				
Profit (loss) for the period from discontinued operations, net of income tax	-	-	1,841	-
PROFIT (LOSS) FOR THE PERIOD	42,495	45,216	50,109	46,229

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For three months period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

Note	Group 1 April – 30 June 2014	Company 1 April – 30 June 2014	Group 1 April – 30 June 2013 <i>(restated)</i>	Company 1 April – 30 June 2013 <i>(restated)</i>
Other comprehensive income (loss)				
Other comprehensive income less deferred income tax	-	-	-	-
COMPREHENSIVE INCOME	42,495	45,216	50,109	46,229
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	42,495	45,216	50,110	46,229
Non-controlling interest	-	-	846	-
	42,495	45,216	50,956	46,229
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	42,495	45,216	49,263	46,229
Non-controlling interest	-	-	846	-
	42,495	45,216	50,109	46,229
Basic and diluted earnings per share (in LTL)	0.07		0.08	

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

Group	Equity attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total		
Balance at 1 January 2013	635,084	295,767	12,055	36,145	717,775	(30,037)	1,666,789	41,498	1,708,287
Revaluation of property, plant and equipment	-	-	-	-	-	(374,769)	(374,769)	-	(374,769)
2.3									
Balance at 1 January 2013	635,084	295,767	12,055	36,145	717,775	(404,806)	1,292,020	41,498	1,333,518
Depreciation of revaluation reserve	-	-	(447)	-	-	447	-	-	-
Transfer to reserves	-	-	-	1,707	-	(1,707)	-	-	-
Other adjustments	-	-	(65)	-	-	-	(65)	-	(65)
Transfer to retained earnings	-	-	-	-	(40,000)	40,000	-	-	-
Dividends paid	-	-	-	-	-	(25,402)	(25,402)	-	(25,402)
Comprehensive income	-	-	-	-	-	56,672	56,672	1,235	57,907
Balance at 30 June 2013	635,084	295,767	11,543	37,852	677,775	(334,796)	1,323,225	42,733	1,365,958
Balance at 1 January 2014	635,084	295,767	7,928	37,852	677,775	(284,805)	1,369,601	43,896	1,413,497
Depreciation of revaluation reserve	-	-	(293)	-	-	293	-	-	-
Transfer to reserves	-	-	-	44	-	(44)	-	-	-
Transfer to retained earnings	-	-	-	-	(677,775)	677,775	-	-	-
8									
Dividends paid	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
9									
Sale of subsidiaries	-	-	-	-	-	23,869	23,869	(44,137)	(20,268)
Comprehensive income	-	-	-	-	-	75,803	75,803	241	76,044
Balance at 30 June 2014	635,084	295,767	7,635	37,896	0	342,891	1,319,273	(0)	1,319,273

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

Company		Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 1 January 2013		635,084	295,767	7,774	35,867	717,775	(10,572)	1,681,695
Revaluation of property, plant and equipment	2.3	-	-	-	-	-	(374,769)	(374,769)
Balance at 1 January 2013		635,084	295,767	7,774	35,867	717,775	(385,341)	1,306,926
Depreciation of revaluation reserve		-	-	(268)	-	-	268	-
Transfer to reserves		-	-	-	1,673	-	(1,673)	-
Transfer to retained earnings		-	-	-	-	(40,000)	40,000	-
Dividends paid		-	-	-	-	-	(25,403)	(25,403)
Comprehensive income		-	-	-	-	-	53,215	53,215
Balance at 30 June 2013		635,084	295,767	7,506	37,540	677,775	(318,934)	1,334,738
Balance at 1 January 2014		635,084	295,767	4,015	37,540	677,775	(277,529)	1,372,652
Depreciation of revaluation reserve		-	-	(115)	-	-	115	-
Transfer to retained earnings	8	-	-	-	-	(677,775)	677,775	-
Dividends paid	9	-	-	-	-	-	(150,000)	(150,000)
Comprehensive income		-	-	-	-	-	77,305	77,305
Balance at 30 June 2014		635,084	295,767	3,900	37,540	-	327,666	1,299,957

(end)

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

	Group 1 January – 30 June 2014	Company 1 January – 30 June 2014	Group 1 January – 30 June 2013 <i>(restated)</i>	Company 1 January – 30 June 2013 <i>(restated)</i>
Profit for the period	76,044	77,305	57,889	53,215
Adjustments for non-cash items and other adjustments:				
Depreciation and amortisation expenses	58,980	57,873	67,452	58,619
Inventory write-down (expenses) / reversal	(155)	(155)	271	271
(Gain) on disposal of investments in subsidiaries and associates	219	219	-	-
Expenses/(income) on revaluation of emission allowances	(3,598)	(3,598)	14,831	14,831
Other impairments/reversal of impairment	(10,424)	(10,114)	7,257	7,103
Share of (profit) of associates and joint ventures	(1,509)	-	(1,225)	-
Income tax expense	3,320	3,082	3,953	2,932
Change in deferred income tax liability	7,857	7,841	154	2,695
(Income) from grants	(19,398)	(19,398)	(19,605)	(19,605)
Increase/(decrease) in provisions	2,158	2,158	2,506	2,506
Profit/(loss) on disposal/write-off of non-current assets (other than financial assets)	19	2	19	17
Elimination of results of financing and investing activities:				
- Interest (income)	(155)	(128)	(9)	(4)
- Interest expense	10,650	10,650	11,882	11,739
- Other finance (income)	(5,697)	(10,812)	(2,612)	(4,295)
Changes in working capital				
Decrease in trade receivables and other amounts receivable	(28,777)	9,200	73,790	60,996
(Increase) decrease in inventories and prepayments	(8,032)	(11,028)	24,258	25,443
Decrease in amounts payable and advance amounts received	444	(31,951)	(35,147)	(29,806)
Income tax (paid)	(2,448)	(2,255)	(3,110)	(2,830)
Net cash generated from operating activities	79,498	78,891	202,554	183,827
Cash flows from investing activities				
(Acquisition) of property, plant and equipment and intangible assets	(9,453)	(7,327)	(66,356)	(60,436)
Disposal of property, plant and equipment and intangible assets	-	-	4,223	164
Sale of subsidiaries	(26,546)	-	-	-
Acquisition of investments in associates	(4,442)	(4,442)	-	-
Disposal of investments in associates	1,898	1,898	-	-
Dividends received	6,643	11,643	-	2,000
Interest received	155	128	56	51
Net cash (used in) investing activities	(31,745)	1,900	(62,077)	(58,221)
Cash flows from financing activities				
Proceeds from borrowings	538,160	538,160	1,683	-
Repayments of borrowings	(544,399)	(544,099)	(43,538)	(40,818)
Finance lease payments	-	-	(177)	-
Interest (paid)	(12,124)	(11,996)	(11,843)	(11,700)
Dividends (paid out)	(149,368)	(149,368)	(25,087)	(25,087)
Net cash (used in) financing activities	(167,731)	(167,303)	(78,962)	(77,605)
Net increase in cash and cash equivalents	(119,978)	(86,512)	61,515	48,001
Cash and cash equivalents at the beginning of the period	219,746	178,087	(29,546)	(49,271)
Cash and cash equivalents at the end of the period	99,768	91,575	31,969	(1,270)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

1 General information

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

At the General Meeting of Shareholders of Lietuvos Energija AB held on 29 July 2013, the shareholders made a decision to rename Lietuvos Energija AB (company code 302648707) into Lietuvos Energijos Gamyba AB. With effect from 5 August 2013, the company's name is Lietuvos Energijos Gamyba AB. Information on the change of the company's name was announced in accordance with the procedure established by law and in the electronic newsletter issued by a public institution Centre of Registers, which manages the Register of Legal Entities. There were no changes in other requisite or contact details of the Company.

Lietuvos Energijos Gamyba AB was established for the implementation of the National Energy Strategy, as a result of reorganisation by way of merger of the following two public companies: AB Lietuvos Energija, company code 220551550, including its branch offices Kruonis Pumped Storage Power Plant, Kaunas Hydro Power Plant, and AB Lietuvos Elektrinė, company code 110870933.

The authorised share capital of Lietuvos Energijos Gamyba AB amounts to LTL 635,083,615 and it is divided into 635,083,615 ordinary registered shares with par value of LTL 1 each. There were no changes in the Company's authorised share capital during 2014 and 2013. All the shares issued are fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 30 June 2014 and at 31 December 2013, the Company had not acquired its own shares.

In 2013 and in 2014, the Company was engaged in electricity generation, electricity trading and export activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

The Company has permits of unlimited validity to engage in electricity generation activities at the Reserve Power Plant and the Combined Cycle Block (hereinafter referred to as the Reserve Power Plant), Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Reserve Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Control Commission for Prices and Energy, Lietuvos Energijos Gamyba AB obtained a licence of an independent electricity supplier. The Company's subsidiary Energijos Tiekimas UAB also holds a licence of an independent electricity supplier, as well as a licence of natural gas supplier. The subsidiary was not engaged in any purchase/sale activities of natural gas throughout 2014.

As of the date of these financial statements, the Company directly participated (had control or significant influence) in the management of the following companies Kauno energetikos remontas UAB (Lithuania), Energijos tiekimas UAB (Lithuania), Technologijų ir inovacijų centras UAB (Lithuania), Nordic Energy Link AS (Estonia), Geoterma UAB (Lithuania), NT Valdos UAB (Lithuania). Indirectly, the Company had the majority of votes in Geton Energy SIA (Latvia) and Geton Energy OU (Estonia) through Energijos tiekimas UAB. In addition, the Company indirectly had the majority of votes in Gotlitas UAB (Lithuania) through Kauno energetikos remontas UAB).

These financial statements cover the consolidated financial statements of Lietuvos energijos gamyba AB and its subsidiaries and the stand-alone financial statements of Lietuvos energijos gamyba AB as a parent company.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

1 General information (continued)

As at 30 June 2014 and 31 December 2013, the Group consisted of Lietuvos energijos gamyba AB and the following directly and indirectly controlled subsidiaries:

Company	Address of the company's registered office	The Group's shareholding at 30 June 2014	The Group's shareholding at 31 December 2013	The Group's Profit (loss) for 1 January – 30 June 2014	Equity at 30 June 2014	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 %	100 %	174	20,778	Repair of energy equipment, production of metal constructions
Gotlitas UAB	R.Kalantos g. 119, Kaunas, Lithuania	100 %	100 %	13	1,397	Accommodation services, trade
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	100 %	1,787	8,909	Independent electricity supply
Geton Energy OU	Narva mnt 5, 10117 Tallinn	100 %	-	(4)	104	Independent electricity supply
Geton Energy SIA	Elizabetes iela 45/47, Riga, LV-1010	100 %	-	(24)	60	Independent electricity supply
Duomenų Logistikos Centras UAB*	Juozapavičiaus g. 13, Vilnius, Lithuania	-	54.04 %	238	60,535	IT services
Respublikinis Energetikų Mokyimo Centras VŠĮ *	Jeruzalės g. 21, Vilnius, Lithuania	-	54.04 %	412	(746)	Professional development of energy specialists and continual professional training

As at 30 June 2014 and 31 December 2013, Group's investments into associates and joint ventures consisted:

Company	Address of the company's registered office	The Group's shareholding at 30 June 2014	The Group's shareholding at 31 December 2013	Profile of activities
UAB „Geoterma“	Lypkių g. 53, LT-94100 Klaipėda, Lietuva	23.44 proc.	23.44 proc.	Geoterminės energijos gamyba
UAB „NT Valdos“	Geologų g. 16, LT-02190 Vilnius, Lietuva	41.74 proc.	42.32 proc.	Turto valdymo paslaugos
UAB Technologijų ir inovacijų centras	Juozapavičiaus g. 13, Vilnius, Lietuva	22.22 proc.	20.00 proc.	Informacinių technologijų paslaugos
AS Nordic Energy Link	Laki 24, Tallinn 12915	25.00 proc.	25.00 proc.	Elektros energijos perdavimo linijos tarp Suomijos ir Estijos valdymas

As at 30 June 2014, the number of labor contract of the Group was 779 (31 December 2013 the number of employees – 1,104). As at 30 June 2014, the number of labor contract of the Company was 502 (31 December 2013 the number of employees - 503).

The Company's and Group's operations are not affected by seasonality.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

2 Accounting policies

2.1 Basis of preparation

The Company's and consolidated Group's condensed interim financial information for a six-month period ended 30 June 2014 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS as adopted by the EU.

Financial year of Company and other Group companies coincides with the calendar year.

2.2 Accounting policies

Except as described below, the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2013.

Income taxes for the interim reporting periods have been estimated using the tax rate that would be applicable to the estimation of income taxes on the expected gross profit for the year.

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

There are no new standards, amendments and interpretations that are mandatory for the Company and the Group with effect from 2014, and that have a significant impact on the Company's and the Group's financial information.

The Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Company's and the Group's reporting periods beginning on or after 1 January 2014 will have a significant impact on the Company's and the Group's financial statements.

2.3 Adjustment to comparative figures on re-estimation of carrying amount of property, plant and equipment

Since the first-time adoption of International Financial Reporting Standards back in 2004, the Company had incorrectly applied depreciation rates to property, plant and equipment of the Reserve Power Plant, which resulted in misstatements that had not been corrected for the entire period from 2004 to 31 December 2012.

In 2013, the Company re-estimated the depreciation for property, plant and equipment of the Reserve Power Plant and adjusted accordingly to eliminate the aforementioned misstatements.

Information on effect of correction of error on the Group's expenses, operating profit and net profit for the year ended 30 June 2013 is summarised below:

	At 30 June 2013	Correction of error	At 30 June 2013 (restated)
Operating expenses			
Depreciation expenses	(42,477)	2,425	(40,052)
Operating profit	66,924	2,425	69,349
Deferred tax expense	(250)	(2,407)	(2,657)
NET PROFIT	57,889	18	57,907

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

2.3 Adjustment to comparative figures on re-estimation of carrying amount of property, plant and equipment (continued)

Information on effect of correction of error on the Company's expenses, operating profit and net profit for the year ended 30 June 2013 is summarised below:

	At 30 June 2013	Correction of error	At 30 June 2013 (restated)
Operating expenses			
Depreciation expenses	(41,438)	2,425	(39,013)
Operating profit	63,858	2,425	66,283
Deferred tax expense	(288)	(2,407)	(2,695)
NET PROFIT	53,197	18	53,215

The effect of correction of error on the Group's basic and diluted earnings per share on 30 June 2013 was as follows:

	At 30 June 2013	Correction of error	At 30 June 2013 (restated)
Net profit attributable to owners	56,654	18	56,672
Weighted average number of shares (units)	635,083,615	-	635,083,615
Basic and diluted earnings per share (LTL)	0.09		0.09

3 Critical accounting estimates and uncertainties

The preparation of condensed interim financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Future events can amend assumptions that were used in making accounting estimates. Such changes in estimates will be recorded in the financial statements when determinable. When preparing this condensed interim financial information, the significant judgments made by management in relation to accounting policies and key sources of identification of contingencies were consistent with those applied in the preparation of the financial statements for the year ended 31 December 2013.

Tax audits

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

Depreciation rates of property, plant and equipment

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

Revaluation of property, plant and equipment

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

Considering the date of the last revaluation of these assets and the periods of their acquisition, in the opinion of management, the fair value of the Company's property, plant and equipment stated at revalued amounts as at 30 June 2014 did not significantly differ from their carrying amount.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

3 Critical accounting estimates and uncertainties (continued)

Impairment of property, plant and equipment

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

In 2014 and 2013, the Group and the Company accounted for property, plant and equipment (except for assets of the Hydro Power Plant, Pumped Storage Power Plant, Reserve Power Plant and Combined Cycle Block) at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'.

As of 30 June 2014 and 31 December 2013, impairment test was carried out and the estimated recoverable amount of property, plant and equipment of the Hydro Power Plant, Pumped Storage Power Plant, Reserve Power Plant and Combined Cycle Block exceeded the carrying amount of LTL 2,066 million (as of 31 December 2013: LTL 2,090 million), hence no impairment charge was recognised.

Property, plant and equipment was tested for impairment on 30 June 2014 based on assumptions and methods described in the financial statements as of 31 December 2013.

Write-down of inventory to net realisable value

Write-down of inventory to the net realisable value was determined based on the management's estimates on inventory obsolescence and estimated possible selling prices. This determination requires significant judgment. Judgment is exercised based on historical and future usage of spare parts and materials as well as estimated possible selling price and other factors.

Provisions for emission allowances

The Group and the Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Company does not expect any material differences between the amount of estimated provisions as at 30 June 2014 and emission quantities which will be approved in 2015.

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurization. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. As of 30 June 2014, the amount of variable costs incurred by the Company was lower than the amount allocated for compensation of PSO service costs, therefore the Company accounted for refundable PSO amount of LTL 5,369 thousand as of 30 June 2014, which will be compensated during 2016 (As of 31 December 2013: LTL 56,955 thousand, which will be compensated during 2015).

4 Financial risk management

In performing their activities, the Group and the Company are exposed to financial risks, i.e. credit risk, liquidity risk and market risk (foreign exchange risk, fair value interest rate risk and cash flows interest rate risk, and securities price risk).

This condensed interim financial information does not include the management of all information related to financial risks and disclosures mandatory, preparation of annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

No changes were made concerning risk management objectives or policies since 31 December 2013.

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other accounts receivable, trade and other accounts payables, non-current and current borrowings.

The fair value of the Group's financial assets at fair value through profit or loss is based on the prices in an active market.

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

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For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

4 Financial risk management (continued)

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

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value.
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. The fair value of a non-current borrowing bearing variable interest rates approximates its carrying amount, provided that the margin on such loan corresponds to margins currently prevailing in the market.

5 Intangible assets

The movement of the Group's intangible assets is presented below:

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
At 30 June 2014					
Opening net book amount	-	755	28,704	48	29,507
Additions	-	55	-	-	55
Grant received	-	-	1,358	-	1,358
Emission allowances utilised	-	-	(10,042)	-	(10,042)
Revaluation costs of emission allowances	-	-	3,598	-	3,598
Amortisation	-	(258)	-	(9)	(267)
Net book amount at 30 June 2014	-	552	23,618	39	24,209

The movement of the Company's intangible assets is presented below:

Company	Computer software	Emission allowances	Other intangible assets	Total
At 30 June 2014				
Opening net book amount	216	28,704	48	28,968
Grant received	-	1,358	-	1,358
Emission allowances utilised	-	(10,042)	-	(10,042)
Revaluation costs of emission allowances	-	3,598	-	3,598
Amortisation	(168)	-	(9)	(177)
Net book amount at 30 June 2014	48	23,618	39	23,705

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

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6 Property, plant and equipment

Movements in the Group's PP&E account were as follows:

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
At 30 June 2014										
Opening net book amount	6,490	17,961	8,457	484,307	814,106	1,268,690	854	707	17,578	2,619,149
Additions	-	-	335	8	144	36	4	38	21,618	22,183
Write-offs	-	-	(5)	-	(2)	-	-	(3)	-	(10)
Disposals	-	-	-	-	-	-	(9)	-	-	(9)
Reclassifications between groups	-	82	6,859	783	3,279	-	-	241	(11,244)	-
Reclassification from/to inventories	-	-	-	178	(19)	554	-	-	-	713
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(253)	(785)	(13,635)	(18,490)	(25,273)	(179)	(98)	-	(58,713)
Net book amount at 30 June 2014	6,490	17,790	14,861	471,641	798,936	1,244,007	670	885	28,034	2,583,313

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

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6 Property, plant and equipment (continued)

In 2014, independent valuation of the Group's property, plant and equipment carried at revalued amount wasn't performed, because the fair value did not significantly differ from the carrying amount.

	Level 1	Level 2	Level 3	
	Quoted prices in active markets for identical assets	Other directly or indirectly observable inputs	Unobservable inputs	Total:
Land	-	6,490	-	6,490
Structures and equipment	-	10,111	-	10,111
Buildings	-	2,245	-	2,245
Motor vehicles	-	350	-	350
Other PP&E	-	414	-	414
Fair value as of 30 June 2014	-	19,610	-	19,610

The fair value valuation method is attributed to Level 2 in the fair value hierarchy.

	Level 1	Level 2	Level 3	
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total:
Land	-	6,490	-	6,490
Structures and equipment	-	3,381	-	3,381
Buildings	-	2,186	-	2,186
Motor vehicles	-	461	-	461
Other PP&E	-	194	-	194
Fair value as of 31 December 2013	-	12,712	-	12,712

The Group's property, plant and equipment amounting to LTL 1,250,656 thousand was pledged to the bank as collateral (31 December 2013: LTL 1,347,271 thousand).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

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6 Property, plant and equipment (continued)

Movements in the Company's PP&E account were as follows:

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-Cycle Block	Motor vehicles	Other PP&E	Construction in progress	Total
At 30 June 2014										
Opening net book amount	6,490	2,186	3,381	484,307	814,106	1,268,690	461	194	17,578	2,597,393
Additions	-	-	-	8	144	36	4	10	21,573	21,775
Write-offs	-	-	-	-	(2)	-	-	-	-	(2)
Reclassifications between groups	-	82	6,859	783	3,279	-	-	241	(11,244)	-
Reclassification from/to inventories	-	-	-	178	(19)	554	-	-	-	713
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(23)	(129)	(13,635)	(18,490)	(25,273)	(115)	(31)	-	(57,696)
Net book amount at 30 June 2014	6,490	2,245	10,111	471,641	798,936	1,244,007	350	414	27,989	2,562,182

In 2014, the Company capitalised expenses of LTL 14,668 thousand related to Biofuel boiler project, LTL 1,294 thousand related to Kruonis industrial park project .

As of 30 June 2014, the Company's contractual commitments to acquire or construct property, plant and equipment amounted to LTL 78 m (As of 31 December 2013-LTL 86m).

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6 Property, plant and equipment (continued)

In 2014, independent valuation of the Company's property, plant and equipment carried at revalued amount wasn't performed, because the fair value did not significantly differ from the carrying amount.

	Level 1 Quoted prices in active markets for identical assets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total:
Land	-	6,490	-	6,490
Structures and equipment	-	10,111	-	10,111
Buildings	-	2,245	-	2,245
Motor vehicles	-	350	-	350
Other PP&E	-	414	-	414
Fair value as of 30 June 2014	-	19,610	-	19,610

In 2013, independent valuation of the Company's property, plant and equipment carried at revalued amount was performed using the comparative and cost methods. The impairment was debited against the revaluation reserve and recognised within operating expenses. The fair value valuation method is attributed to Level 2 in the fair value hierarchy.

	Level 1 Quoted prices in active markets for identical assets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total:
Land	-	6,490	-	6,490
Structures and equipment	-	3,381	-	3,381
Buildings	-	2,186	-	2,186
Motor vehicles	-	461	-	461
Other PP&E	-	194	-	194
Fair value as of 31 December 2013	-	12,712	-	12,712

The Company's property, plant and equipment amounting to LTL 1,250,656 thousand was pledged to the bank as collateral (31 December 2013: LTL 1,347,271 thousand).

7 Share capital

As at 30 June 2014 and 31 December 2013, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange trading session in 2014 was LTL 2.5896 per share (2013: LTL 1.419), and the lowest share price was LTL 1.364 per share (2013: LTL 1.243). The total number of shareholders as at 30 June 2014 was 6,231 (31 December 2013: 6,153).

The shareholders' structure of the Company is as follows;

Shareholders	Share capital at 30 June 2014		Share capital at 31 December 2013	
	(LTL)	%	(LTL)	%
Lietuvos Energija UAB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
Total:	635,083,615	100.00	635,083,615	100.00

Lietuvos Energija UAB is wholly (100.00%) owned by the State of Lithuania represented by the Lithuanian Ministry of Finance.

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For the six-month period ended 30 June 2014

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8 Other reserves

The Group's and the Company's other reserves comprised as follows:

Group/Company	Reserve for share capital reduction due to transfer of heavy fuel oil storage facilities	Reserve for investments	Non-current asset-related reserves	Total
Balance at 31 December 2012	(63,777)	116,883	664,669	717,775
Reserves utilised	-	-	(40,000)	(40,000)
Balance at 31 December 2013	(63,777)	116,883	624,669	677,775
Balance at 31 December 2013	(63,777)	116,883	624,669	677,775
Reserves utilised	-	(53,106)	(624,669)	(677,775)
Balance at 30 June 2014	(63,777)	63,777	-	-

Upon the first-time adoption of IFRSs on 1 January 2004, the Company's equity increased by LTL 721,107 thousand. In order to impose restrictions on the ability to distribute this increase, a non-current assets-related reserve was established. As of 31 December 2013, the amount of this reserve attributable to the owners of the Company was equal to LTL 624,669 thousand. During the General Meeting of Shareholders held in 2014, the decision was made to transfer LTL 624,669 thousand to retained earnings.

As of 30 June 2014 and 31 December 2013, the Company's reserve for investments amounted to LTL 116,883 thousand. It was established to accumulate funds for the construction and development of non-current assets. During the General Meeting of Shareholders held in 2014, the decision was made to transfer LTL 53,106 thousand to retained earnings.

The reserve for the share capital due to the transfer of heavy fuel oil storage facilities is the negative reserve for the reduction of the share capital, which was established in 1999 as a result of the transfer of heavy fuel oil storage facilities to VĮ Vilniaus Mazuto Saugykla. Although expected, the share capital has not been reduced by this amount until now.

9 Dividends per share

The Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB was held on 4 April 2014 and resolved to pay out dividends of LTL 0.24 per share from retained earnings .

	At 30 June 2014
Amount of dividends (LTL'000)	150,000
Weighted average number of shares (units)	635,083,615
Dividends per share (LTL)	0.24

The Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB was held on 30 April 2013 and resolved to pay out dividends of LTL 0.04 per share from retained earnings .

	At 31 December 2013
Amount of dividends (LTL'000)	25,403
Weighted average number of shares (units)	635,083,615
Dividends per share (LTL)	0.04

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10 Borrowings

The Group's and the Company's borrowings by maturity grouping are presented below:

	Grupė 2014 m. birželio 30 d.	Įmonė 2014 m. birželio 30 d.	Grupė 2013 m. gruodžio 31d.	Įmonė 2013 m. gruodžio 31d.
Non-current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORDBankas AB) to be repaid by 1 April 2018	-	-	45,687	45,687
Loan from the European Bank for Reconstruction and Development, to be repaid by 18 February 2025	-	-	204,291	204,291
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORDBank AB, Danske Bank A/S) to be repaid by 3 June 2016	-	-	237,818	237,818
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	7,900	-	8,500	-
Syndicated loan (Nordea Bank Finland Plc, Lithuania Branch, AB BNB bankas) in EUR, to be repaid by 31 March 2027	6,942	6,942	10,465	10,465
Loan from SEB Bankas AB (refinancing), in EUR, to be repaid by 23 February 2024	482,964	482,964	-	-
Total non-current borrowings:	497,806	489,906	506,761	498,261
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bank AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORDBankas AB) to be repaid by 1 April 2018	-	-	14,253	14,253
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	900	-	600	-
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORDBank AB, Danske Bank A/S) in EUR, to be repaid by 3 June 2016	-	-	21,620	21,620
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	-	-	20,429	20,429
Loan from the European Bank for Reconstruction and Development, accrued interest	-	-	827	827
Syndicated loan (Nordea Bank Finland Plc, Lithuania Branch, AB BNB bankas) in EUR, to be repaid by 31 March 2027	3,523	3,523	-	-
Loan from SEB Bankas AB (refinancing), in EUR, to be repaid by 23 February 2024	55,196	55,196	-	-
Total current borrowings:	59,619	58,719	57,729	57,129

On 21 February 2014 the Company concluded a loan agreement with SEB Bankas AB for an amount up to EUR 158,000,000. The purpose of this agreement is to refinance three loans under the credit agreements with the banks operating in Lithuania and the European Bank for Reconstruction and Development.

As of 30 June 2014, the Group's undrawn balances of loans and overdrafts under the above-listed agreements amounted to LTL 278,238 thousand (31 December 2013: LTL 272,855 thousand). As of 30 June 2014, the Company's undrawn balances of loans and overdrafts amounted to LTL 273,238 thousand (31 December 2013: LTL 265,855 thousand). As of 30 June 2014, the average interest rate on the Group's borrowings was 1.40% (31 December 2013: 4.05%). As of 30 June 2014, the average interest rate on the Company's borrowings was 1.38% (31 December 2013: 4.08%).

As of 30 June 2014, the fair value of Group's borrowings was equal to LTL 528,287 thousand (31 December 2013: LTL 618,404 thousand). As of 30 June 2014, the fair value of Company's borrowings was equal to LTL 518,940 thousand (31 December 2013: LTL 609,920 thousand). The fair value was estimated using a 2.60% discount rate. The fair value of borrowings is attributed to Level 3 in the fair value hierarchy.

The Group's and the Company's property, plant and equipment was pledged to the bank as collateral (note 5)

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11 Grants

The grants balance consists of grants to finance acquisition of assets. Movements in grants during the six-month periods ended 30 June 2014 and 30 June 2013 were as follows:

Group/Company	Assets-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
Balance at 1 January 2013	91,729	1,008,732	-	1,100,461
Grants received	-	-	1,040	1,040
Depreciation of property, plant and equipment	(1,116)	(18,489)	-	(19,605)
Repayable grants	(23)	-	-	(23)
Utilisation of grant for emission allowances	-	-	(1,040)	(1,040)
Balance at 30 June 2013	90,590	990,243	-	1,080,833
Balance at 1 January 2014	88,842	973,888	-	1,062,730
Grants received	5,575	-	1,358	6,933
Depreciation of property, plant and equipment	(853)	(18,545)	-	(19,398)
Utilisation of grant for emission allowances	-	-	(1,124)	(1,124)
Balance at 30 June 2014	93,564	955,343	234	1,049,141

During 2014, Company's assets-related grants decreased by LTL 19,398 thousand, i.e. by the amount of depreciation of property, plant and equipment (six-month period ended 30 June 2013: LTL 19,605 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income

In 2014 the Company received a LTL 5,575 thousand grant for the construction of engineering infrastructure in Kruonis industrial park.

In 2014 the Company received an additional grant of LTL 1,358 thousand for emission allowances, whereof LTL 764 thousand to be utilised for 2013 and LTL 594 thousand to be utilised for 2014 (during the same period in 2013 the Company received a grant of LTL 1,040 thousand for emission allowances).

12 Provisions for emission allowances

Provisions for emission allowances were accounted for as follows:

	Group	Company
Balance at 31 December 2013	9,745	9,745
Emission allowances utilised	(9,745)	(9,745)
Provisions for emissions*	(1,861)	(1,861)
Balance at 30 June 2014	1,861	1,861

*For the purpose of the statement of comprehensive income, expenses related to provisions for emission allowances utilised are accounted for net of government grants utilized (Note 11).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

13 Investments

As at 30 June 2014 and 31 December 2013, the Company had direct control over the following subsidiaries:

Subsidiary

At 30 June 2014	Cost	Impairment	Carrying amount
Kauno Energetikos Remontas UAB	31,341	(21,041)	10,300
Energijos Tiekimas UAB	750	-	750
Total	32,091	(21,041)	11,050

On 31 March, 2014 the Company sold 31,835,166 (thirty-one million, eighth hundred and thirty-five thousand, one hundred and sixty-six) ordinary registered shares of Duomenų Logistikos Centras for LTL 41,347 thousand. After the transaction the Company has disposed indirectly owned public institution of VŠĮ Respublikinis energetikų mokymo centras.

Subsidiary

At 31 December 2013	Cost	Impairment	Carrying amount
Duomenų logistikos centras UAB	43,601	(2,254)	41,347
Kauno Energetikos Remontas UAB	31,341	(21,041)	10,300
Energijos Tiekimas UAB	750	-	750
Total	75,692	(23,295)	52,397

Movements of investments in subsidiaries for the periods ended 30 June 2014 were as follows:

	Company 2014
Carrying amount as at 1 January	52,397
Disposal of investments in subsidiaries	(41,347)
Carrying amount at 30 June	11,050

Structure of the Group's investments in the associates and the joint venture as at 30 June 2014 and 31 December 2013 was as follows:

Group At 30 June 2014	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdos UAB	130,720	41.74	(4,797)	125,923
Nordic Energy Link AS	19,058	25.00	7,324	26,382
Geoterma UAB	7,396	23.44	(7,396)	-
Technologijų ir Inovacijų Centras UAB	4,444	22.22	195	4,639
Total	163,458		(4,791)	156,944

Group At 31 December 2013	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdos UAB	132,560	42.32	(6,527)	126,033
Nordic Energy Link AS	21,175	25.00	7,625	28,800
Geoterma UAB	7,396	23.44	(7,396)	-
Technologijų ir Inovacijų Centras UAB	2	20.00	(2)	-
Total	161,133		(6,300)	154,833

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

13 Investments (continued)

Structure of the Company's investments in the associates and the joint venture as at 30 June 2014 and 31 December 2013 was as follows:

Company At 30 June 2014	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdoss UAB	130,720	41.74		130,720
Nordic Energy Link AS	19,058	25.00		19,058
Geoterma UAB	7,396	23.44	(5,409)	1,987
Technologijų ir Inovacijų Centras UAB	4,444	22.22		4,444
Total	161,617		(15,266)	156,209

Company At 31 December 2013	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdoss UAB	130,720	41.74		130,720
Nordic Energy Link AS	21,175	25.00		21,175
Geoterma UAB	7,396	23.44	(5,409)	1,987
Technologijų ir Inovacijų Centras UAB	2	20.00		2
Total	159,293		(5,409)	153,884

Movements of investments in the associates and the joint venture during the period ended 30 June 2014 :

	Group at 30 June 2014	Company at 30 June 2014
Carrying amount at 1 January	154,833	153,884
Acquisition of associates	4,442	4,442
Disposal of investments in associates	(2,331)	(2,117)
Carrying amount at 30 June	156,944	156,209

Disposal of Nordic Energy Link AS

On 19 March 2014, shareholders of Nordic Energy Link AS made a decision on dissolution of Nordic Energy Link AS. On 19 March 2014, NEL redeemed from its shareholders 10 % of shares held by them on a proportionate basis. The Company sold 860,000 ordinary registered shares for LTL 1,898 thousand.

Increase in share capital of Technologijų ir Inovacijų Centras UAB

During the Ordinary General Meeting of Shareholders of Technologijų ir Inovacijų Centras UAB held on 30 April 2014, the decision was made to increase its authorised share capital to LTL 19,990,000, by way of issuing 19,990,000 new ordinary registered shares.

On 19 May 2014, the Company and Technologijų ir Inovacijų Centras UAB signed an Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 4,442,222 newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 each. The total issue price was paid in cash. As a result of this transaction, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB increased from 20% to 22,22%.

14 Segment information

In 2014, management distinguished operating segments based on the reports reviewed by the Board. The Board is a primary decision maker within the Group. The Board analyses business operations separating activities to regulated and commercial. Operating profit (loss) is a profitability measure analysed by the Board. The reports reviewed by the Board are in line with the financial statements prepared in accordance with IFRS, except for the format of presentation.

As at 30 June 2014 and 2013, the Board analyses the operations of the Company separating activities to regulated and commercial. The regulated activities include revenue from heat and electricity production of the Lithuanian Thermal Power Plant, revenue from balancing and regulating activities, power reserve, including electric power reservation income of Kruonis Pumped Storage Power Plant. Commercial activities include electricity trade in the market, export / import, electricity production in Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, including related regulatory and balancing services. Administrative costs are allocated between the regulated and commercial activities with a reference to operating expenses, number of employees and purchase volumes. The operations of Energijos Tiekimas UAB representing trade in electricity also constitute a separate segment. Other activities within the Group include repair services of energy facilities and IT services.

Inter-company transactions within the Group are conducted at market prices, except for trade in electricity and related services, the prices of which are established by the National Control Commission for Prices and Energy.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

14 Segment reporting (continued)

The table below presents the Group's information on segments for the six-month period ended 30 June 2014:

2014	Electricity production and trade (including export/import)			Other activities	Total Regulated activities Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	151,634	170,842	102,470	56,461	481,407
Inter-segment revenue	-	-	(99,358)	(14,384)	(113,742)
Revenue from external clients	151,634	170,842	3,112	42,077	367,665
Expenses after elimination of turnover among the Group companies	(113,445)	(121,093)	(1,512)	(41,639)	(277,699)
including depreciation and amortisation expenses	(27,605)	(10,870)	(49)	(1,058)	(39,582)
Operating profit	38,189	49,749	1,600	428	89,966
Finance income	3	6,771	18	28	6,820
Finance costs	(10,518)	(966)	(1)	(133)	(11,618)
Share of result of associates and joint ventures				1,509	1,509
Profit before income tax	27,674	55,554	1,617	1,832	86,677
Income tax					(11,157)
Profit for the period from continuing operations					75,520

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

14 Segment reporting (continued)

The table below presents the Group's information on segments for the six-month period ended 30 June 2013:

2013	Electricity production and trade (including export/import)			Other activities	Total Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	201,149	280,756	91,387	14,429	587,720
Inter-segment revenue			(86,907)	(2,825)	(89,732)
Revenue from external clients	201,149	280,756	4,480	11,604	497,989
Expenses after elimination of turnover among the Group companies	(188,446)	(227,176)	(1,594)	(11,424)	(428,640)
including depreciation and amortisation expenses	(29,547)	(9,466)	(20)	(1,019)	(40,052)
Operating profit	12,703	53,580	2,886	180	69,349
Finance income	339	134	308	3	784
Finance costs	(9,531)	(383)	(17)	(152)	(10,083)
Share of result of associates and joint ventures				1,225	1,225
Profit before income tax	3,511	53,331	3,177	1,256	61,275
Income tax					(6,056)
Profit for the period from continuing operations					55,219

All assets of the Group and the Company are located in Lithuania.

The Group's revenue received from a single external client during the six-month period ended 30 June 2014 amounted to LTL 232,062 thousand (the six-month period ended 30 June 2013- LTL 189,551 thousand).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

15 Related-party transactions

Purchase and sale of goods and services:

The Group's transactions with related parties during the period from January to June 2014 and the balances arising on these transactions as at 30 June 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Group	486	239	6,659	9,876
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	44	38,412	201	232,358
Litgrid AB group	8,831	52,541	18,721	175,126
Lietuvos dujos AB	9	-	127	-
Lietuvos Energija UAB	-	41,392	-	41,478
Total	9,370	132,584	25,708	458,838

The Company's transactions with related parties during the period from January to June 2014 and the balances arising on these transactions as at 30 June 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	1,447	28,963	14,288	104,337
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	16	38,142	80	232,062
Litgrid AB group	8,600	50,216	18,721	170,234
Lietuvos dujos AB	4	-	32	-
Lietuvos Energija UAB	-	41,392	-	41,478
Associates of the Company	314	1	6,076	8,542
Total	10,381	158,714	39,207	556,653

The Group's transactions with related parties during the period from January to June 2013 and the balances as at 31 December 2013 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Group	1,351	400	7,040	1,329
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	75	35,879	160	204,170
Litgrid AB group	7,031	59,745	47,042	215,118
Lietuvos Energija UAB	-	124	12	268
Total	8,457	96,148	54,254	420,885

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six-month period ended 30 June 2014

All amounts in LTL thousands unless otherwise stated

15 Related-party transactions (continued)

The Company's transactions with related parties during the period from January to June 2013 and the balances as at 31 December 2013 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	1,652	34,428	2,564	88,848
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	143	-	3,973	-
Litgrid AB group	10	31,463	53	189,550
Lietuvos Energija UAB	6,415	57,406	47,042	208,466
Associates of the Company	-	-	12	-
Total	8,220	123,297	53,644	486,864

The major related-party sale and purchase transactions in 2014 and 2013 comprised transactions with the entity controlled by the Ministry of Finance of the Republic of Lithuania AB LESTO. The Group's sales transactions to this entity mainly included sales of electricity.

Transactions with state-owned entities other than those controlled by the Ministry of Finance included regular business transactions and therefore they are not disclosed.

16 Payments to key management personnel

	Group 1 January – 30 June 2014	Company 1 January – 30 June 2014	Group 1 January – 30 June 2013	Company 1 January – 30 June 2013
Employment-related payments	1,180	702	2,246	932
Termination benefits	40	40	52	-
Number of key management personnel	15	8	26	9

In 2014, key management personnel comprised the General Director and Directors of Departments. In 2013, key management personnel comprised the General Director, Directors of Departments and the Chief Financier.

17 Events subsequent to the end of the reporting period

On 21 July 2014 Lietuvos Energijos Gamyba AB together with Lietuvos Energija UAB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB signed a memorandum on the establishment of a new company Verslo Aptarnavimo Centras UAB. Based on this memorandum, the Company acquired 20,000 ordinary registered shares of Verslo Aptarnavimo Centras UAB with par value of LTL 1 each. The total issue price was paid in cash. On 30 July 2014 Verslo Aptarnavimo Centras AB was registered at a public institution Centre of Registers. As a result of this transaction, the Company owns 20% of shares of Verslo Aptarnavimo Centras UAB.



LIETUVOS ENERGIJOS GAMYBA, AB

**CONSOLIDATED INTERIM REPORT
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2014
(unaudited)**

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CONSOLIDATED INTERIM REPORT
For the six-month period ended 30 June 2014

Reporting Period

The Consolidated Interim Report provides information to shareholders, creditors and other stakeholders of Lietuvos Energijos Gamyba, AB about the activities of Lietuvos Energijos Gamyba, AB and its subsidiaries in January – June 2014

Legal basis for the preparation of the Consolidated Interim Report

The Consolidated Annual Report of Lietuvos Energijos Gamyba, AB ("the Company") 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 Resolution 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

Title	Name	Telephone
Chief Executive Officer of Lietuvos Energijos Gamyba, AB	Juozas Bartlingas	+370 5 278 2900
Director of Finance and Legal Department of Lietuvos Energijos Gamyba, AB	Eglė Čiužaitė	+370 5 278 2910

INFORMATION ABOUT THE COMPANY

Information about the Company and its contact details

Name	Lietuvos Energijos Gamyba, AB (until 5 August 2013: – Lietuvos Energija, AB)
Legal form	Public company; private legal person with limited civil liability
Registration date and place	20 July 2011, Register of Legal Persons of the Republic of Lithuania
Company code	302648707
Registered office address	Elektrinės g. 21, LT-26108 Elektrėnai, Lithuania
Address for correspondence	A. Juozapavičiaus g. 13, LT-09311 Vilnius, Lithuania
Telephone	+370 5 278 2907
Fax	+370 5 278 2906
E-mail	info@le.lt
Website	www.gamyba.le.lt

Core activities of the Company

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

Information about branches and representative offices of the Company

The Company has no branches or representative offices.

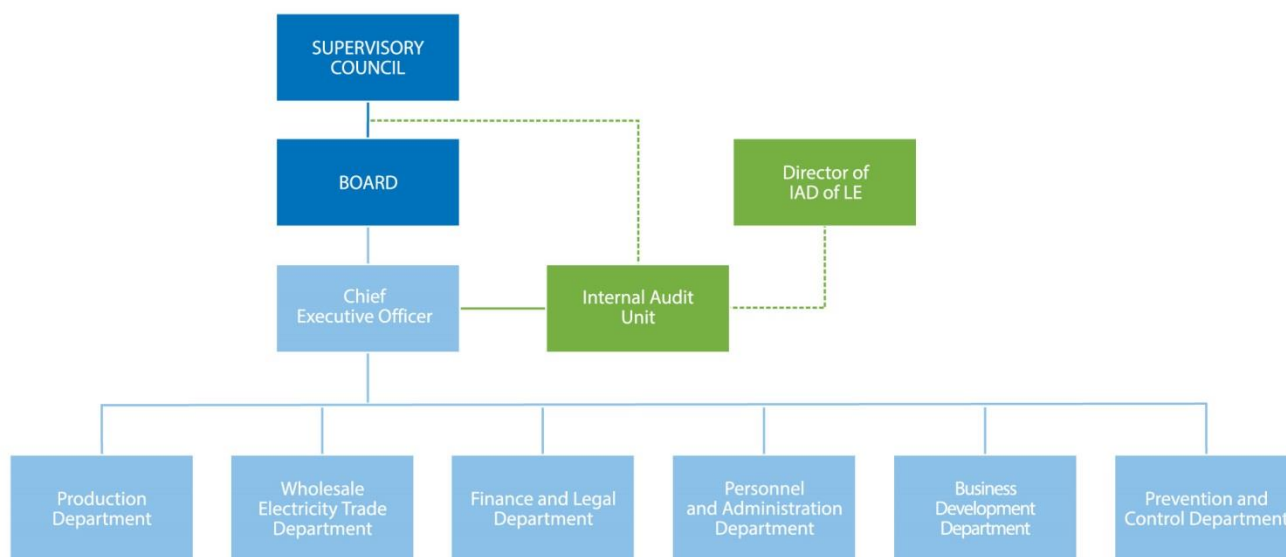
Divisions and organizational structure of the Company

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

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

Structure of the Company is shown in Figure 1.

Figure 1
Structure of the Company (as of 30 June 2014)



INFORMATION ABOUT THE GROUP

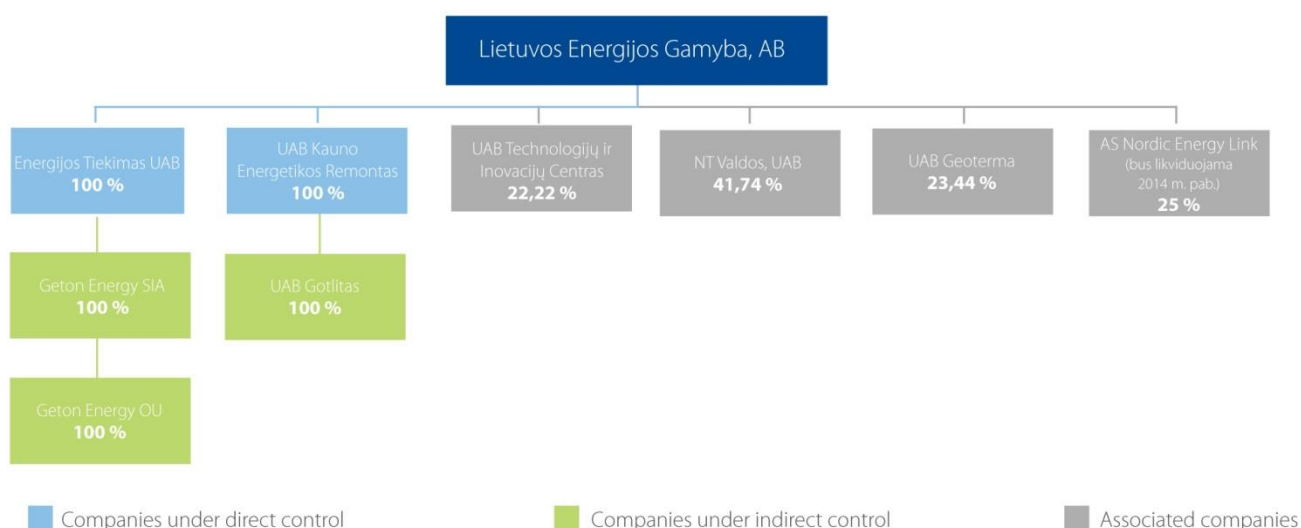
As of 30 June 2014, the Company has direct control over the following wholly-owned subsidiaries: UAB Kauno Energetikos Remontas and Energijos Tiekimas UAB.

Indirectly, via UAB Kauno Energetikos Remontas, the Company holds the majority of votes in UAB Gotlitas. The Company also has the majority of votes in Geton Energy OÜ and Geton Energy SIA via Energijos Tiekimas UAB.

Apart from these subsidiaries, the Company takes part in the management of the following companies: NT Valdos, UAB (41.73 % of shares), UAB Geoterma (23.44 % of shares), and UAB Technologijų ir Inovacijų Centras (22.22 % of shares) and AS Nordic Energy Link under liquidation (25 % of shares).

Structure of the Group is shown in Figure 2.

Figure 2
Structure of the Group (as of 30 June 2014)



Data on the companies forming the Group

Name	Registration date and place, business ID	Contact details	Shareholding of the Group	Core business
UAB Kauno Energetikos Remontas	27 April 2000, Register of Legal Persons of the Republic of Lithuania, company code 135617795	Chemijos g. 17, LT-51331 Kaunas, Lithuania Tel. +370 37 456 702 Fax +370 37 452 948 Email: ker@ker.lt www.ker.lt	100 %	Repairs of energy installations, manufacture of metal structures
Energijos Tiekimas UAB	21 October 2009, Register of Legal Persons of the Republic of Lithuania, company code 302449388	P. Lukšio g. 1, LT-08221 Vilnius, Lithuania Tel. +370 5 278 2770 Fax +370 5 278 2750 Email: info@etiekimas.lt www.etiekimas.lt	100 %	Independent power supply
UAB Gotlitas	30 September 2003, Register of Legal Persons of the Republic of Lithuania, company code 136031358	R. Kalantos g. 119, LT-52311 Kaunas, Lithuania Tel. +370 37 370 390 Fax +370 37 370 390 Email: gotlitas@gmail.com www.gotlitas.lt	100 %	Accommodation services, trade
Energijos tiekimas OÜ	6 March 2013, Republic of Estonia, company code 12433862	Narva mnt 5, 10117 Tallinn, Estonia Tel. +372 622 5366 Email: info@etiekimas.ee	100 %	Independent power supply
Energijos tiekimas SIA	28 February 2013, Republic of Latvia, company code 40103642991	Bezdelīgu g. 12, LV-1048 Rīga, Latvia Tel. +371 677 98006 Email: info@etiekimas.lv	100 %	Independent power supply

INFORMATION ABOUT SECURITIES AND SHAREHOLDERS OF THE COMPANY

Information about Authorized Capital and Securities of the Company

The authorised capital of the Company amounts to LTL 635,083,615 and has been divided into 635,083,615 ordinary registered shares with par value of one Litas each. All the shares have been fully paid for.

As of 30 June 2014, the Company has 635,083,615 ordinary registered shares with par value of one Litas each

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.

Securities of the Company's subsidiaries are not traded publicly as subsidiaries are limited companies and are 100 per cent owned by the Company.

More information about the trading of the shares during the reporting period – in the table below and in Figure 3.

Price and turnover of the Company's shares in January – June 2014

	Litas	Euro
Last trading session price	2.469	0.715
Maximum price	2.590	0.750
Minimum price	1.364	0.395
Average price	2.008	0.529
Turnover, shares	1,138,669	1,138,669
Turnover	2,286,640.78	662,256.95

Figure 3
Dynamics of the price and number of the Company's shares since the start of trading



As of 30 June 2014, market capitalisation of the Company was LTL 1,567.9 million (EUR 454.1 million) compared with LTL 815.7 million (EUR 236.3 million) as of the same date in 2013 and LTL 864 million (EUR 250.2 million) as of the end of 2013.

CONSOLIDATED INTERIM REPORT For the six-month period ended 30 June 2014

Information on agreements with intermediary of public trading in securities

On 21 December 2010 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. The agreement expires on 31 December 2014.

Restrictions on transfer of securities

No restrictions on transfer of securities were applied to the Company.

Information about Shareholders of the Company

On 30 June 2014 the total **number of shareholders of the Company was 6,115.**

Shareholders, holding more than 5 per cent of the share capital and votes, as on 30 June 2014, are shown in the table below:

Shareholders, holding more than 5 per cent of the share capital and votes (as on 30 June 2014)

Name	Class of shares	Number of shares	Share of authorised capital, %	Share of votes in the authorised capital, %
Lietuvos Energija, UAB Company code – 301844044 Žvejų g. 14, LT-09310 Vilnius, Lithuania	Ordinary registered shares	610,515,515	96.13	96.13
Other shareholders	Ordinary registered shares	24,568,100	3.87	3.87
TOTAL	Ordinary registered shares	635,083,615	100	100

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.

Dividend

The ordinary general meeting of the Company's shareholders held on 4 April 2014 approved the distribution of the Company's profit of 2013 and decided to allocate LTL 150 million to payment of dividends (approximately LTL 0.24 dividend per share).

Dividends were paid to the persons who at the end of the tenth business day following the day of the general meeting of shareholders that approved payment of dividends, i.e. at the end of the business day of 18 April 2014 were the shareholders.

MANAGEMENT OF THE COMPANY

Information about Management Bodies of the Company

According to the Articles of Association valid as of 30 June 2014, management bodies of the Company include:

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

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.

In the period of January – June 2014, two general meetings of shareholders of the Company were convened:

1. The ordinary general meeting of shareholders held on 4 April adopted the resolutions on the approval of the consolidated annual report 2013 of the Company and its subsidiaries, on the approval of the audited consolidated

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

financial statements and the Company's annual financial statements of 2013, and on the distribution of the Company's profit of 2013. By the latter resolution, the funds of LTL 150 million were allocated for payment of dividends.

2. The extraordinary general meeting of shareholders held on 25 June adopted the resolutions on auditor's selection and establishment of remuneration for auditing services. PricewaterhouseCoopers UAB was selected to carry out auditing of the Company's financial statements 2014, the ceiling remuneration of LTL 80,000, excluding VAT, was established for the above-mentioned auditing services.

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

The general meetings of shareholders of the Company held in January – June 2014 were attended by the Chair of the Company's Board and the Chief Executive Officer and the Director of Financial and Legal Department of the Company.

Supervisory Bodies

Supervisory Council

As stated in the Articles of Association of the Company, the Supervisory Council 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 Council's members are independent members. The Supervisory Council is elected for the period of four years by the general meeting of shareholders. The Chairman of the Supervisory Council is elected by the members of the Supervisory Council from among themselves. The Supervisory Council 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 Council 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 Council. The following persons may not be elected as Members of the Supervisory Council: 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 electricity 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 Council 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 Council, then the Supervisory Council forfeits its powers and must be elected anew. In case of election of

individual members of the Supervisory Council, such members may only be elected for the period remaining until the end of the term of the current Supervisory Council.

The scope of competence of the Supervisory Council 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 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 Council as stated in these Articles of Association and in the decisions of the general meeting of shareholders.

The Supervisory Council of the Company was formed on 5 August 2013.

Management Bodies

The Board

The Board is a collegiate management body of the 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.

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The Board consisting of 5 (five) members is elected by the Supervisory Council 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 Council 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 Council 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 Council 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.

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 Litass);
- 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 Council and approval of the general meeting of shareholders.

Taking opinions of the Supervisory Council 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.

The Managing Director – Chief Executive Officer

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 these 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.

Members of Management Bodies of the Company

Members of the Supervisory Council (as of 30 June 2014)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Dalius Misiūnas Chairman	5 August 2013 – to date	–	Lietuvos Energija, UAB – Chief Executive Officer and Chairman of the Board. National Electricity Association – President. EURELECTRIC – Member of Council of Directors. Association of KTU Alumni – President.	–
Liudas Liutkevičius Member	5 August 2013 – to date	–	Lietuvos Energija, UAB – Director for Production and Services, Member of the Board. NT Valdosa, UAB - Member of the Board. Energijos Tiekimas UAB -Member of the Board. UAB Kauno Energetikos Remontas – Member of the Board. UAB LITGAS - Member of the Board.	–
Pranas Vilkas Independent members	5 August 2013 – to date	–	–	–

No changes took place in the composition of the Company's Supervisory Board during the reporting period. The expected end of the term of office of the current Supervisory Board of the Company is 5 August 2017. Further information on the members of the Company's Supervisory Board is available on the Company's website, under the section [Company Management](#).

Six meetings of the Company's Supervisory Board were held in the period of January – June 2014. Five of the meetings were attended by all three members, while one meeting was attended by two members.

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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%)
Juozas Bartlingas Chairman of the Board, Chief Executive Officer	17 September 2013 – to date	–	–	–
Eglė Čiužaitė Member of the Board, Director of Finance and Legal Department	17 September 2013 – to date	–	UAB Geoterma, member of the Board.	–
Adomas Birulis Member of the Board, Director of Business Development Department	17 September 2013 – to date	–	UAB Technologijų ir Inovacijų Centras, member of the Board.	–
Darius Kucinas Member of the Board, Director of Production Department	17 September 2013 – to date	–	–	–
Vidmantas Saliotis 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. Further information on the members of the Company's Board is available on the Company's website, under the section [Company Management](#).

In the period January – June 2014, the Board met for 23 times. All members of the Board attended 21 of them, while two meetings were attended by four out of five Board members (80%).

Members of Administration of the Company (as of 30 June 2014)

Position	Name	Start date	End date	Shareholding in the Company
Chief Executive Officer	Juozas Bartlingas	2013-09-17	To date	–
Chief Financier and Head of Accounting Division	Giedruolė Guobienė	2011-08-01	To date	–

Information on amounts paid, other assets transferred and guarantees provided by the Company to these persons collectively and average amounts per member of a collegiate management body, Chief Executive Officer and Chief Financier of the Company in the reporting period

	Pay in January – June 2014, LTL	Other payments in January – June 2014, LTL	TOTAL, LTL
All members of the Supervisory Council collectively	–	11,100	11,100
Per member of the Supervisory Council on average *	–	11,100	11,100
All members of the Board collectively	556,633	104,639	661,272
Per member of the Board on average	111,327	20,928	132,255
Chief Executive Officer	148,485	30,500	178,985
Chief Financier	67,635	–	67,635

* 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.

Information on Committees

As of 30 June 2014, the Supervisory Council of Lietuvos Energija, UAB, as a parent company of the Group had the following committees: Audit Committee, Risk Management Supervision Committee, Appointments and Remuneration Committee. Their activities cover Lietuvos Energija, UAB, and its directly and indirectly controlled subsidiaries including Lietuvos Energijos Gamyba, AB.

Audit Committee

As of 30 June 2014, the Supervisory Council of Lietuvos Energija, UAB, had an Audit Committee which also performed 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 the Company 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 the Company 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 the Company 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 the Company 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 the Company and the Group's companies, make recommendations for the regulations of internal audit units of the Company 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 the Company 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 Council;
- 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 June 2014)

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
Rasa Noreikienė Chairperson	-	August 2013	Ministry of the Economy of the Republic of Lithuania, Vice-Minister
Aušra Vičkačkienė Member	-	August 2013	Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department
Danielius Merkinas Independent member	-	August 2013	UAB Nordnet, Finance Director
Gintaras Adžgauskas Member	-	August 2013	World Energy Council, Lithuania Committee, Director

Risk Management Supervision Committee

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant to the attainment of objectives of the Company 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 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 Council.

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Members of the Risk Management Supervision Committee (as of 30 June 2014)

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

¹ From 11 July 2014, Ž. Juodkienė does not hold the office of the Vice-Minister of Energy of the Republic of Lithuania.

Appointments and Remuneration Committee

Main functions of the Committee:

- make assessments and proposals for the longterm remuneration policy of the Company 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 the Company and the Group's companies;
- monitor compliance of the remuneration and tantieme policies of the Company 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 of the Company and the Group's companies for a financial year;
- assess terms and conditions of agreements between the Company/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 the Company 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 the Company and the Group's companies;
- oversee the process of informing members of management bodies and employees of the Company 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 the Company and the Group's companies;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Council.

Members of the Appointments and Remuneration Committee (as of 30 June 2014)

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

Significant agreements to which the Company is a party and which would take effect, would be amended or would cease in case of changes in the Company's control status – none.

Agreements between the Company and members of its management bodies or its employees providing for a compensation in case of their resignation or dismissal without a valid reason or termination of employment due to changes in the Company's control status – none.

Information about significant related-party transactions is presented in the Explanatory Notes to the Interim Financial Information for the six-month period of 2014.

Detrimental transactions concluded in the reporting period on behalf of the Company (transactions not in line with the Company's objectives or normal market conditions; infringing interests of the shareholders or other stakeholders etc.) which have had or might have an adverse impact on the Company's operations and/or operating result as well as information on transactions involving a conflict of interest between the responsibilities that the Company's management, majority shareholders or stakeholders have to the Company and their private interests and/or positions held elsewhere – none.

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.

Strategic directions

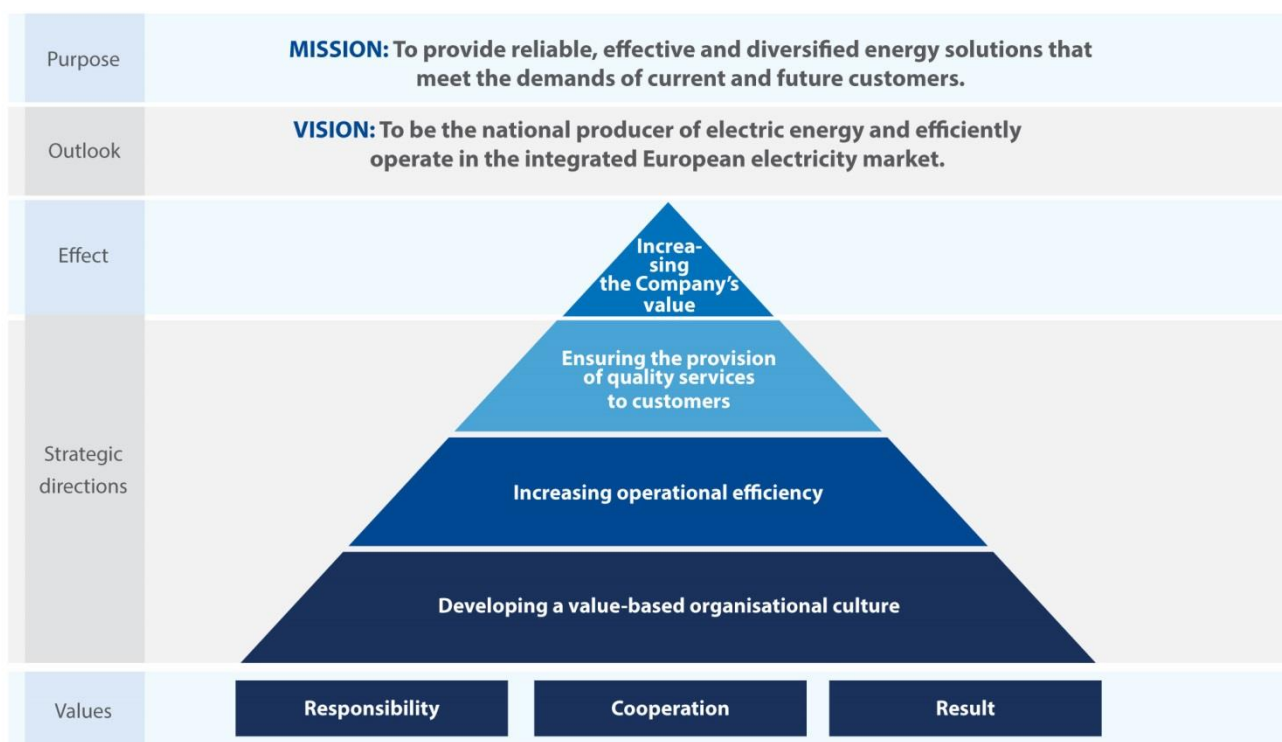
The strategic objectives of the Company will be attained by working along the four strategic directions:

- **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 interest services (PIS)); 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.

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 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).
- **Increase operational efficiency:** By reviewing and optimising the business principles 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



OVERVIEW OF OPERATIONS

Key Performance Indicators 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 exports electricity and sells it on an electricity exchange.

The Company generates the required amounts of 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 HPP), purchases electricity from other suppliers and power generating companies under contracts, imports electricity and buys it on an electricity exchange.

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

Operations and prospects

Elektrėnai complex Reserve power plant and combined-cycle unit	Kruonis Pumped Storage Hydroelectric Plant	Kaunas Hydroelectric Power Plant	Electricity trading
 <p>Capacity: 1955 MW</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>A project on the construction of new heat energy production facilities is being implemented.</p>	 <p>Capacity: 900 MW</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 increase its generation volumes and will provide more system services.</p> <p>The Company plans to implement a Kruonis PSHP development project.</p>	 <p>Capacity: 100,8 MW</p> <p>Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.</p> <p>Kaunas HPP contributes to the balancing of electricity generation and consumption and levels out the power system. It is one of the power plants in the Lithuanian power system that can start an autonomous operation in case of the total power system failure.</p> <p>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>

Indicators of electricity generation in January – June 2014

The Company has permits for electricity production of indefinite term. During 6 months of 2014, the Company sold the total of 0.597 TWh electricity generated in the Company's controlled power plants. During the same period in 2013, the Company generated and sold 0.739 TWh, i.e. 23.8% more electricity.

If compared with the same period last year, production of subsidised electricity generation in Elektrėnai complex experienced the major decrease. Relatively dry spring resulted in decreased production in Kaunas HPP as well (see Figure 5).

In 2014, Elektrėnai complex did not start electricity generation until April, i.e. no electricity was generated in January – March in Elektrėnai. This year, Elektrėnai complex units operate according to the schedule agreed with the TSO, as it was planned, i.e. generate electricity in the period from 1 April till 15 October. During the latter period, the units are operating in order to secure reliable operation of the electricity system, because repairs and limited capacities of other electricity generation sources result in the shortage of electricity and rise in its prices on the exchange during the warm season. Orientation of the generation by Elektrėnai complex to the above-mentioned period results also in improved efficiency of the use of PSO funds. Full of

CONSOLIDATED INTERIM REPORT For the six-month period ended 30 June 2014

nearly full quota of the subsidised electricity generation of 0.9 TWh established for Elektrėnai complex is planned to be generated there during the established period.

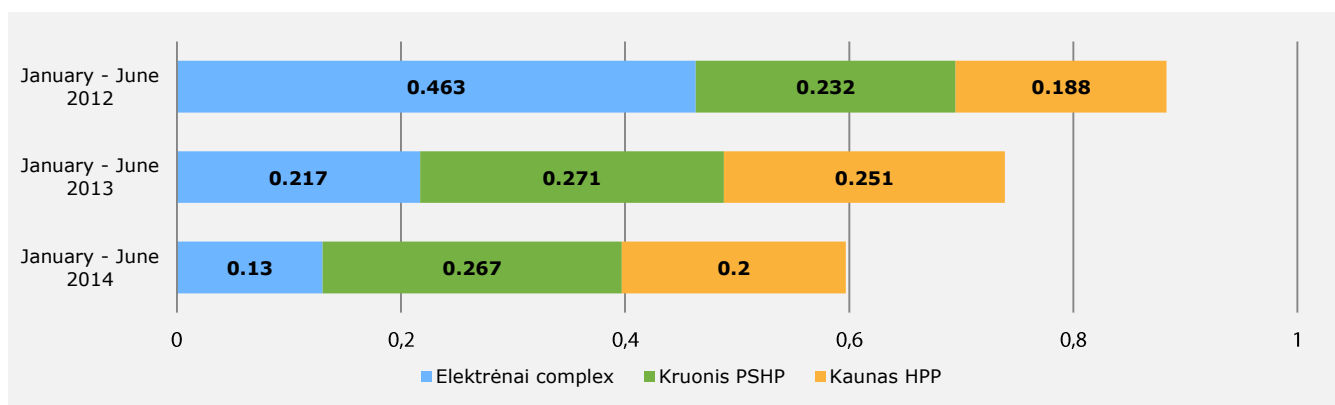
The Company produces electricity also from renewable energy sources. Kaunas HPP uses hydro energy - inexhaustible, flexible and clean national energy resource. Kaunas HPP generated and sold 0.2 TWh electricity during six months of 2014. It is 20% less than during six months in 2013. The average monthly water debit in the River Nemunas in January and February 2014 was bigger, while in March it was close to the long-term average debit, but the major impact on the production rates of Kaunas HPP in the first 6 months of 2014 was made by comparatively dry

second quarter of the year. There was no big spring flood in the Nemunas, April was drier than usual, which resulted in decreased river water level, consequently Kaunas HPP operated at lower capacity than usually. Precipitation in May – June did not exceed the standard climate rate, the water level in the rivers, including the Nemunas, remained low.

Production volumes of Kruonis PSHP in the first half year of 2014 were very similar to the volumes in first 6 months last year – the power plant generated and sold 0.267 TWh electricity in the first 6 months of 2014. During the same period in 2013, the power plant produced 0.271 TWh electricity (2% more).

Figure 5

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



Indicators of electricity trade in January – June 2014

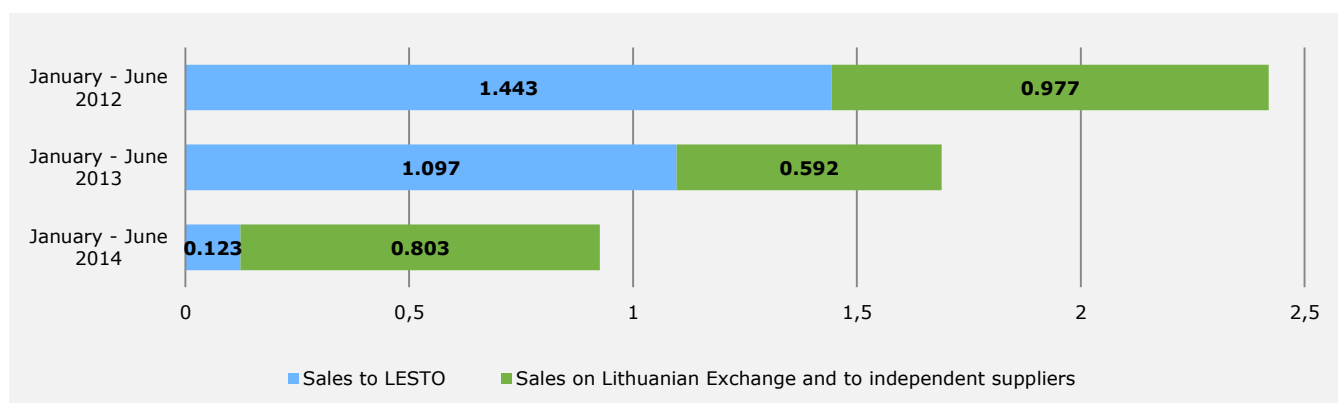
During the period of January – June 2014, the Company sold 0.926 TWh electricity on the domestic market, which is 45% less than during 6 months in 2013, when the trade of 1.689 TWh was reached (see Figure 6).

The central reason for such decrease that failure to sign bilateral contracts since early 2014 to secure the demand of the distribution network operator LESTO AB.

Starting from 8 January 2014, the company has been performing the functions of the assigned company, i.e. buying all electricity planned to be generated in wind farms and selling it in the Lithuanian trading zone of the Nord Pool Spot (NPS) electricity exchange. In 6 months of 2014, the company bought 0.268 TWh electricity in total from wind farms and traded it on the exchange.

Figure 6

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



System services

System services are aimed at ensuring 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 sup-

ply quality and reliability. The system services include power reserving, trade in regulation power and balancing power, reactive power management, and system recovery services.

Power reserving service is a means to ensure the reliable operations of the energy system when, in emergency situations, power generation volumes drop or consumption increases suddenly. In such cases the power generating company provides the service of securing the power reserve and the maintaining of reserve power in the standby production facilities, i. e. the secondary and/or tertiary reserves are used. Secondary power reserve is the power of the installations or hydroelectric units in operation; such power can be activated within 15 minutes. Tertiary (cold) reserve is the power of the generating sources maintaining by the generating company that can be 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 the Kaunas HPP, Kruonis PSHP and the Elektrėnai complex, and the tertiary power reserve is ensured by the Elektrėnai complex. In January – June 2014, the Company sold 0.87 TWh of electricity as secondary power reserve and 1.17 TWh of electricity as tertiary power reserve (in January – June 2013: 0.66 TWh and 0.69 TWh respectively).

The regulation power service is required in order to balance the surplus and deficit of power in the energy system. Trading in the regulation power is conducted in real time, ensuring the reliable operations of the energy system every hour. Where there is not enough power in the system and the TSO gives an instruction to increase the generation, the Company increases its generation volumes and sells the requisite amount of regulation power to the TSO.

Activities of the Subsidiaries



The main activities of **UAB Kauno Energetikos Remontas** include diagnostics, modernisation, repairs, mounting of energy equipment, production of spare parts for energy equipment, manufacture of metal constructions for power engineering and industries, spare parts of boilers and engines, hermetic oil transformers. Following the reorganisation of the energy sector in 2010, the company became the main company servicing production plants.

In the first half of 2014, UAB Kauno Energetikos Remontas continued working on the contracts in progress, successfully participated in tenders for new contracts. Filter and Vapor consortium and UAB Kauno Energetikos Remontas in the first half of 2014 started designing, installation of new heat production capacities and construction works in Elektrėnai complex. It is the largest project currently implemented by UAB Kauno Energetikos Remontas.

The goal aspired by the company is to enhance its operations and to make them more efficient, therefore the company is actively engaged in LEAN system installation.

In case of surplus of power in the energy system, the TSO instructs the Company to reduce the volumes and the Company purchases the surplus regulation power from the TSO. In January – June 2014, the Company sold 0.02 TWh and purchased 0.01 TWh of regulation power (in January – June 2013: 0.02 TWh and 0.02 TWh respectively).

The 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 to ensure the requisite voltage and frequency levels. The reactive power control service is provided by the Kruonis PSHP 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 HPP.



Energijos Tiekimas UAB is the largest independent Lithuanian capital electricity supplier. The main fields of activities of Energijos Tiekimas UAB include independent electricity supply, including electricity planning, forecasting, balancing, purchasing, trading, import, export, and all other activities related with this field of business.

The key activity of the company is electricity trading on the free market. The company boasts the largest portfolio of clients in Lithuania, amounting to over 6 thousand clients, and it is the only certified supplier of electricity generated in Lithuania from the renewable resources – Green Lithuanian energy.

In early 2014, Energijos Tiekimas UAB introduced a new product tied with the exchange price. By choosing this flexible price package, the price paid by a client for consumed electricity varies every month. It depends on the electricity prices effective on the NPS electricity exchange. Every hour of consumed electricity is charged the price of the hour in question effective on the NPS exchange plus fixed supply margin. Agreements are signed for indefinite term and can be cancelled upon 30 days notice. This offer was very well received by the clients.

In the first half of 2014, Energijos Tiekimas UAB continued its business expansion on the Latvian and Estonian markets, which it entered in summer 2013. During the reporting period, Energijos Tiekimas UAB changed the names of its subsidiaries operating abroad into GETON ENERGY, signed agreements with large clients.

Research and Development Projects

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. This forms the basis for a sound investment policy of the Company.

The Company implemented the following R & D projects during January – June 2014:

Investigations into Syderiai geological structure

The feasibility of constructing an underground natural gas storage facility in Telšiai District was continued to be analysed in January – June 2014, processing of the data collected during the seismic and geological investigations was completed, and a simulation model was prepared for the tank of the storage facility. The model enables an assessment of the storage from the geologic point of view and of its behaviour during the gas pumping and retrieval processes as well as determination of the operating parameters of the storage facility.

All the findings and conclusions of/on the investigations were submitted to the Ministry of Energy. The Ministry has instructed specialists of the Company to carry out a cost-benefit analysis of the project to enable the Government, which has initiated the project, to adopt an informed decision on further steps in the project.

Project of the development of heat production facilities in Elektrėnai

In the first half of 2014, Company continued the project of the development of new heat production capacities in Elektrėnai complex, which was launched by the Company in 2011. The project of construction of new heat production capacities in Elektrėnai consists of several parts, the main of which are construction of biofuel and steam boiler plants.

The document authorising construction of biofuel boiler plant offering cheaper and cleaner heat production was issued this February. Once the construction permit was obtained, the project contractor Filter and Vapor consortium and UAB Kauno Energetikos Remontas started construction works without any delay, laid the foundations, on which the biofuel boilers manufactured in Finland were mounted in May. Delivery of the biofuel boilers is a very important stage of the project of the development of new heat production capacities in Elektrėnai, which was completed by the contractor successfully. The total thermal capacity of the biofuel boilers is 40 MW. In June, the auxiliary boiler devices, including air heaters, smoke condensation economisers, electrostatic filters and chimney were delivered to Elektrėnai, where they were successfully

mounted on the newly-built foundations. Two newly-mounted modern electrostatic filters are intended to remove solid particles and ashes from smoke which are formed while burning biofuel in a furnace. Efficiency coefficient of the latter equipment is up to 98%. Construction of monolith biofuel warehouse is also according to the timetable.

The new biofuel boilers are planned to start producing heat energy during the heating season of 2014-2015.

In April, the contractor was issued a document authorising construction and started building the steam boiler plant. Three steam boilers using natural gas, the total heat capacity of which is 50 MW, were delivered from Vapor Boilers plant in Finland to the building site in Elektrėnai in March 2014. In June 2014, the boilers were mounted in the steam boiler plant under construction in the territory of Elektrėnai complex. Steam boilers are fitted with fully-automated natural gas burners emitting low volumes of NOx. The construction works of the steam boiler plant are planned to be completed in September, while the boiler plant will be put into operation in early October.

Installation of the infrastructure for an industrial park in the territory of Kruonis PSHP

In January – March 2014, the Company completed the planned works under the project on engineering infrastructure installation in the industrial park situated in the territory of Kruonis PSHP. The territory has been prepared for direct foreign investments that will enable the development of hi-tech activities at this attractive location having all the requisite infrastructure.

Under the project, approx. 5 km of roads had to be reconstructed in addition to the installation of the engineering infrastructure including a water supply system with water wells and a stormwater discharge system. At the end of December 2013, the road reconstruction and the stormwater collector installation works were completed; in February 2014, the wellfield installation works – the last part of the project – were finished. A second phase of the project is being planned.

Assessment of the wind energy potential at Kruonis PSHP

At the beginning of 2014, integrated measurements of wind speed and directions and other meteorological parameters were started in the territory of Kruonis PSHP for the purpose of the initial assessment of the location's potential for the construction of a wind farm. The Company will decide on the feasibility of such construction based on the measurement results.



FINANCIAL RESULTS OF THE COMPANY AND THE GROUP

Indicators of the Company and Group of the first half of 2013 presented in the table below were recalculated because of rectification of the material mistakes, related with the adjustment of the depreciation of the fixed tangible assets. The indicators of the first half of 2013 of the Group also underwent corrections because of cessation of some activities.

The indicators of the Company and the Group of the first half of 2012 were not recalculated due to the impact of the above-mentioned corrections, therefore the latter indicators cannot be directly compared with the indicators of the respective periods in 2013–2014.

Financial Results of the Company and the Group*

	Company			Group		
	6 months of 2014	6 months of 2013	6 months of 2012	6 months of 2014	6 months of 2013	6 months of 2012
FINANCIAL INDICATORS (LTL '000)						
Sales income	318,599	478,079	517,496	321,701	482,559	616,163
Other operating income	3,877	3,826	1,101	45,954	15,430	48,706
EBITDA* (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	117,421	129,875	64,297	121,919	135,699	69,969
Operating profit	87,938	66,283	29,159	89,966	69,349	30,429
Net profit on continued operations	77,305	53,215	27,032	75,520	55,219	26,178
Profit before tax	88,228	58,842	30,393	86,677	61,275	29,797
Cash flows from operations	78,891	183,827	117,225	79,498	202,554	107,108
Liabilities to financial institutions	548,625	575,035	613,407	557,856	585,919	627,865
RATIOS						
Liabilities / equity	1.40	1.37	1.22	1.42	1.36	1.23
Financial liabilities / equity	0.42	0.43	0.37	0.42	0.43	0.37
Financial liabilities / assets	0.18	0.18	0.16	0.17	0.18	0.17
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) ¹	6.55	2.47	1.64	6.64	2.45	1.78
PROFITABILITY RATIOS						
Operating profit margin	27.27%	13.75%	5.62%	24.47%	13.93%	4.58%
Profit before tax margin	27.36%	12.21%	5.86%	23.58%	12.30%	4.48%
Net profit margin	23.97%	11.04%	5.21%	20.54%	11.09%	3.94%
Return on equity ²	5.95%	3.99%	1.61%	5.72%	4.04%	1.54%
Return on assets ²	2.47%	1.68%	0.73%	2.36%	1.71%	0.69%
Earnings per share, LTL ²	0.12	0.08	0.04	0.12	0.09	0.04
P/E ³ (share price / earnings)	20.28	15.33	33.42	20.76	14.77	34.51

¹ Repaid loans do not include refinanced loans.

² The indicator was calculated by using the net profit of the reporting period only, i.e. of the half year.

³ The indicator was calculated as a ratio between the share price at the end of the reporting period and the profit per share of the reporting period.

* Audited financial information of Lietuvos Energijos Gamyba, AB and unaudited financial information of Lietuvos Energijos Gamyba, AB group of companies is shown on the table for January – June 2014.

CONSOLIDATED INTERIM REPORT

For the six-month period ended 30 June 2014

The profitability indexes of the first half year of 2014 are significantly better than the ones of the same period in 2013, despite reduced incomes from trading in 2014. Incomes from controlled activities in the first half of 2014, i.e. incomes from electricity and heat production in Elektrėnai complex and reservation of capacities supplied by Elektrėnai complex and Kruonis PSHP, accounted for approximately 41% of the total incomes of the Group (40% during the same period in 2013).

Financial status report

On 30 June 2014, the Company's obligations to financial institutions amounted to LTL 548,6 million, which were liabilities under long-term loan agreements. Group's liabilities to financial institutions amounted to LTL 557,9 million. Liabilities of Kauno energetikos remontas UAB under long-term and short-term loan and hire purchase agreements amounted to LTL 9,2 million on 30 June 2014.

The major structural changes in the assets of the Company and the Group during the first half of 2014, if compared with the first half of 2013, were related with decreased balance of cash funds due to the payment of dividends.

Statement of comprehensive income

Income

The Company's income amounted to mLTL 321.7 in the first half of 2014. Income from trading in, balancing and regulation of electricity, power reservation and public service obligations as well as income from sales of heating energy constituted the major share of the income. To compare with the corresponding period of 2013, the Company's income dropped by 33.1%, of which trade income fell by 13%, power reservation income – by 11%, income from public service obligations – by even 39%. In the first half of 2014 the Group's income totalled mLTL 367.7 and was by 26.1% smaller than in the corresponding period of 2013.

Expenses

Over January – June 2014 the Company had mLTL 234.5 of expenses; the Group's expenses constituted mLTL 277.7. The largest share of the Company's expenses (mLTL 168.4 or 72%) and the Group's expenses (mLTL 168.4 or 61%) were expenses incurred in relation to procurement of electricity and the related services as well as fuel costs

Investments in fixed assets

In the first half of 2014 the Company's investments into tangible fixed assets constituted mLTL 21.8, these of the Group – mLTL 22.2. The major share of the Group's investments, i. e. mLTL 14.7, were investments into biofuel boiler house in Elektrėnai.

related to production of electricity. The depreciation and amortization costs incurred by the Company and the Group in the first half of 2014 constituted, respectively, mLTL 38.5 and 39.6.

Operational costs of the Group, excluding procurements in relation to electricity and production of electricity as well as depreciation and amortization costs, revaluation of emission allowances and impairments, in the first half of 2014 amounted to mLTL 77.9 and comparing to the costs incurred in the first half of 2013 grew by mLTL 56.9 as a result of the costs of the contractual works incurred by the subsidiary company Kauno energetikos remontas UAB.

Profit

In the first half of 2014 the Company earned mLTL 86.7 of profit before taxes, while the net profit from continuing operations amounted to mLTL 75.5. The net profit margin of the Group grew during the first half of 2014 to compare with the corresponding period of 2013 from 11.1% (first half of 2013) to 20.5% (first half of 2014).

The Company earned mLTL 77.3 of net profit from continuing operations. The net profit margin of the Company almost doubled during the first half of 2014 to compare with the first half of 2013 by increasing from 11.0% (first half of 2013) to 24.0% (first half of 2014).

During the first half of 2014 Kauno energetikos remontas UAB Group earned mLTL 0.2 of net profit, Energijos tiekimas UAB Group – mLTL 1.5 of net profit. The shares of Duomenų logistikos centras UAB as of March 31 2014 were sold.

Cash flow statement

Net cash flows from operating activities in the first half of 2014 constituted mLTL 78.9 for the Company and mLTL 79.5 for the Group. Net cash flows of the Company and of the Group from operating activities in the first half of 2013 were, respectively, mLTL 183.8 and 202.6.

Net cash flows of the Company and of the Group from investment activities were negative in the first half of 2014 constituting mLTL 31.7 (mLTL 62.1 in the first half of 2013). Cash flows of the Group from financial activities were negative in the first half of 2014 constituting mLTL 167.7 (mLTL 79.0 in the first half of 2013).

MATERIAL EVENTS IN THE REPORTING PERIOD

A strategy of Lietuvos Energija Group approved

On 16 January 2014, the Board of the parent company Lietuvos Energija, UAB approved the Operating Strategy of the Lietuvos Energija, UAB Group for 2014–2020. The strategy sets out the operating goals of the Group, their implementation programmes and target financial results. It is estimated that the value of the Group will double by 2020. The strategy has been published in www.le.lt.

Loan agreement concluded

On 21 February 2014, the Company and SEB Bankas concluded a loan agreement for a loan of up to EUR 158 million (LTL 546 million) for 10 years. The loan funds are intended for the refinancing of three long-term loans received by the Company in 2005 and 2010 from consortia of banks operating in Lithuania and the European Bank for Reconstruction and Development.

This is one of the largest business financing transactions in the history of Lithuanian business banking during the years of independence. It contributes to the optimisation investments made by a strategic national company in the projects implemented at Elektrėnai complex. The refinancing of the existing loans will reduce the regulated operating costs of the Company, whereas administration of the obligations will be more convenient. In addition, the diminishing credit risk of the Company allows expecting favourable crediting terms in the future.

Gross bidding arrangement

In March 2014, the Company started trading on Nord Pool Spot exchange according to the gross bidding arrangement. This means that now the Company conducts all its electricity purchase and sale transactions separately, which contributes to enhancing the non-regulated market transparency and increasing its efficiency.

Now the Company can assess the benefits of the fixed-price transactions better, which enables it to increase the efficiency of its trading activities. At the same time, the Company contributed to the development of a transparent electricity market in the Baltic States.

Nordic Energy Link AS under liquidation

The general meeting of shareholders of Nordic Energy Link AS (NEL) held on 19 March 2014 decided to liquidate NEL, in which the Company has a shareholding.

NEL was formed in 2004 with the aim of implementing a project on the interconnection of the energy systems of the Baltic States and Finland by constructing a power cable on the Baltic Sea bed (Estlink 1). The cable was handed over to Elering and Fingrid, the transmission system operators of Estonia and Finland, respectively, on 30 December 2013, therefore, as stipulated in the Memorandum of Association of NEL, the company's shareholders passed a decision on its liquidation.

The Company holds 25% of the shares of NEL. Other NEL shareholders include Latvenergo AS and Eesti Energia AS, holding 25% and 50% respectively.

Sale of shares in UAB Duomenų Logistikos Centras

On 31 March 2014, the Company concluded an agreement on sale – purchase of its shares in Duomenų Logistikos Centras UAB with the parent company Lietuvos Energija, UAB.

Under this agreement the Company sold to Lietuvos Energija, UAB 31,835,166 (thirty one million eight hundred thirty-five thousand one hundred and sixty-six) ordinary registered shares in Duomenų Logistikos Centras UAB. These shares account for 54.04% of the authorised capital of Duomenų Logistikos Centras UAB.

Pledged share of the Company's assets

On 12 May 2014, following the decision of the Company's Management Board and the Supervisory Board, the combined cycle unit owned by the Company and units 7 and 8 of the Lithuanian Power Plant were pledged through a subsequent mortgage. The above assets was pledged by the Company in line with its obligations under the crediting agreement of 21 February 2014 concluded with AB SEB. The Agreement does not foresee any other measures to secure the performance of the obligations.

The Company has obtained OHSAS occupational safety and health certificate

On 17 May 2014 the Company received OHSAS 18001:2007 certificate to confirm that the Company's occupational safety and health (OHS) management system complies with the requirements of this management standard.

The Company has been recognised for the virtually continuous improvements of the OHS policy which is a part of the Company's management system covering organisational structure, planning activities, distribution of responsibilities, practical operations, internal regulations and procedures, methods, process management and resources required for the implementation, maintenance and enhancement of the OHS policy. The Company has also been recognised for safeguarding the occupational safety and health in terms of mitigation of accidents at work.

The Company's activities were presented to the investors

On 3 June 2014, Ms Eglė Čizaitė, Director of the Legal Department and a member of the Company's Management Board, presented the Company's activities and results in a traditional meeting of the managers of the NASDAQ OMX Baltic listed companies and investors (CEO meets investors).

Optimal operation scenario of Elektrėnai complex has been established

On 11 June 2014 the Company announced the findings from the project "Perspectives of Elektrėnai Complex" initiated in February 2014 (hereinafter Analysis). Drawing on the findings of the Analysis, a recommended operational scenario for the Elektrėnai complex embracing the old units of Lithuanian Power Plan and the combined cycle gas turbine unit was established.

In accordance with the optimal operational scenario of the Elektrėnai complex, the exploitation of the units 1 and 2 of the reserve power station (with 150 MW capacity each) should be phased out once the new biofuel boiler house, currently being constructed in Elektrėnai, comes into operation, while the units 5 and 6 (with 300 MW capacity each) should be phased out once the connections with

Sweden and Poland start functioning. Hence from 2016 the power generation capacities in Elektrėnai complex would consist of a modern 455 MW capacity combined cycle gas turbine unit and units 7 and 8 of the reserve power station (with 300 MW capacity each) able to generate electricity by using both gas and fuel oil. The total installed capacity of the power station would be 1055 MW.

MATERIAL EVENTS AFTER THE END OF REPORTING PERIOD

The authorised capital of UAB Technologijų ir Inovacijų Centras has been increased

On 10 July 2014, new Articles of Association of Lietuvos Energijos Gamyba, AB associated company UAB Technologijų ir Inovacijų Centras featuring increased authorised capital were entered at the Registry of Legal Entities of the Republic of Lithuania. The authorised capital of UAB Technologijų ir Inovacijų Centras was increased from LTL 10,000 to 20,000,000.

In the framework of the increase of the authorised capital of UAB Technologijų ir Inovacijų Centras, the Company has paid for 4,442,222 newly issued ordinary registered shares by a cash contribution. After the increase of the authorised capital of UAB Technologijų ir Inovacijų Centras the number of the shares held by the Company increased from 20% to 22.22% of the total shares of UAB Technologijų ir Inovacijų Centras.

Agreement on the establishment of a joint company UAB Verslo Aptarnavimo Centras signed

On 21 July 2014, the Company together with Lietuvos energija UAB, AB Lesto, UAB LITGAS and UAB Technologijų ir Inovacijų Centras signed the agreement on the establishment of a joint company UAB Verslo Aptarnavimo Centras. One of the main purposes of the new company is to enhance and provide value added in energy sector through organisation and realisation of public procurements, provision of accounting and personnel administration services to state governed companies of the energy group.

UAB Verslo Aptarnavimo Centras was registered in the Registry of Legal Entities on 30 July 2014, the authorised capital of the company is LTL 100,000. Lietuvos Energija UAB, Lietuvos Energijos Gamyba AB, AB LESTO, UAB LITGAS and UAB Technologijų ir Inovacijų Centras have respectively acquired 50%, 20%, 20%, 5% and 5% of the shares of UAB Verslo Aptarnavimo Centras.

The National Commission for Energy Control and Prices has adopted a legal act affecting the Company's operations

In the meeting of 7 August 2014 the National Commission for Energy Control and Prices adopted the decision

concerning the findings of the electricity generation market research (Decision). In this Decision, the National Commission for Energy Control and Prices recognises the Company to be an entity with significant market power in the electricity generation market and in addition to other provisions sets obligations, effective from 1 January 2015, in relation to pricing and publishing of information on the costs of the regulated operations.

As part of the public consultation with regard to the draft Decision the Company has noted that the research of the generation market was based on wrong assumptions. Therefore the Company considers that the Decision of the National Commission for Energy Control and Prices concerning recognition of the Company as an entity with significant market power in the electricity generation market and the related obligations to the Company should not be applied.

The Company considers that the Decision/ legal acts adopted on its basis may affect the Company's operations.

The Company has become a member of NASDAQ OMX Commodities exchange

At the beginning of August 2014 the Company was one of the first Lithuanian companies to join the derivative financial instruments market NASDAQ OMX Commodities. The Company hence pursues its aim to actively contribute to the integration of the North European and Baltic electricity markets.

NASDAQ OMX Commodities is an exchange of derivative instruments hosting trading in financial instruments linked with the electricity price on Nord Pool Spot exchange. Trading in financial instruments allows to manage risks related to fluctuation of electricity prices.

Joining the trade at NASDAQ OMX Commodities is a strategic step of the Company whereby the Company wishes to demonstrate the need of such a platform and its commitment to becoming an active member thereof.

HUMAN RESOURCES

The main purpose of the human resources (HR) policy of the Company is to attract and retain highly-qualified employees and to create, together with them, a long-term partnership relationship and a common successful future of the Company.

In January – June 2014, the Company continued the process of formation of new organisational culture. At the end of 2013, the Human Resources Management Policy of the Lietuvos Energija Group was approved. It establishes the general principles of human resources management and defines the underlying provisions for the HR management and implementation of strategic objectives.

Employees of the Company

As of 30 June 2014, the Company employed 502 people (including employees on child care leave) including specialists and line managers 58%, blue-collar workers 40%, and top management 2%.

The main principles of the HR policy were further consolidated: the uniform performance evaluation and remuneration system based on the competence model and the employees training procedures were improved, the principles of long-term HR planning and staff recruitment have been established.

The Company's remuneration system is built on the principles of fairness, clarity, universal application and comparison. Pay received by all employees of the Company including management consists of the fixed part, the variable part, and extra pay.

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

Number of employees of the Company and average pay (as of 30 June 2014):

	CEO	Top management	Line management	Experts, specialist, blue-collar workers
Distribution of employees by position levels	1	7	39	455
Average pay, LTL	18,333	13,278	6,987	3,629

Men account for 78% and women account for 22% of the Company's employees.

39% of the employees have higher educational attainment, 15% further education, and 46% vocational secondary education

Number of employees of the Company and its subsidiaries:

	Total number of employees as of 30 June 2013	Total number of employees as of 30 June 2014	Change, %
Lietuvos Energijos Gamyba, AB	503	502	-0.2
Energijos Tiekimas UAB	18	18	0
UAB Kauno Energetikos Remontas	224	245	+9.4
TOTAL	745	765	+2.7

Training and recruiting of the staff

Drawing on the framework of competences the Company pursues targeted training and qualification enhancement of its staff, therefore the staff is encouraged to participate in training for the enhancement of their qualification and development of the required skills. Vocational training allows the staff to update their technical skills that are mandatory for their work and to obtain the required qualification certificates and attestations. By participating in seminars and conferences the staff gets familiar with energy related innovations and good practices. In the first half of 2014 technical training was attended by 124 employees of the Company, management training – by 84 employees. Visits of the staff into other manufacturing companies are

also arranged to allow the staff to get familiar with the organisation of work at production units, deployed innovations, production equipment, problem solutions, etc.

To attract young skilled specialists the Company is actively cooperating with education institutions, provides opportunities for the students of higher and vocational education institutions to apply their theoretical knowledge and to gain practical skills. In March 2014 the Company participated in Career Days launched by Kaunas Technology University, Vilnius Gediminas Technical University, ISM Management and Economics University. Over the first half of 2014, the Company hosted 8 students for their practicum purposes.

Students performing practicum at the Company come from the leading universities of Lithuania as well as from abroad. The Company hosted a student from a Stockholm School of

Economics based in Latvia and a student from Sheffield University of England.

Collective agreement

On 28 February 2014, during the Company employees conference a new edition of the Collective Agreement was approved, which would provide greater protection for company employees and many additional benefits not covered by the Labour Code of the Republic of Lithuania.

The purpose of the collective agreement is to ensure efficient work of the Company and represent the rights and legitimate interests of all the Company's employees. Signing the Collective agreement aims to maintain higher than set by the law levels of wages, health and safety, training

and other work conditions for different categories of employees.

Agreement sets forth work, pay, social, economic and professional conditions and guarantees that are not governed by laws and other normative legal acts. It gives additional security to employees (payments in cases of accidents, illness, death of a relative, support after birth of a child, an additional day of paid leave after the birth of a child, marriage, death of a relative and in other cases).

Organisational Culture Development

In the beginning of 2014, the Company carried out the employee opinion survey, which Company organizes to find out what its employees feel about the Company's key business areas, such as the work environment and the Company's organizational culture, the dissemination of information in the Company, career and growth opportunities, remuneration and evaluation. The results almost similar to the previous year's results. They showed that a growing number of the Company's employees involve themselves in, understand and support the activities of the Company and pride themselves to be a part of the Company. After analysing the results, the Company engage employees and together prepare an action plan providing for improving the Company's activities that received lower evaluation by the workers.

In the first quarter of 2014, the Company continued the Dialogue on Values project aimed at the communication and practical implementation of values. The first Game of Values was organized hosted the Values Ambassadors group of twelve selected from the Company's employees for the project. The same group of employees previously collected, analysed and discussed the most current situations in the Company's activities connected with our corporate values. Thus, new operating behaviour models were developed and implemented, which conform to the values and core business objectives of the Company.

The Company has analysed the findings of the research and together with its employees has prepared organisational strengthening action plan aimed at the improvement of the Company's operational areas that have not brought a sufficiently positive feedback from the staff, and at encouraging the participation of the staff.

The company gives priority to proactive communication with the employees. In March (first quarter) of 2014, the Company's executives and board members had the meetings with the employees of all divisions. During the meetings, participants discussed the Company's operating results for 2013, ongoing and planned projects news and changes in performance appraisal system. Company executives responded to the employees' concerns.

SOCIAL RESPONSIBILITY ACTIVITIES

The Company's social responsibility activities are based on its values and reflect the Company's attitude towards its activities, involvement of social, environmental and operational transparency principles into the internal processes of the Company and its relationship with the stakeholders.

Promotion of the sense of community

To reinforce its relations with the community of Elektrėnai region where its major activities are based the Company organises traditional events under the heading "Lietuvos Energijos Gamyba presents". In the first half of 2014 two meetings were organised: in March – with singing actors, father and son, Saulius Bareikis and Jokūnas Bareikis; in June - with the writer, film director and song author Vytautas V. Landsbergis. All in all seven meetings of the cycle were held. The Company organises these events in cooperation with Elektrėnai library. The Company wants to mobilise the community of the city and the region and to involve its staff by offering them unique encounters with famous, interesting and original people.

Cleaning of the environment initiative

In April 2014, the Company's staff assembled new sporting equipment, installed waste bins on the shores of Elektrėnai Lagoon and at the eve of the campaign "DAROM" renown all over Lithuania contributed to the cleaning of the environment initiative. In Elektrėnai, Kaunas and Kruonis more than 350 bags of waste was collected during the cleaning of the environment campaign.

Educational activities

The Company is positive about and welcomes excursions into its facilities: combined cycle unit, Kruonis PSHP, Kaunas HPP. The Company thereby seeks to contribute to energy education of the society and the youth in particular. During the first half of 2014 the power plants had more than 1200 visitors from different companies, schools and other institutions, received delegations from abroad. During the reference period the largest number of excursions (40) were held at Kruonis PSHP, 23 excursion were arranged to Kaunas HPP, combined cycle unit was visited by 9 excursion delegations.

ENVIRONMENTAL PROTECTION

As part of its activities, the Company is committed to protection of environment, sustainable consumption of natural resources, deployment of modern, efficient, and environmentally safe technologies for the purposes of its manufacturing operations, following environmental legislations and standards, professional application of preventive measures mitigating adverse impact on the environment.

The major environmental issues raised – safe exploitation of the equipment, ecologically safe consumption of hazardous substances, management of the generated waste, safeguarding the permitted fluctuation limits of the water level at Kaunas Lagoon and the Nemunas river below Kaunas HPP, etc. The Company complies with all the applicable environmental protection requirements.

The Company's objects have Environmental Protection Management System in place in line with the requirements of the LST EN ISO 14001:2005 standard. The requirements with regard to air, surface water, underground water, soil pollution monitoring and protection measures set in integrated pollution prevention and control permits are also complied with.

During the first half of 2014 Elektrėnai complex transferred for utilisation 68 t of sleepers, 1,350 t of hazardous

substances of waste sludge, 599 t of liquid fuel ashes, 1,220 t of construction waste, sold 450 t of electro-technical waste, 1,650 t of waste black metal. The municipal waste collected in the territory of the object is removed by a contracted specialised company; over the January – June period about 120 m³ of municipal waste were generated.

During January – June 2014, Kruonis PSHP transferred for utilisation 7 t of hazardous waste (oily water), 0.57 t of non-hazardous waste, sold 12.9 t of waste black metal. The municipal waste collected in the territory of the object is removed by a contracted specialised company; over the January-June period about 16.6 t of municipal waste were generated.

During January – June 2014, Kaunas HPP transferred for utilisation 0.02 t of hazardous waste and 0.35 t of non-hazardous waste. The municipal waste collected in the territory of the object is removed by a contracted specialised company; over the six month's period about 3.24 t of municipal waste were generated.

Waste paper and carton generated in all power stations is transferred to the relevant waste processing companies.

RISK MANAGEMENT

The key risk factors related to the Company's activities and their management measures:

- To avoid break downs and accidents of the equipment, the Company is preparing repair plans and technical maintenance schedules, monitors the implementation of the measures specified therein, invests into upgrading of the existing and procurement of new equipment. To ensure continuity of the Company's operations continuity plans are drawn, updated and tested on an ongoing basis.
- The Company has been certified in accordance with the ISO 14001:2004 standard, the maintenance of the certification ensures that the Company complies with the environmental requirements and mitigation of damage to the environment; to ensure occupational safety and health the Company maintains the OHSAS 18001:2007 certificate, is periodically checking working places and the quality of work organisation, while its employees receive instructions and are provided with personal protective equipment.

- For the purpose of recruitment and maintenance of skilled employees the Company has launched remuneration and motivation system, is drawing staff training plans, has adopted a programme for rotation of positions.
- To manage the risks resulting from the external factors the Company takes the initiative to be represented in decision making bodies, issues comments, proposals with regard to draft legislation, takes part in open consultations and negotiations.
- For the purposes of mitigation of financial risks the Company maintains a more than sufficient credit limit in its bank account, draws cash flow forecasts, monitors borrowing prices, enters into refinancing agreements; for safeguarding of cash flows of the Company and managing of credit risk the Company verifies qualification and solvency of suppliers as part of its public procurement procedures and strictly monitors payment schedules.

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 Accounting Standards (IFAS) 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 chief financial officer of 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.

The information about the management of the Company's and the Group's financial risk is provided in Note 4 to the consolidated interim financial statements of Lietuvos Energijos Gamyba, AB, for the six-month period ended on 30 June 2014.