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**“LIETUVOS ENERGIJOS GAMYBA”, AB**

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**CONSOLIDATED INTERIM REPORT  
FOR THE NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2014  
(unaudited)**

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## KEY INDICATORS OF "LIETUVOS ENERGIJOS GAMYBA" GROUP

		9 m. of 2014	9 m. of 2014	Change	
				+/-	%
<b>KEY OPERATING INDICATORS</b>					
Electricity generation volume	<i>TWh</i>	1,46	1,55	-0,08	-5,4
Electricity sales in free market	<i>TWh</i>	1,17	0,93	0,25	26,7
<b>KEY FINANCIAL INDICATORS</b>					
Revenues	<i>LTL'000</i>	672.647	883.576	-210.929	-23,9
Costs of purchase of electricity, fuel and related services	<i>LTL'000</i>	401.308	595.275	-193.967	-32,6
Operating expenses <sup>1</sup>	<i>LTL'000</i>	104.020	101.540	2.480	2,4
EBITDA <sup>2</sup>	<i>LTL'000</i>	169.504	189.615	-20.111	-10,6
EBITDA margin <sup>3</sup>	%	25,2%	21,5%		
Net profit on continued operations	<i>LTL'000</i>	92.809	88.458	4.351	4,9
		30/09/2014	30/09/2013	Change	
				+/-	%
Assets total	<i>LTL'000</i>	3.312.222	3.379.614	-67.392	-2,0
Equity	<i>LTL'000</i>	1.266.703	1.398.825	-132.122	-9,4
Financial debts	<i>LTL'000</i>	572.918	582.094	-9.176	-1,6
Net financial debts <sup>4</sup>	<i>LTL'000</i>	319.117	442.137	-123.020	-27,8
Return on equity (ROE) <sup>5</sup>	%	9,8%	8,4%		
Equity level <sup>6</sup>	%	38,2%	41,4%		
Net financial debts / 12-month EBITDA	%	251,0%	310,9%		
Net financial debts / Equity	%	25,2%	31,6%		

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

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

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

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

<sup>5</sup> Return on equity (ROE) = Net profit (loss) for the year / Equity at the end of the period.

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

## **COMMENT FROM CEO**

The electricity market stayed stable in January-September 2014. During the first months of the year, the prices in the Lithuanian zone of the Nord Pool Spot market were quite low and stayed that way until the supply of cheap electricity started decreasing towards the middle of the year. Similar trend is observed every year: electricity prices jump in summer in both Lithuania and Latvia, when the amount of water in the hydro power plants significantly drop, majority of combined heat and power plants are out of operation, electricity grids are under maintenance, and ventilation systems are switched on during the periods of heat. Thus, the electricity prices in January-September are similar to the last year's prices. The average electricity price in January-September 2014 in the Lithuanian price zone of the Nord Pool Spot was only insignificantly (about 2.3%) higher than in the same period in 2013: 171.71 LTL/MWh (49.77 EUR/MWh) and 167.88 LTL/MWh (48.66 EUR/MWh), respectively.

Quiet beginning of the year, with the electricity demand fully satisfied by the import and combined heat and power plants, and the summer without any major surprises determined 13.1% smaller electricity generation in January-September 2014, in Elektrėnai than during the same period in 2013: in total, 0.768 TWh or 85% of the total supported electricity generation quota assigned for 2014. The combined cycle unit controlled by the Company was switched on for the first time this April according to the plan agreed with the transmission system operator Litgrid. The unit stayed in operation nearly for the whole period, from the beginning of June till mid-October and generated 80% of the total electricity produced during nine months in Elektrėnai complex.

The new unit first put into operation two years ago has already proven its important role in securing stable electricity supply during warm seasons and reducing production costs. During nine months, it generated nearly half more electricity than during the same period last year and at the same time helped to save several tens of millions PSO funds, which would have had to be additionally spent if using the old less effective units of Elektrėnai.

During January-September 2014, all three power plants under the Company's control generated 1,463 TWh electricity in total (during the same period in 2013, the generated electricity amount was 5.7 bigger, i.e. 1,547 TWh electricity). Bigger production volumes than last year were observed only in Kruonis Pumped Storage Hydroelectric Power Plant, which in first nine months of 2014 generated 27.4% more electricity than during the same period last year (0,442 TWh and 0,347 TWh, respectively). Because of dry weather, Kaunas Algirdas Brazauskas' Hydroelectric Power Plant generated one fifth less electricity during nine months of 2014 than in the same period in 2013.

Smaller electricity generation volumes in Elektrėnai and Kaunas were among other reasons that determined smaller incomes earned by the group of companies of Lietuvos Energijos Gamyba (hereinafter referred to as the Group) in January-September 2014, amounting to LTL 672,6 million, or 23.9% smaller than the earnings in January-September 2013 (LTL 883,6 million).

Electricity sale to LESTO decreased by 2.4 times because of the changed trading principle from the beginning of the year made even stronger impact on decrease of incomes (from 1,791 TWh in January-September 2013 down to 0,745 TWh in the same period in 2014).

Nevertheless, the Group continued successfully trading on the free market, making in particular effective use of Kruonis Pumped Storage Hydroelectric Power Plant, resulting in the growth of the Group's trading on the free market by 26.7%, up to 1,173 TWh (the trade on the free market in January-September last year amounted 0,926 TWh). During first nine months of 2014, the Group's sold 1,918 TWh electricity on the domestic market. It is 29.4% less than during the same period in 2013, when the sold amount was 2,716 TWh.

The Group's EBITDA margin of nine months 2014 was 25.2%. If compared with the same period in 2013, the EBITDA margin increased by 3.7% (from 21.5 %). However, dropping volumes of electricity generation and trade resulted in the EBITDA decreasing from LTL 189,6 million down to LTL 169,5 million in absolute value. The net profitability of the Group increased by 3.8 %: The net profitability rate in January-September 2013 was 10.0%, while during the same period this year it was 13.8%. During January-September 2014, the Group's net profit was LTL 92,8 million or 4.9% bigger than during the same period in 2013, when the net profit was LTL 88,5 million.

During all nine months we managed to secure reliable operation, by compensating the decreased electricity generation volumes caused by the market and weather conditions by good trading performance, using the opportunities to buy and sell electricity on favourable terms. Professional performance of the generation and trade staff in the third quarter allowed to shift lots of attention to other important projects.

Both staff and contractors of Lietuvos Energijos Gamyba are working closely together to ensure that starting from this heating season Elektrėnai town would be supplied with heating generated in the new biofuel power plant. And from the new year, the Company will decommission two small units of the standby power plant (150 MW capacity). This significant event is planned to boost the process that has been taking place in the Company for several years by now, i.e. saving public service obligations (PSO) funds assigned for generation in Elektrėnai.

Optimisation of servicing activities (i.e. centralisation and procurement and accounting functions in the newly-established company), preparation works for which were in particular intense in the third quarter of 2014, will also contribute to the achievement of the strategic goals - operating efficiency and value increase - set by the Company and the entire group of Lietuvos Energija.

**Juozas Bartlingas**  
CEO

*"Lietuvos energijos gamyba", AB*

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#### Information about the Company and its contact details

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

#### Core activities of the Company

The generation 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 (former Lietuvos Elektrinė) and a combined-cycle unit,
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas A. Brazauskas HPP)
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#### Information about the Group

As of 30 September 2014, the Company has direct control over the following wholly-owned subsidiaries: UAB Kauno Energetikos Remontas and Energijos Tiekimas UAB. The Company holds 100% of shares.

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.

**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.

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), UAB Verslo aptarnavimo centras (20% of shares) and AS Nordic Energy Link under liquidation (25% of shares).

## **MOST-SIGNIFICANT EVENTS IN THE REPORTING PERIOD**

### **Business Strategy Approved**

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.

### **Joint venture agreement signed**

On 21 July 2014, the Company and Lietuvos Energija, UAB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB concluded an agreement on the formation of a joint venture, Verslo Aptarnavimo Centras UAB. The purpose of the new company is to create and enhance value added in the energy sector by providing the services of organisation and conduct of public procurement, accounting and human resources administration to the companies of the state-controlled energy group. The Company has acquired 20% of the shares in the newly established private company.

### **National Commission on Energy Control and Prices issued a legal act relevant to the Company's operations**

On 7 August 2014, the National Commission on Energy Control and Prices (NCC) passed a resolution 'Concerning Results of an Inquiry of the Electricity Generation Market', whereby the Company was recognised as an entity having significant influence in the electricity generation market and obligations related to the setting of prices and publication of information on the costs of regulated activities were imposed with the effect from 1 January 2015.

While making comments on the draft resolution during a public consultation, the Company has noted that wrong assumptions had been selected for the market inquiry. In the opinion of the Company, NCC decision to recognise the Company as an entity having significant influence in the electricity generation market and the related obligations should not be applicable.

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

On 30 September 2014, the extraordinary meeting of shareholders of the Company decided to pay dividend to the Company's shareholders for the six month period ended on 30 June 2014, at the rate of LTL 0.11 per share (totalling LTL 69.86 million).

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

		Company		Group	
		9 months of 2014	9 months of 2013	9 months of 2014	9 months of 2013
<b>FINANCIAL INDICATORS</b>					
Sales income	LTL'000	625.478	846.916	631.537	853.148
Other operating income	LTL'000	5.703	4.539	41.110	30.428
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	LTL'000	166.127	182.017	169.504	189.615
Operating profit	LTL'000	116.332	105.946	115.090	111.447
Net profit on continued operations	LTL'000	96.533	85.514	92.809	88.458
Profit before tax	LTL'000	114.516	93.038	111.136	96.595
Cash flows from operations	LTL'000	197.720	323.724	209.543	339.272
Liabilities to financial institutions	LTL'000	563.911	571.990	572.918	582.094
<b>RATIOS</b>					
Liabilities / equity		1,61	1,42	1,61	1,42
Financial liabilities / equity		0,45	0,42	0,45	0,42
Financial liabilities / assets		0,17	0,17	0,17	0,17
<b>LOAN COVERAGE RATIO</b>					
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) <sup>1</sup>		5,09	3,09	5,15	3,04
<b>PROFITABILITY RATIOS</b>					
Operating profit margin	%	18,43	12,44	17,11	12,61
Profit before tax margin	%	18,14	10,93	16,52	10,93
Net profit margin	%	15,29	10,04	13,80	10,01
Return on equity <sup>2</sup>	%	7,73	6,26	7,33	6,32
Return on assets <sup>2</sup>	%	2,96	2,58	2,80	2,62
Earnings per share, LTL <sup>2</sup>	litas	0,15	0,13	0,15	0,14
P/E <sup>3</sup> (share price / earnings)		18,54	10,23	19,28	9,89

<sup>1</sup> Refinanced loans have not been included in the calculations of the indicator.

<sup>2</sup> The calculations of the indicator are based on the net profit of reporting period only, i. e. nine months.

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

Profitability indicators for the nine months of 2014 are much better than those for the same period of 2013 despite a drop in the sales income in 2014. Income from regulated activities for the nine months of 2014, i. e. the electricity and heat generation at the Elektrėnai complex and the power reserving services provided by the Elektrėnai complex and the Kruonis HPSP, account for approx. 56% of total income of the Group (same period of 2013: 54%).

### Statement of Financial Position

The Company's liabilities to financial institutions were LTL 563.9 million as of 30 September 2014, including liabilities under long-term loan agreements. The Group's liabilities to financial institutions were LTL 572.9 million. Liabilities of Kauno Energetikos Remontas UAB under both long- and short-term loan agreements and financial lease agreements were LTL 9 million as of 30 September 2014.

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There have not been significant changes in the Company's and the Group's asset structure during the nine months of 2014 compared with the same period of 2013.

#### Comprehensive Income Statement

##### Income

Income of the Company for the nine months of 2014 amounted to LTL 625.5 million, with the income from electricity trade, balancing and regulating electricity, power reserving and public interest services (PIC) as well as income from heat energy sale accounting for the largest part of it. Compared with the same period of 2013, there has been a 26% decrease in the Company's income including a 26% decrease in trading revenues, 55% - in power reserving service revenues, and 16% - in PIS revenues. During the nine months of 2014, income of the Group was LTL 631.5 million, which is 26% less than in the same period of 2013.

##### Costs

The Company incurred costs of LTL 514.8 million and the Group LTL 557.6 million in the period of January – September 2014. Costs of purchasing electricity and related services as well as fuel for the electricity generation account for the largest part of costs of the Company (78% or LTL 399.7 million) and the Group (72% or LTL 401.3 million). Depreciation and amortisation costs of the Company and the Group were LTL 57.7 million and LTL 59.4 million respectively.

Operating costs of the Group excluding purchases related to electricity and electricity generation, depreciation and amortisation costs, costs of revaluation of emission trading permits and impairment losses totalled LTL 104 million in the nine months of 2014, which shows a LTL 2.5 million increase compared with the same period of 2013.

##### Profit

In the period of January – September 2014, the Group's and the Company's EBITDA were smaller by LTL 20.1 million and LTL 15.9 million compared with the same period of 2013. This has been determined mainly by the

power reserving service sales. Despite that, the Group's EBITDA margin increased 4.6 p. p. and was 26.8% for the nine months of 2014. The Company's EBITDA margin was 26.6% for the same period.

The Group's gross profit was LTL 111.1 million and the net profit from continued operations was LTL 92.8 million in January – September 2014. The net profit margin of the Group increased from 10.0% in January - September 2014 to 13.8% in the same period of 2014.

The Company earned a net profit of LTL 96.5 million from continued operations. The Company's net profit margin increased from 10.0% in January - September 2013 to 15.3% during the same period of 2014.

During the nine months of 2014, Kauno Energetikos Remontas UAB incurred a net loss of LTL 3.9 million, and Energijos Tiekimas UAB Group earned LTL 2.2 million as net profit.

#### Cash Flow Statement

In the period of January – September 2014, net cash flow from operations of the Company was LTL 197.7 million and that of the Group was LTL 209.8 million, compared with LTL 323.7 million and LTL 339.3 million respectively in the nine months of 2013.

The net cash flow from investment activities of the Group was a negative figure for the nine months of 2014 (LTL - 22.5 million), just as in 2013 (LTL - 93.7 million). The Group's cash flow from financial activities was also negative in the 9 months of 2014 and was LTL 153 million (9 months of 2013: LTL -76.1 million).

#### Investments in Non-Current Assets

During the nine months of 2014, the Company's investments in non-current tangible assets totalled LTL 59.6 million (the Group's: LTL 60.8 million). Investments in the biofuel-fired boiler house in Elektrėnai accounted for the largest part of the Group's investments (LTL 51.3 million).



## ANALYSIS OF OPERATING INDICATORS

### Performance and Prospects





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

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

<b>Elektrėnai complex</b> Reserve power plant and combined-cycle unit	<b>Kruonis Pumped Storage Hydroelectric Plant</b>	<b>Kaunas Algirdas Brazauskas Hydroelectric Power Plant</b>	<b>Electricity trading</b>
 <p><b>Capacity: 1955 MW</b></p> <p>The main power plant in the Lithuanian power system, having the greatest production capacities in the country and maintaining the tertiary reserve for ensuring the security of energy supply and reserves.</p> <p>The larger part of the electricity generation will be concentrated at the most efficient unit – the combined-cycle unit.</p> <p>A project on the construction of new heat energy production facilities is being finished.</p>	 <p><b>Capacity: 900 MW</b></p> <p>Kruonis PSHP is designed for the balancing of electricity generation and consumption as well as for the power system's emergency prevention and response. Kruonis PSHP is responsible for the securing the larger part of the emergency reserve required for the Lithuanian power system.</p> <p>As the need for regulation increases, and on completion of the power links with Sweden and Poland, the power plant will increase its generation volumes and will provide more system services.</p> <p>The Company plans to implement a Kruonis PSHP development project.</p>	 <p><b>Capacity: 100,8 MW</b></p> <p>Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.</p> <p>Kaunas HPP contributes to the balancing of electricity generation and consumption and levels out the power system. It is one of the power plants in the Lithuanian power system that can start an autonomous operation in case of the total power system failure.</p> <p>The plant is going to maximise the generation of green energy, depending on natural conditions, and to provide system services.</p>	 <p>The Company conducts wholesale trading in electricity in the wholesale market, i. e. between power generation companies and electricity suppliers.</p> <p>On completion of the power links with Sweden and Poland, trading will become more active due to wider opportunities for trading in electricity and system services in the interconnected systems.</p> <p>The Company seeks to maintain its market share by an efficient combination of its production capacities and the electricity purchasing in both Lithuania and the neighbouring markets.</p>

### Key Performance Indicators

#### Electricity generation indicators for January - September 2014

The Company holds permits to generate electricity without a definite term of validity. In the period January – September 2014, the volume of sale of electricity produced at the Company's power plants totalled 1.463 TWh, which is 5.4% less than in the same period of 2013. The same period of 2013 saw the sales of 1.547 TWh.

The most significant year-to-year decrease in electricity

generation was observed at the Kaunas A. Brazausko Hydro Electric Power Plant (Kaunas HEPP). This has been determined by a dry spring, summer and the beginning of autumn (see Figure 2).

The Elektrėnai complex started generating electricity in April 2014. As planned, this year the units of the complex operate according to a schedule agreed with the TSO, in

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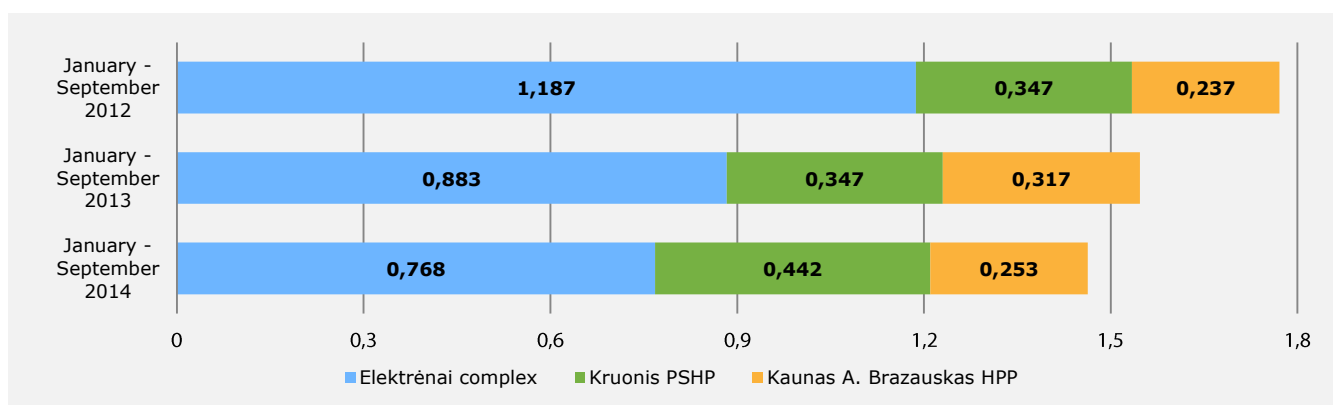
order to ensure reliable operations of the power system as a shortage of electricity is experienced in the warm season, resulting in a price rise. This occurs due to repairs of other electricity generating sources and limited capacities. Focussing of generation at the Elektrėnai complex on the warm season helps to increase the efficiency of the PIS funds' use as well.

Renewable energy sources are used by the Company as well. The Kaunas HEPP uses hydro energy, which is a clean and flexible national energy resource that will never be exhausted. During the nine months of 2014, the power plant generated and sold 0.253 TWh of electricity, which is 20% less than in the same period of 2013. The average

monthly flowrate in the Nemunas River in January – September of 2014 was lower than the multi-annual average. The spring flood levels in the Nemunas River were medium, the month of April was drier than usual, which has lowered the water level, therefore, the Kaunas HEPP operated at a lower capacity.

There has been an increase in the generation volume at the Kruonis Hydro Pumped Storage Plant (HPSP) compared with the nine month period of last year: during January – September 2014, the power plant generated and sold 0.442 TWh of electricity, which is 27% more than in the same period of 2013 (0.346 TWh).

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



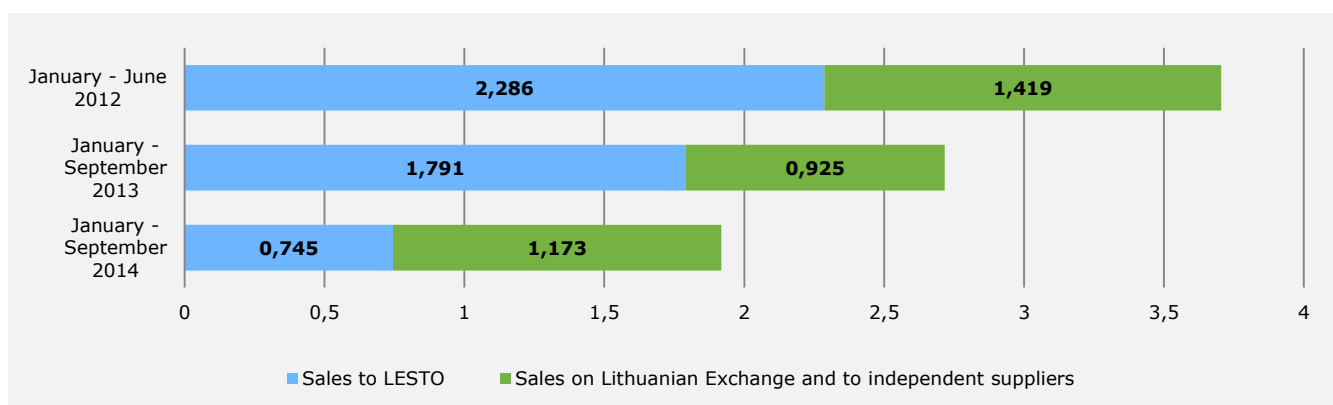
**Trading in electricity in January – September 2014**

In the period of January – September 2014, the Company sold 1.918 TWh of electricity in the domestic market, i. e. 29% less than in the same period of 2013 (2.716 TWh) (see Figure 3).

The main cause of such decrease is that, since the beginning of 2014, no bilateral agreements have been concluded to meet the demand of LESTO AB as a public supplier.

Since 8 January 2013 the Company performs the function of a designated company: it buys up all the electricity to be generated at wind farms according to forecasts and sells it in the Lithuanian bidding area of Nord Pool Spot (NPS) exchange. During the nine months of 2014, 0.36 TWh of electricity were bought from the wind farms for sale on the exchange.

Figure 3  
**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 supply 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 A. Brazauskas HPP, Kruonis PSHP and the Elektrėnai complex, and the tertiary power reserve is ensured by the Elektrėnai complex. In January – September 2014, the Company sold 1.30 TWh of electricity as secondary power reserve and 1.77 TWh of electricity as tertiary power reserve (in January – September 2013: 1.35 TWh and 1.77 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. 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 – September 2014, the Company sold 0.02 TWh and purchased 0.02 TWh of regulation power (in January – September 2013: 0.07 TWh and 0.03 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 A. Brazauskas HPP.

## OTHER FACTORS DETERMINING FINANCIAL INDICATORS

### Business Strategy of the Company

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

### 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**



## **Innovation**

Increase in the efficiency of operations as one of the strategies of the Company is based on the optimisation of the Company's functions, technological advancement, introduction of innovation, and continuous improvement of business processes. Along with the measures provided in corporate operating plans, innovative proposals made by the Company's employees are implemented as well.

Since 2012, employees of Lietuvos Energijos Gamyba have submitted 95 innovative proposals for increasing the efficiency of the Company's operations or improving the corporate environment. 28 proposals have already been implemented and 25 are under implementation. Mention should be made of two major innovative initiatives currently being realised: 'Reducing Energy Costs of the Company's Internal Processes' and 'Replacement of the Steam Method of Heating Raw Water with the Water Method (Heating from the District System)'. It is estimated that the two initiatives will lead to the annual savings of approx. LTL 1.5 million.

## **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.

Earmarked and approved investments exceeding LTL 3 million:

- Reconstruction of the external part of the chimney No 3 in the reserve power plant;
- Reconstruction of flotation water purification equipment in the fuel facilities;
- Modernisation of physical security systems (video, perimeter and access monitoring and control);
- Chemical water purification equipment for the water supply to the combined-cycle unit;
- Renovation of complex distribution equipment and complex transformer substations for own needs;
- Construction of heat energy and steam generation capacities at the reserve power plant;
- Installation of engineering infrastructure at the Kruonis industrial park within the territory of the Kruonis PSHP.

The following research and development projects were underway in January – September 2014:

### **Investigations into Syderiai geological structure**

Feasibility of construction of an underground natural gas storage facility in Telšiai District was continued to be analysed at the beginning of 2014, processing of the data collected during the seismic and geologic investigations was completed and a simulation model of the storage facility's reservoir was prepared. The model enables an assessment of fitness of the storage facility in geologic terms as well its behaviour during gas pumping and extraction process and a determination of the operating parameters of the storage facility.

All the findings and conclusions of the investigations were submitted to the Ministry of Energy. In order to enable the Government, which had initiated the project, to make a justified decision on further implementation of the project, the Company's specialists were charged with a task to

The Company seeks to instil an attitude that innovation and search for new solutions are inseparable from day-to-day work. While financial benefits is the key criterion in evaluating the ideas raised by the employees, such aspects as safety at work, quality, promoting corporate values, improvement of ergonomics at workplaces are very important as well. The employees are enabled to realise their ideas, thus contributing to the development of the Company's activities and attainment of its objectives.

The process of innovation, forming part of the Company's operations, is under constant development. The procedure for raising one's ideas is becoming increasingly simpler, the employees receive a feedback on the status of realisation of the ideas; at the same time, the employees are afforded wider opportunities for acquiring knowledge and experience and sharing the best practices of other entities implementing the LEAN system and actively introducing innovation.

make a cost and benefit analysis of the project. The analysis has shown that only the regional option of a storage facility with the volume 500 million m<sup>3</sup> is viable financially, with part of the storage capacity used to meet the demand in the Poland's market, however, the Lithuanian – Polish gas pipeline (GIPL) project has to be completed first. The study concludes that it is expedient to raise the EU financial assistance from the Connecting Europe Facility (CEF) for the implementation of the project. The results of the investigations carried out in this project are being presented to the Ministry of Energy and the Government in October – November, for further decision making.

### **Project on the development of heat generation capacities in Elektrėnai**

In 2014, the Company is carrying out construction of new heat energy generating capacities, i. e. biofuel- and steam-fired boiler houses. Tinsmith works and basic equipment installation works on the biofuel storage building are nearing completion according to schedule; installation of a condensing economiser and related piping has been completed; flue ducts, electrostatic flue gas filters, biofuel weighing equipment have been installed and metal structures of the weighing building are being assembled. An inner road has been built for the delivery of biofuel by trucks in the cold period of the year. Adjustment of part of the installed equipment has been started on the boiler-house construction site: new bucket cranes that will operate in the storage facility of the boiler house have been tested. Installation of heat pipelines in the boiler house is underway.

Main mechanical works forming part of the reconstruction of the heat pipelines and necessary to secure the supply of heat to the Elektrėnai town and other customers have been completed according to schedule. Electrical engineering and automation works are carried out in the pipelines. Newly installed pipelines will be used for the supply of heat in the 2014-2015 heating season. It is estimated that heat energy for the 2014-2015 heating season will be generated by the new biofuel-fired boilers.



## CONSOLIDATED INTERIM REPORT For the nine-month period ended 30 September 2014

The steam pipeline was connected to the new steam boilers as part of the construction of the steam boiler house which is being installed in the machine department of the old power plant; hydraulic tests of the pipeline have been completed successfully. Testing of the newly installed

equipment and systems is planned in the last quarter of the year and the new steam production equipment will be put into operation in December.

Photos from construction:



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

In the beginning of 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.

### Assessing the wind energy potential at Kruonis HPSP

At the beginning of 2014, integrated measurements of wind speed and direction and other meteorological conditions have been started in the territory of Kruonis HPSP in order to make a preliminary assessment of the area for the potential construction of a wind farm. The Company will make final decisions based on the results of the measurements.

Other preparatory project works are planned to be started in Quarter IV.

### The Key Risk and Uncertainties Factors

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.

## **INFORMATION ABOUT AUTHORIZED CAPITAL AND SECURITIES OF THE COMPANY**

### **Structure of Authorized Capital and Securities**

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 September 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 5.

### **Dynamics and Turnover of Shares of the Company**

#### **Statistics January – September 2014**

	<b>Litas</b>	<b>Euro</b>
Last trading session price	2.817	0.816
Maximum price	2.949	0.854
Minimum price	1.364	0.395
Average price	2.128	0.616
Turnover, shares	1,362,493	1,362,493
Turnover	2,899,627.13	839,790.06

Figure 5  
**Dynamics of the price and number of the Company's shares since the start of trading**



As of 30 September 2014, market capitalisation of the Company was LTL 1,789.3 million (EUR 518.2 million) compared with LTL 874.9 million (EUR 253.4 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 nine-month period ended 30 September 2014

### Information about Shareholders of The Company

On 14 October 2014 the total number of shareholders of the Company was 6,249.

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

Name	Class of shares	Number of shares	Share of authorised capital, %	Share of votes in the authorised capital, %
<b>Lietuvos Energija, UAB</b> 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
<b>TOTAL</b>	Ordinary registered shares	635,083,615	100	100

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

Nė vienas Bendrovės akcininkas neturėjo specialiųjų kontrolės teisių. Visi Bendrovės akcininkai turėjo vienodas teises (turtines ir neturtines), numatytas Lietuvos Respublikos akcinių bendrovių įstatyme ir Bendrovės įstatuose.

#### 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.

### 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.

### Dividends

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.

The extraordinary general meeting of shareholders of the Company held on **30 September 2014** resolved to declare dividend for a period shorter than the financial year to the shareholders of Lietuvos Energijos Gamyba, AB (shareholders of Lietuvos Energijos Gamyba, AB were allotted dividend of LTL 0.11 per share in Lietuvos Energijos Gamyba, AB for the six month period ended on 30 June 2014). Dividend was received by those persons who were shareholders of the Company at the end of the tenth working day after the date on which the meeting of shareholders resolving on dividend payment was held, i. e. at the end of working day of 14 October 2014.



## **CORPORATE SOCIAL RESPONSIBILITY**

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.

### **Primary school kits**

On the eve of the 1st of September, school kits were distributed to primary school pupils – children living at the Elektrėnai Children's Care Home. Primary school kits were also donated, in collaboration with the Elektrėnai Municipality, to families in need of social support. Employees of the Company having children – primary school pupils received such kits as well.

### **Educational activities**

The Company accepts, without charge, excursions to its facilities including the combined-cycle unit, Kruonis HPSP, Kaunas HEPP. In this way the Company seeks to contribute to the process of educating members of the public, young people in particular, about the energy system. During the nine months of 2014, over 1,700 people from various organisations, schools etc. visited the power plants; delegations from foreign countries were received as well. The largest number of excursions took place in the Kruonis HPSP; Kaunas A. Brazauskas HPP – 29; and combined cycle unit – 11.

### **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 nine months of 2014, the Elektrėnai Complex transferred 68 t of railway ties, 1354 t of wastewater sludge (hazardous waste), 1092 t of liquid fuel ash and 1120 t of construction waste for processing and sold 533 t of electric engineering scrap and 3348 t of ferrous metal scrap. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 130 m<sup>3</sup> of domestic waste was generated during January – September 2014.

During the nine months of 2014, Kruonis PSHP transferred 10.8 t of hazardous waste and 0.57 t of non-hazardous waste for processing. 12.9 t of ferrous metal scrap was sold. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 25 t of domestic waste was generated during January – September 2014.

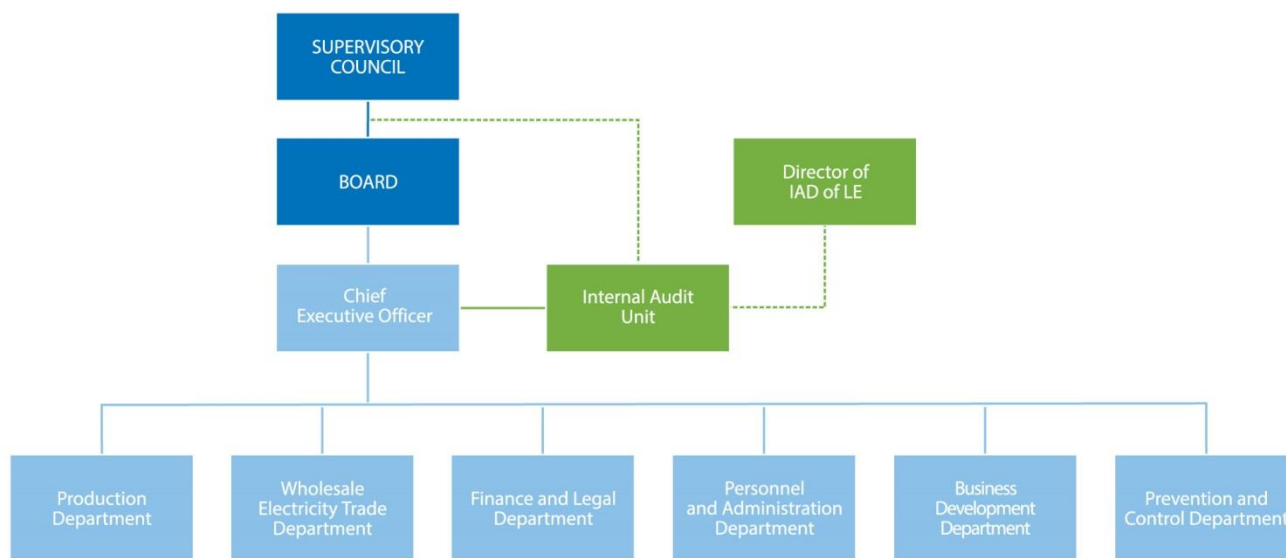
During the nine months of 2014, Kaunas A. Brazauskas HPP transferred 0.476 t of hazardous waste and 0.565 t of non-hazardous waste for processing. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 4.86 t of domestic waste was generated in January – September 2014.

All the power plants transfer their paper and cardboard waste to specialised recycling companies.

## THE COMPANY AND ITS MANAGEMENT BODIES

### Organizational Structure

Figure 6  
*Structure of the Company (as of 30 September 2014)*



### 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.

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

### General Meeting of Shareholders

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

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

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 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.
3. The extraordinary meeting of shareholders of the Company held on 30 September resolved to approve the Company's interim financial statements for the six-month period ended on 30 June 2014 and to declare dividend for the Company's shareholders for a period shorter than the financial year. It has been resolved to pay dividend totalling LTL 69.86 million.

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.

## CONSOLIDATED INTERIM REPORT For the nine-month period ended 30 September 2014

### 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.

### Stebėtojų tarybos nariai (2014 m. rugsėjo 30 d. duomenimis)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
<b>Dalius Misiūnas</b> Chairman	5 August 2013 – to date	–	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.	–
<b>Liudas Liutkevičius</b> <sup>1</sup> 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.	–
<b>Pranas Vilkas</b> Independent members	5 August 2013 – to date	–	–	–

<sup>1</sup> The general meeting of shareholders has resolved that from 20 November 2014 the Member of the Supervisory Board L. Liutkevičius will be replaced, for the period until the end of the term of office of the current Supervisory Council, by Mindaugas Keizeris, Director for Strategies and Development at Lietuvos Energija, UAB..

## CONSOLIDATED INTERIM REPORT

### For the nine-month period ended 30 September 2014

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](#).

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

#### Information on amounts paid to Members of the Supervisory Board

	Pay in January – September 2014, LTL	Other payments in January – September 2014, LTL	TOTAL, LTL
All members of the Supervisory Council collectively	-	14 850	14 850
Per member of the Supervisory Council on average *	-	14 850	14 850

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

#### Audit Committee

As of 30 September 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 September 2014)

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

## CONSOLIDATED INTERIM REPORT For the nine-month period ended 30 September 2014

### 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.

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 Lit);
- 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.

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

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

No changes took place in the composition of the Company's Board during the reporting period. The expected end of the term of office of the current Board of the Company is 17 September 2017. 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 – September 2014, the Board met for 34 times. All members of the Board attended 32 of them, while two meetings were attended by four out of five Board members (80%).

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### Information on amounts paid to Members of the Board

	Pay in January – September 2014, LTL	Other payments in January – September 2014, LTL	TOTAL, LTL
All members of the Board collectively	753 956	155 639	909 596
Per member of the Board on average	150 791	31 128	181 919

### Management Bodies

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

### Information on amounts paid to CEO and Chief Financier

	Pay in January – September 2014, LTL	Other payments in January – September 2014, LTL	TOTAL, LTL
Chief Executive Officer	198 785	45 500	244 286
Chief Financier	95 055	–	95 055

### Employees of the Company

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.

#### Number of Employees of the Company

As of 30 September 2014, the Company employed 502 people (including employees on child care leave) including specialists and line managers 59%, blue-collar workers 40%, and top management 1 %.

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

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.

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

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	6 <sup>1</sup>	38	457
Average pay, LTL	20 000	12 810	7 207	3 741

<sup>1</sup> Chief Financier is added to top management.



## **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

## **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.

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.

In January - September 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 gives priority to proactive communication with the employees. In January - June 2014, the Company's executives and board members had the meetings with the employees of all divisions. During the meet-

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).

ings, 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.

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 nine months of 2014 technical training was attended by 175 employees of the Company, management training - by 111 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 nine months of 2014, the Company hosted 12 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.

## **Information on other Committees**

### **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 September 2014)**

Komiteto narys	Turimų Bendrovės akcijų skaičius	Darbo komitete pradžia	Darbovietė, pareigos
<b>Antanas Danys</b> Chairperson	–	August 2013	Public Entity „Lietuvos Junior Achievement“, Board Member
<b>Tomas Garasimavičius</b> Member	–	August 2013	Energy Advisor to the Prime Minister of the Republic of Lithuania
<b>Raimundas Petrauskas</b> Independent member	–	August 2013	Schmitz Cargobull Baltic, UAB, Chief Executive Officer
<b>Donatas Kauburys</b> Independent member	–	October 2013	UAB Dovirma, Director

**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 September 2014)**

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



## **MATERIAL EVENTS IN THE COMPANY'S ACTIVITIES**

### **Significant agreements**

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

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

### **Information on related party transactions**

Information on significant related party transactions is disclosed in the Explanatory Notes forming part of summary interim financial information for the nine months of 2014.

### **Guarantees provided**

On 8 September 2014, the Company amended its guarantee in the amount of EUR 1,766,000.00 provided on 18 April 2011 to Kauno Energetikos Remontas UAB as a borrower. The Company guarantees the discharge of another obligation of the borrower to Nordea Bank Finland Plc under an agreement on a bank account credit of EUR 1,448,100.00 as amended.

### **Detrimental transactions**

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

## **Material events during the reporting period**

### **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](http://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 were 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 Plant 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.

#### **Auditor Elected**

The extraordinary general meeting of shareholders decided to appoint UAB PricewaterhouseCoopers as the auditor of financial statements for 2014 of "Lietuvos energijos gamyba", AB, and to fix a fee not exceeding LTL 80,000, VAT excluded, for the above mentioned audit services.

#### **Business Strategy Adopted**

On 25 June 2014, the Company's Board approved the document of the business strategy of Lietuvos Energijos Gamyba, AB 2014-2020.

#### **Increase in the authorised capital of Technologijų ir Inovacijų Centras UAB**

On 10 July 2014, a new version of the Articles of Association of Technologijų ir Inovacijų Centras UAB, an associated company, was registered upon increase of the authorised capital of the Company (from LTL 10,000 to LTL 20,000,000).

In the authorised capital increase process, the Company paid, by a cash contribution, for 4,442,222 newly issued ordinary registered shares. Upon the increase in the authorised capital the shareholding of the Company increased from 20% to 22.22% of all shares of Technologijų ir Inovacijų Centras UAB.

#### **Joint venture agreement signed**

On 21 July 2014, the Company and Lietuvos Energija, UAB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB concluded an agreement on the formation of a joint venture, Verslo Aptarnavimo Centras UAB. The purpose of the new company is to create and enhance value added in the energy sector by providing the services of organisation and conduct of public procurement, accounting and human resources administration to the companies of the state-controlled energy group. The Company has acquired 20% of the shares in the newly established private company.

#### **State Commission on Energy Control and Prices issued a legal act relevant to the Company's operations**

On 7 August 2014, the National Commission on Energy Control and Prices (NCC) passed a resolution 'Concerning Results of an Inquiry of the Electricity Generation Market', whereby the Company was recognised as an entity having significant influence in the electricity generation market and obligations related to the setting of prices and publication of information on the costs of regulated activities were imposed with the effect from 1 January 2015.

While making comments on the draft resolution during a public consultation, the Company has noted that wrong assumptions had been selected for the market inquiry. In the opinion of the Company, SCECP decision to recognise the Company as an entity having significant influence in the electricity generation market and the related obligations should not be applicable.

#### **The Company became a member of NASDAQ OMX Commodities**

On 14 August 2014, the Company became the first among Lithuanian companies to join NASDAQ OMX Commodities, a

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### For the nine-month period ended 30 September 2014

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derivative financial instruments' exchange, seeking to actively participate in the integration of the Nordic and Baltic electricity markets.

NASDAQ OMX Commodities is a derivative financial instruments' exchange on which trade in financial instruments linked to electricity prices on Nord Pool Spot exchange is conducted. Trading in financial instruments enables the management of risks related to electricity price fluctuations.

#### **The Company's complaint concerning reversal of NCC's Resolution has been accepted by the court**

On 23 September 2014, Vilnius Regional Administrative Court accepted the Company's complaint whereby it

requests to reverse the NCC's Resolution 'Concerning Results of an Inquiry of the Electricity Generation Market'. By this Resolution NCC has recognised the Company as an entity having significant influence in the electricity generation market and has imposed obligations related to the setting of prices and publication of information on the costs of regulated activities with the effect from 1 January 2015.

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

On 30 September 2014, the extraordinary meeting of shareholders of the Company decided to pay dividend to the Company's shareholders for the six month period ended on 30 June 2014, at the rate of LTL 0.11 per share.

#### **Material events after the end of the reporting period**

20/10/2014

[Regarding the decommissioning of the units 1 and 2 of Lithuanian power plant owned by "Lietuvos energijos gamyba", AB](#)

29/10/2014

[Regarding the Extraordinary General Meeting of Shareholders of "Lietuvos Energijos Gamyba", AB](#)

31/10/2014

[Regarding legal proceedings initiated by the "Lietuvos energijos gamyba", AB](#)

19/11/2014

[On adopted Resolution of the Court](#)

20/11/2014

[Regarding Decisions adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB](#)

20/11/2014

[On adopted Resolution of the Supreme Court of the Republic of Lithuania](#)

## OTHER IMPORTANT INFORMATION

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

The Group's consolidated financial statements are drawn up in accordance with the International Financial 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.