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**CONSOLIDATED AND COMPANY'S  
CONDENSED INTERIM FINANCIAL  
INFORMATION AND CONSOLIDATED  
INTERIM REPORT**  
for the twelve-month period  
ended 31 December 2014  
(unaudited)

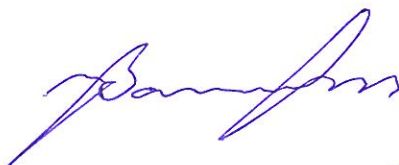
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## CERTIFICATION STATEMENT

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

Chief Executive Officer



Juozas Bartlingas

Director of Finance and Administration Department



Eglė Čiužaitė

Accounting manager  
UAB Verslo aptarnavimo centras  
under Order No. V-002 signed on 19 January 2015



Giedruolė Guobienė



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**„LIETUVOS ENERGIJOS GAMYBA“, AB**

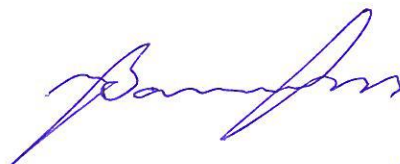
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**CONSOLIDATED AND COMPANY'S  
CONDENSED INTERIM FINANCIAL INFORMATION  
2014 Y.  
(unaudited)**

## CERTIFICATION STATEMENT

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

Chief Executive Officer



Juozas Bartlingas

Director of Finance and Administration Department



Eglė Čiužaitė

Accounting manager  
UAB Verslo aptarnavimo centras  
under Order No. V-002 signed on 19 January 2015



Giedruolė Guobienė

"Lietuvos energijos gamyba", AB

Correspondence address:  
A. Juozapavičiaus g. 13, LT-09311 Vilnius, Lithuania  
Registered address:  
Elektrinės g. 21, LT-26108 Elektrėnai, Lithuania

Tel. +370 5 278 2907  
Fax +370 5 278 2906  
E-mail info@le.lt  
www.gamyba.le.lt

Company code - 302648707  
VAT code - LT100006256115  
Data collected and stored in the  
Register of Legal Entities

Settlement account  
No. LT23 7300 0101 2785 8640  
Bank "Swedbank"; AB  
Bank code - 73000

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

<b>ASSETS</b>	<b>Note</b>	<b>Group at 31 December 2014</b>	<b>Company at 31 December 2014</b>	<b>Group at 31 December 2013</b>	<b>Company at 31 December 2013</b>
<b>Non-current assets</b>					
Intangible assets	5	37,991	37,520	29,542	28,968
Property, plant and equipment	6	2,540,869	2,520,234	2,636,706	2,597,392
Prepayments for property, plant, equipment				384	10,479
Investments in subsidiaries	13	-	21,043	-	52,397
Investments in associates and joint ventures	13	139,572	135,464	154,833	153,884
Deferred income tax assets		770	-	988	-
Other non-current assets		26,152	26,152	17,850	17,850
Amounts receivable		1,954	1,954	20,949	20,949
<b>Total non-current assets</b>		<b>2,747,308</b>	<b>2,742,367</b>	<b>2,861,252</b>	<b>2,881,919</b>
<b>Current assets</b>					
Inventories		21,359	19,149	24,032	23,113
Prepayments		30,164	18,900	15,725	5,659
Trade receivables		125,548	106,642	169,973	133,274
Other receivables		10,822	2,342	10,513	9,242
Prepaid income tax		7,213	7,108	10,147	10,073
Other financial assets		1	-	86	-
Cash and cash equivalents		274,271	261,552	219,746	178,087
		<b>469,378</b>	<b>415,693</b>	<b>450,222</b>	<b>359,448</b>
Non-current assets classified as held for sale		124	-	131	-
<b>Total current assets</b>		<b>469,502</b>	<b>415,693</b>	<b>450,353</b>	<b>359,448</b>
<b>TOTAL ASSETS</b>		<b>3,216,810</b>	<b>3,158,060</b>	<b>3,311,605</b>	<b>3,241,367</b>

(continued on the next page)

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>Group at 31 December 2014</b>	<b>Company at 31 December 2014</b>	<b>Group at 31 December 2013</b>	<b>Company at 31 December 2013</b>
<b>Capital and reserves</b>					
Share capital	7	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		6,944	3,786	7,928	4,015
Legal reserve		37,896	37,540	37,852	37,540
Other reserves	8	-	-	677,775	677,775
Retained earnings	9	295,832	287,982	(284,805)	(277,529)
<b>Total equity attributable to owners of the Company</b>		<b>1,271,523</b>	<b>1,260,159</b>	<b>1,369,601</b>	<b>1,372,652</b>
Non-controlling interest		-	-	43,896	-
<b>Total equity</b>		<b>1,271,523</b>	<b>1,260,159</b>	<b>1,413,497</b>	<b>1,372,652</b>
<b>Non-current liabilities</b>					
Borrowings	10	507,471	500,171	506,761	498,261
Finance lease liabilities		118	-	36	-
Grants	11	1,026,188	1,026,188	1,062,730	1,062,730
Other non-current accounts payable and liabilities		58,379	58,279	77,879	75,631
Deferred income tax liabilities		56,769	56,769	39,688	39,688
<b>Total non-current liabilities</b>		<b>1,648,925</b>	<b>1,641,407</b>	<b>1,687,094</b>	<b>1,676,310</b>
<b>Current liabilities</b>					
Borrowings	10	64,883	62,243	57,729	57,129
Finance lease liabilities		53	-	8	-
Trade payables		102,251	89,587	85,428	76,753
Advance amounts received		82,725	74,310	29,489	27,564
Income tax payable		-	-	1,222	-
Provisions for emission allowances	12	9,803	9,803	9,745	9,745
Other accounts payable and liabilities		36,647	20,551	27,393	21,214
<b>Total current liabilities</b>		<b>296,362</b>	<b>256,494</b>	<b>211,014</b>	<b>192,405</b>
<b>Total liabilities</b>		<b>1,945,287</b>	<b>1,897,901</b>	<b>1,898,108</b>	<b>1,868,715</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,216,810</b>	<b>3,158,060</b>	<b>3,311,605</b>	<b>3,241,367</b>

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

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

	Note	Group 2014	Company 2014	Group 2013	Company 2013
<b>Revenue</b>					
Sales revenue		807,928	797,887	1,088,008	1,079,590
Other operating income		58,262	7,306	111,388	7,572
		<b>866,190</b>	<b>805,193</b>	<b>1,199,396</b>	<b>1,087,162</b>
<b>Operating expenses</b>					
Purchase of electricity and related services		(235,475)	(231,292)	(415,375)	(415,346)
Gas and heavy fuel expenses		(261,943)	(261,943)	(374,164)	(374,164)
Depreciation and amortisation	5,6,11	(78,931)	(77,047)	(91,590)	(78,693)
Wages and salaries and related expenses		(44,281)	(31,507)	(63,778)	(33,555)
Repair and maintenance expenses		(24,702)	(24,265)	(21,772)	(23,197)
Income/(expenses) on revaluation of emission allowances		2,249	2,249	(14,320)	(14,320)
Increase/(decrease) in value of other non-current assets		8,302	8,302	(5,873)	(5,873)
Loss on revaluation and impairment of property, plant and equipment		(32,829)	(32,829)	(1,021)	(1,021)
Investicijų į dukterines bei asocijuotas įmones vertės sumažėjimas		-	(1,988)	-	(3,799)
Inventory write-down (expenses)/reversal		560	560	2,263	2,263
Other expenses		(69,770)	(19,512)	(91,061)	(33,659)
<b>Total operating expenses</b>		<b>(736,820)</b>	<b>(669,272)</b>	<b>(1,076,691)</b>	<b>(981,364)</b>
<b>OPERATING PROFIT</b>		<b>129,370</b>	<b>135,921</b>	<b>122,705</b>	<b>105,798</b>
Finance income:					
Share of result of operations of associates and joint ventures		7,020	11,905	2,278	4,147
Other finance income		2,894	-	1,348	-
Other finance (costs)		(16,958)	(16,665)	(23,278)	(22,874)
		(7,044)	(4,760)	(19,652)	(18,727)
<b>PROFIT BEFORE INCOME TAX</b>		<b>122,326</b>	<b>131,161</b>	<b>103,053</b>	<b>87,071</b>
Current year income tax expense					
Deferred income tax expense		(7,164)	(6,713)	(5,912)	(3,421)
		(17,056)	(17,081)	11,467	10,706
		(24,220)	(23,794)	5,555	7,285
<b>Profit (loss) for the period from continuing operations</b>		<b>98,106</b>	<b>107,367</b>	<b>108,608</b>	<b>94,356</b>
<b>DISCONTINUED OPERATIONS</b>					
Profit (loss) for the period from discontinued operations, net of income tax		524	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>98,630</b>	<b>107,367</b>	<b>-</b>	<b>-</b>

(continued on the next page)

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

	Note	Group 2014	Company 2014	Group 2013	Company 2013
<b>Other comprehensive income (loss)</b>					
Items that will not be reclassified to profit or loss					
Loss on revaluation of property, plant and equipment		-	-	(3,796)	(3,796)
Deferred income tax related to loss on revaluation of property, plant and equipment and impairment of investment property		-	-	569	569
Other comprehensive income less deferred income tax		-	-	(3,227)	(3,227)
<b>COMPREHENSIVE INCOME</b>		<b>98,630</b>	<b>107,367</b>	<b>105,381</b>	<b>91,129</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		98,389	107,367	106,210	94,356
Non-controlling interest		241	-	2,398	
		<b>98,630</b>	<b>107,367</b>	<b>108,608</b>	<b>94,356</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		98,389	107,367	102,983	91,129
Non-controlling interest		241	-	2,398	
		<b>98,630</b>	<b>107,367</b>	<b>105,381</b>	<b>91,129</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.15</b>		<b>0.17</b>	

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



**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**For three months period ended 31 December 2014**

All amounts in LTL thousands unless otherwise stated

Note	Group 1 October – 31 December 2014	Company 1 October – 31 December 2014	Group 1 October – 31 December 2013	Company 1 October – 31 December 2013
<b>Revenue</b>				
Sales revenue	176,391	172,409	234,860	232,674
Other operating income	17,152	1,603	32,551	3,033
	<b>193,543</b>	<b>174,012</b>	<b>267,411</b>	<b>235,707</b>
<b>Operating expenses</b>				
Purchase of electricity and related services	(67,110)	(64,530)	(133 433)	(133 404)
Gas and heavy fuel expenses	(29,000)	(29,000)	(52 505)	(52 505)
Depreciation and amortisation	(19,554)	(19,357)	(19,491)	(16,521)
Wages and salaries and related expenses	(11,719)	(8,121)	(15,584)	(8,867)
Repair and maintenance expenses	(30,287)	(4,989)	( 748)	535
Income/(expenses) on revaluation of emission allowances	5,444	5,444	(4 517)	(4 517)
Increase/(decrease) in value of other non-current assets	5,003	5,003	(362)	(362)
Loss on revaluation and impairment of property, plant and equipment	(32,829)	(32,829)	2,985	2,985
Investicijų į dukterines bei asocijuotas įmones vertės sumažėjimas	-	(1,988)	117	(3,799)
Inventory write-down (expenses)/reversal	373	373	(1,021)	(1,021)
Other expenses	416	(4,429)	(30 582)	(14 697)
<b>Total operating expenses</b>	<b>(179,263)</b>	<b>(154,423)</b>	<b>(255,141)</b>	<b>(232,173)</b>
<b>OPERATING PROFIT</b>	<b>14,280</b>	<b>19,589</b>	<b>12,270</b>	<b>3,534</b>
Finance income:	24	4	(656)	(319)
Share of result of operations of associates and joint ventures		-		
Other finance income	(77)	-	1,450	-
Other finance (costs)	(3,037)	(2,948)	(5,650)	(5,500)
	(3,090)	(2,944)	(4,856)	(5,819)
<b>PROFIT BEFORE INCOME TAX</b>	<b>11,190</b>	<b>16,645</b>	<b>7,414</b>	<b>(2,285)</b>
	-	-		
Current year income tax expense	(1,673)	(1,581)	(1,486)	(187)
Deferred income tax expense	(4,220)	(4,230)	14,824	14,233
	(5,893)	(5,811)	13,338	14,046
<b>Profit (loss) for the period from continuing operations</b>	<b>5,297</b>	<b>10,834</b>	<b>20,752</b>	<b>11,761</b>
<b>DISCONTINUED OPERATIONS</b>				
Profit (loss) for the period from discontinued operations, net of income tax	-	-	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>5,297</b>	<b>10,834</b>	<b>20,752</b>	<b>11,761</b>

(continued on the next page)

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**For three months period ended 31 December 2014**

All amounts in LTL thousands unless otherwise stated

Note	Group 1 October – 31 December 2014	Company 1 October – 31 December 2014	Group 1 October – 31 December 2013	Company 1 October – 31 December 2013
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified to profit or loss				
Loss on revaluation of property, plant and equipment	-	-	(4,301)	(3,798)
Deferred income tax related to loss on revaluation of property, plant and equipment and impairment of investment property	-	-	569	569
Other comprehensive income less deferred income tax	-	-	(3,732)	(3,229)
<b>COMPREHENSIVE INCOME</b>	<b>5,297</b>	<b>10,834</b>	<b>17,020</b>	<b>8,532</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Owners of the Company	5,297	10,834	19,419	11,761
Non-controlling interest	-	-	1,333	-
	<b>5,297</b>	<b>10,834</b>	<b>20,752</b>	<b>11,761</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Owners of the Company	5,297	10,834	15,687	11,761
Non-controlling interest	-	-	1,333	-
	<b>5,297</b>	<b>10,834</b>	<b>17,020</b>	<b>11,761</b>
<b>Basic and diluted earnings per share (in LTL)</b>	<b>0.01</b>		<b>0.03</b>	

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

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

<b>Equity attributable to shareholders of the Company</b>										
Group	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2013</b>		<b>635,084</b>	<b>295,767</b>	<b>12,055</b>	<b>36,145</b>	<b>717,775</b>	<b>(30,037)</b>	<b>1,666,789</b>	<b>41,498</b>	<b>1,708,287</b>
Revaluation of property, plant and equipment		-	-	-	-	-	(374,769)	(374,769)	-	(374,769)
<b>Balance at 1 January 2013</b>		<b>635,084</b>	<b>295,767</b>	<b>12,055</b>	<b>36,145</b>	<b>717,775</b>	<b>(404,806)</b>	<b>1,292,020</b>	<b>41,498</b>	<b>1,333,518</b>
Depreciation of revaluation reserve		-	-	(900)	-	-	900	-	-	-
Formation/(dissolution) of reserves		-	-	-	1,707	(40,000)	38,293	-	-	-
Dividends paid		-	-	-	-	-	(25,402)	(25,402)	-	(25,402)
Comprehensive income		-	-	(3,227)	-	-	106,210	102,983	2,398	105,381
<b>Balance at 31 December 2013</b>		<b>635,084</b>	<b>295,767</b>	<b>7,928</b>	<b>37,852</b>	<b>677,775</b>	<b>(284,805)</b>	<b>1,369,601</b>	<b>43,896</b>	<b>1,413,497</b>
Depreciation of revaluation reserve		-	-	(984)	-	-	507	(477)	-	(477)
Transfer to reserves		-	-	-	44	-	(44)	-	-	-
Transfer to retained earnings	8	-	-	-	-	(677,775)	677,775	-	-	-
Dividends paid	9	-	-	-	-	-	(219,859)	(219,859)	-	(219,859)
Sale of subsidiaries		-	-	-	-	-	23,869	23,869	(44,137)	(20,268)
Comprehensive income		-	-	-	-	-	98,389	98,389	241	98,630
<b>Balance at 31 December 2014</b>		<b>635,084</b>	<b>295,767</b>	<b>6,944</b>	<b>37,896</b>	<b>-</b>	<b>295,832</b>	<b>1,271,523</b>	<b>-</b>	<b>1,271,523</b>

(continued on the next page)

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

Company	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
<b>Balance at 1 January 2013</b>	<b>635,084</b>	<b>295,767</b>	<b>7,774</b>	<b>35,867</b>	<b>717,775</b>	<b>(10,572)</b>	<b>1,681,695</b>
Revaluation of property, plant and equipment	-	-	-	-	-	(374,769)	(374,769)
<b>Balance at 1 January 2013</b>	<b>635,084</b>	<b>295,767</b>	<b>7,774</b>	<b>35,867</b>	<b>717,775</b>	<b>(385,341)</b>	<b>1,306,926</b>
Formation/(dissolution) of reserves	-	-	-	1,673	(40,000)	38,327	-
Depreciation of revaluation reserve	-	-	(532)	-	-	532	-
Dividends paid	-	-	-	-	-	(25,403)	(25,403)
Comprehensive income	-	-	(3,227)	-	-	94,356	91,129
<b>Balance at 31 December 2013</b>	<b>635,084</b>	<b>295,767</b>	<b>4,015</b>	<b>37,540</b>	<b>677,775</b>	<b>(277,529)</b>	<b>1,372,652</b>
Depreciation of revaluation reserve	-	-	(229)	-	-	229	-
Transfer to retained earnings	-	-	-	-	(677,775)	677,775	-
Dividends paid	-	-	-	-	-	(219,859)	(219,859)
Comprehensive income	-	-	-	-	-	107,366	107,366
<b>Balance at 31 December 2014</b>	<b>635,084</b>	<b>295,767</b>	<b>3,786</b>	<b>37,540</b>	<b>-</b>	<b>287,982</b>	<b>1,260,159</b>

(End)

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

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**At 31 September 2014**

All amounts in LTL thousands unless otherwise stated

	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
Profit for the period	98,630	107,366	108,608	94,356
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	117,336	115,929	130,678	117,781
Loss on revaluation of property, plant and equipment	40,045	39,571	1,021	1,021
Inventory write-down (expenses) / reversal	(656)	(656)	(2,263)	(2,263)
(Gain) on disposal of investments in subsidiaries and associates		1,988	-	3,799
Expenses/(income) on revaluation of emission allowances	(9,662)	(9,662)	9,994	9,994
Other impairments/reversal of impairment	(14,045)	(14,023)	12,332	12,282
Share of (profit) of associates and joint ventures	(2,894)	-	(1,348)	-
Income tax expense	7,164	6,713	5,912	3,356
Change in deferred income tax liability	17,012	17,081	(11,467)	(10,706)
(Income) from grants	(38,882)	(38,882)	(39,088)	(39,088)
Increase/(decrease) in provisions	10,100	10,100	9,745	9,745
Profit/(loss) on disposal/write-off of non-current assets (other than financial assets)	675	268	127	47
Elimination of results of financing and investing activities:		-		
- Interest (income)	(298)	(254)	(118)	(46)
- Interest expense	14,730	14,457	23,130	22,839
- Other finance (income)	(4,497)	(9,443)	(2,012)	(4,065)
<b>Changes in working capital</b>				
Decrease in trade receivables and other amounts receivable	43,135	58,319	129,845	118,518
(Increase) decrease in inventories and prepayments	(12,399)	(9,792)	22,304	29,835
Decrease in amounts payable and advance amounts received	50,726	22,186	82,704	83,832
Income tax (paid)	(5,024)	(4,498)	(10,315)	(9,508)
<b>Net cash generated from operating activities</b>	<b>311,196</b>	<b>306,768</b>	<b>469,789</b>	<b>441,729</b>
<b>Cash flows from investing activities</b>				
(Acquisition) of property, plant and equipment and intangible assets	(68,189)	(55,850)	(122,460)	(120,104)
Disposal of property, plant and equipment and intangible assets			1,277	166
Sale of subsidiaries	14,801	41,347	-	-
Acquisition of investments in associates	(4,742)	(14,735)	-	-
Disposal of investments in associates	19,955	19,955	(2)	(2)
Dividends received	6,643	11,643	-	2,000
Interest received	298	254	113	46
<b>Net cash (used in) investing activities</b>	<b>(31,234)</b>	<b>2,614</b>	<b>(121,072)</b>	<b>(117,894)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	42,826	41,386	11,893	10,465
Repayments of borrowings	(34,137)	(33,537)	(62,204)	(58,159)
Finance lease payments	(87)	-	(327)	-
Interest (paid)	(15,032)	(14,759)	(23,374)	(23,369)
Dividends (paid out)	(219,007)	(219,007)	(25,414)	(25,414)
<b>Net cash (used in) financing activities</b>	<b>(225,437)</b>	<b>(225,917)</b>	<b>(99,426)</b>	<b>(96,477)</b>
<b>Net increase in cash and cash equivalents</b>	<b>54,525</b>	<b>83,465</b>	<b>249,291</b>	<b>227,358</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>219,746</b>	<b>178,087</b>	<b>(29,545)</b>	<b>(49,271)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>274,271</b>	<b>261,552</b>	<b>219,746</b>	<b>178,087</b>

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

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## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

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### 1 General information

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

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

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

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

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

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

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

### 1 General information (continued)

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

Company	Address of the company's registered office	The Group's shareholding at 31 December 2014	The Group's shareholding at 31 December 2013	Profit (loss) for 2014	Equity at 31 December 2014	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 proc.	100 proc.	(11,709)	18,411	Repair of energy equipment, production of metal constructions
Gotlitas UAB	R.Kalantos g. 119, Kaunas, Lithuania	100 proc.	100 proc.	362	1,375	Accommodation services, trade
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 proc.	100 proc.	2,562	9,911	Independent electricity supply
Geton Energy OU	Narva mnt 5, 10117 Tallinn	100 proc.	100 proc.	(7)	101	Independent electricity supply
Geton Energy SIA	Elizabetes iela 45/47, Riga, LV-1010	100 proc.	100 proc.	11	95	Independent electricity supply

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

Company	Address of the company's registered office	The Group's shareholding at 31 December 2014	The Group's shareholding at 31 December 2013	Profile of activities
UAB „Geoterma“	Lypkių g. 53, LT-94100 Klaipėda, Lietuva	23.44 proc.	23.44 proc.	Geothermal energy production
UAB „NT Valdos“	Geologų g. 16, LT-02190 Vilnius, Lietuva	41.74 proc.	42.32 proc.	Asset management services
UAB Technologijų ir inovacijų centras	Juozapavičiaus g. 13, Vilnius, Lietuva	22.22 proc.	20.00 proc.	IT services
AS Nordic Energy Link	Laki 24, Tallinn 12915	25.00 proc.	25.00 proc.	Management of electricity transmission line between Finland and Estonia
UAB Verslo aptarnavimo centras	P.Lukšio g. 5B, LT-08221 Vilnius	15.00 proc.	- proc.	Business Administration and accountant services

As at 31 December 2014, the number of labor contract of the Group was 736 (31 December 2013 the number of employees – 1,104). As at 31 December 2014, the number of labor contract of the Company was 474 (31 December 2013 the number of employees - 503).

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

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## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### At 31 December 2014

All amounts in LTL thousands unless otherwise stated

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## 2 Accounting policies

### 2.1 Basis of preparation

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

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

### 2.2 Accounting policies

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

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

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

There are no new standards, amendments and interpretations that are mandatory for the Company and the Group with effect from 2014, and that have a significant impact on the Company's and the Group's financial information. The Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Company's and the Group's reporting periods beginning on or after 1 January 2014 will have a significant impact on the Company's and the Group's financial statements.

## 3 Critical accounting estimates and uncertainties

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

#### Tax audits

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

#### Depreciation rates of property, plant and equipment

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

#### Revaluation of property, plant and equipment

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

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



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## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

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### **3 Critical accounting estimates and uncertainties (continued)**

Impairment of property, plant and equipment

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

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

As of 31 December 2014 and 31 December 2013, impairment test was carried out and the estimated recoverable amount of property, plant and equipment of the Hydro Power Plant, Pumped Storage Power Plant, Reserve Power Plant and Combined Cycle Block exceeded the carrying amount of LTL 2,038 million (as of 31 December 2013: LTL 2,090 million ), hence no impairment charge was recognised.

#### Write-down of inventory to net realisable value

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

#### Provisions for emission allowances

The Group and the Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Company does not expect any material differences between the amount of estimated provisions as at 31 December 2014 and emission quantities which will be approved in 2015.

#### Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurization. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. As of 30 September 2014, the amount of variable costs incurred by the Company was lower than the amount allocated for compensation of PSO service costs, therefore the Company accounted for refundable PSO amount of LTL 50,755 thousand as of 31 December 2014, which will be compensated during 2016 (As of 31 December 2013: LTL 56,955 thousand, which will be compensated during 2015).

### **4 Financial risk management**

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

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

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

#### Fair value of financial assets and liabilities

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

### 4 Financial risk management (continued)

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

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

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

### 5 Intangible assets

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

Group	Computer software	Emission allowances	Other intangible assets	Total
<b>At 31 December 2014</b>				
Opening net book amount	633	28,704	206	29,542
Additions	241	-	-	241
Grant received	-	8,039	-	8,039
Disposals of subsidiaries	(10)	-	(25)	(35)
Emission allowances utilised	-	(10,042)	-	(10,042)
Reclassifications between groups	10	-	(132)	(122)
Revaluation costs of emission allowances	-	9,662	-	9,662
Reclassification from property, plant and equipment	1,253	-	-	1,253
Amortisation	(530)	-	(17)	(547)
<b>Net book amount at 31 December 2014</b>	<b>1,597</b>	<b>36,363</b>	<b>31</b>	<b>37,991</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**5 Intangible assets(continued)**

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

Įmonė	<u>Computer software</u>	<u>Emission allowances</u>	<u>Other intangible assets</u>	<u>Total</u>
<b>At 31 December 2014</b>				
Opening net book amount	216	28,704	48	28,968
Additions	-	-	-	-
Grant received	-	8,039	-	8,039
Emission allowances utilised	-	(10,042)	-	(10,042)
Revaluation costs of emission allowances	-	9,662	-	9,662
Reclassification from property, plant and equipment	1,253	-	-	1,253
Amortisation	(343)	-	(17)	(360)
<b>Net book amount at 31 December 2014</b>	<b>1,126</b>	<b>36,363</b>	<b>31</b>	<b>37,520</b>

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**6 Property, plant and equipment**

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

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Computerized, communications and other office equipment	Other PP&E	Construction in progress	Total
<b>At 31 December 2014</b>											
Opening net book amount	6,490	17,956	15,002	484,307	814,106	1,268,690	893	94	7,397	21,771	2,636,706
Additions	-	276	753	123	848	143	791	19	74	77,529	80,556
Write-offs	-	-	-	-	(2)	-	-	-	(1)	-	(3)
Disposals	-	(952)	-	-	(477)	-	(11)	-	-	-	(1,440)
Disposals of subsidiaries	-	(28)	(3,684)	-	-	-	(40)	-	(9,612)	(4,192)	(17,556)
Reclassifications between groups	-	115	3,988	1,923	5,883	-	1	-	3,069	(14,989)	-
Reclassification to intangible assets	-	-	-	-	-	-	-	-	-	(1,253)	(1,253)
Reclassification from/to inventories	-	-	-	190	332	648	-	-	-	-	1,170
Impairment	-	(467)	(7)	-	(39,571)	-	-	-	-	-	(40,045)
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	-	82	-
Depreciation	-	(509)	(1,304)	(27,278)	(37,052)	(50,557)	(352)	(30)	(184)	-	(117,266)
<b>Net book amount at 31 December 2014</b>	<b>6,490</b>	<b>16,391</b>	<b>14,758</b>	<b>459,265</b>	<b>743,985</b>	<b>1,218,924</b>	<b>1,282</b>	<b>83</b>	<b>743</b>	<b>78,948</b>	<b>2,540,869</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**6 Property, plant and equipment (continued)**

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

	Level 1	Level 2	Level 3	
	Quoted prices in active markets for identical assets	Other directly or indirectly observable inputs	Unobservable inputs	<b>Total:</b>
Land	-	6,940	-	6,940
Structures and equipment	-	9,905	-	9,905
Buildings	-	2,221	-	2,221
Motor vehicles	-	250	-	250
Other PP&E	-	394	-	394
<b>Fair value as of 31 December 2014</b>	-	<b>19,710</b>	-	<b>19,710</b>

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

	Level 1	Level 2	Level 3	
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	<b>Total:</b>
Land	-	6,940	-	6,940
Structures and equipment	-	3,381	-	3,381
Buildings	-	2,186	-	2,186
Motor vehicles	-	461	-	461
Other PP&E	-	194	-	194
<b>Fair value as of 31 December 2013</b>	-	<b>12,712</b>	-	<b>12,712</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**6 Property, plant and equipment (continued)**

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

<b>Company</b>	<b>Land</b>	<b>Buildings</b>	<b>Structures and equipment</b>	<b>Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant</b>	<b>Structures and equipment of Reserve Power Plant</b>	<b>Combined-Cycle Block</b>	<b>Motor vehicles</b>	<b>Computerized, communications and other office equipment</b>	<b>Other PP&amp;E</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At 31 December 2014</b>											
Opening net book amount	6,490	2,186	3,381	484,307	814,106	1,268,690	461	94	100	17,578	2,597,392
Additions	-	-	-	123	848	143	17	18	13	77,381	78,543
Write-offs	-	-	-	-	(2)	-	-	-	-	-	(2)
Disposals	-	-	-	-	(477)	-	-	-	-	-	(477)
Reclassifications between groups	6,490	2,186	3,381	484,307	814,106	1,268,690	461	94	100	17,578	2,597,392
Reclassification from/to inventories	-	-	-	190	332	648	-	-	-	-	1,170
Reclassification to intangible assets	-	-	-	-	-	-	-	-	-	(1,253)	(1,253)
Impairment	-	-	-	-	(39,571)	-	-	-	-	-	(39,571)
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	-	82	-
Depreciation	-	(47)	(335)	(27,278)	(37,052)	(50,557)	(228)	(30)	(42)	-	(115,569)
<b>Net book amount at 31 December 2014</b>	<b>6,490</b>	<b>2,221</b>	<b>9,905</b>	<b>459,265</b>	<b>743,985</b>	<b>1,218,924</b>	<b>250</b>	<b>82</b>	<b>312</b>	<b>78,800</b>	<b>2,520,234</b>

In 2014, the Company capitalised expenses of LTL 61,089 thousand related to Biofuel boiler project.

As of 31 December 2014, the Company's contractual commitments to acquire or construct property, plant and equipment amounted to LTL 28 m (As of 31 December 2013-LTL 86m).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**6 Property, plant and equipment (continued)**

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

	Level 1	Level 2	Level 3	
	Quoted prices in active markets for identical assets	Other directly or indirectly observable inputs	Unobservable inputs	<b>Total:</b>
Land	-	6,940	-	6,940
Structures and equipment	-	9,905	-	9,905
Buildings	-	2,221	-	2,221
Motor vehicles	-	250	-	250
Other PP&E	-	394	-	394
<b>Fair value as of 31 December 2014</b>	-	<b>19,710</b>	-	<b>19,710</b>

The impairment was debited against the revaluation reserve and recognised within operating expenses. The fair value valuation method is attributed to Level 2 in the fair value hierarchy.

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

### 7 Share capital

As at 31 December 2014 and 31 December 2013, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange trading session in 2014 was LTL 2.949 per share and the lowest share price was LTL 1.364 per share. The total number of shareholders as at 31 December 2014 was 6,137 .

The shareholders' structure of the Company is as follows;

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

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

### 8 Other reserves

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

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

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

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

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



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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

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**9 Dividends per share**

The Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB was held on 30 September 2014 and resolved to pay out dividends of LTL 0.11 per share from retained earnings for the period shorter than financial year (30 September 2014).

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

	<b>At 31 December 2014</b>
Weighted average number of shares (units)	635,083,615
Amount of dividends (LTL'000)	150,000
<b>Dividends per share (LTL)</b>	<b>0.24</b>
Amount of dividends (LTL'000)	69,859
<b>Dividends per share (LTL)</b>	<b>0.11</b>

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

### 10 Borrowings

The Group's and the Company's borrowings by maturity term:

	<b>Group at 31 December r 2014</b>	<b>Company at 31 December 2014</b>	<b>Group at 31 December r 2013</b>	<b>Company at 31 December r 2013</b>
<b>Non-current borrowings</b>				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORDBankas AB) to be repaid by 1 April 2018	-	-	45,687	45,687
Loan from the European Bank for Reconstruction and Development, to be repaid by 18 February 2025	-	-	204,291	204,291
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORDBank AB, Danske Bank A/S) to be repaid by 3 June 2016	-	-	237,818	237,818
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	7,300	-	8,500	-
Syndicated loan (Nordea Bank Finland Plc, Lithuania Branch, AB BNB bankas) in EUR, to be repaid by 31 March 2027	44,805	44,805	10,465	10,465
Loan from SEB Bankas AB (refinancing), in EUR, to be repaid by 23 February 2024	455,366	455,366		
<b>Total non-current borrowings:</b>	<b>507,471</b>	<b>500,171</b>	<b>506,761</b>	<b>498,261</b>
<b>Current borrowings</b>				
Syndicated loan (Swedbank AB, SEB Bank AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORDBankas AB) to be repaid by 1 April 2018	-	-	14,253	14,253
Letters of credit	1,440	-	-	-
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	1,200	-	600	-
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORDBank AB, Danske Bank A/S) in EUR, to be repaid by 3 June 2016	-	-	21,620	21,620
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	-	-	20,429	20,429
Loan from the European Bank for Reconstruction and Development, accrued interest	-	-	827	827
Syndicated loan (Nordea Bank Finland Plc, Lithuania Branch, AB BNB bankas) in EUR, to be repaid by 31 March 2027	7,047	7,047	-	-
Loan from SEB Bankas AB (refinancing), in EUR, to be repaid by 23 February 2024	55,196	55,196	-	-
<b>Total current borrowings:</b>	<b>64,883</b>	<b>62,243</b>	<b>57,729</b>	<b>57,129</b>

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

As of 31 December 2014, the Group's undrawn balances of loans and overdrafts under the above-listed agreements amounted to LTL 58,469 thousand (31 December 2013: LTL 272,855 thousand). As of 31 December 2014, the Company's undrawn balances of loans and overdrafts amounted to LTL 53,469 thousand (31 December 2013: LTL 265,855 thousand).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**10 Borrowings (continued)**

As of 31 December 2014, the fair value of Group's borrowings was equal to LTL 540,711 thousand (31 December 2013: LTL 618,404 thousand). As of 31 December 2014, the fair value of Company's borrowings was equal to LTL 532,224 thousand (31 December 2013: LTL 609,920 thousand). The fair value was estimated using a 2.46% discount rate (31 December 2013-2,90 %). The fair value of borrowings is attributed to Level 3 in the fair value hierarchy.

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

**11 Grants**

The grants balance consists of grants to finance acquisition of assets. Movements in grants during 2014 and 2013 were as follows:

Group/Company	Assets-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
<b>Balance at 1 January 2013</b>	<b>91,729</b>	<b>1,008,732</b>	-	<b>1,100,461</b>
Grants received	(4,244)	(34,844)	-	(39,088)
Depreciation of property, plant and equipment	1,379	-	6,406	7,785
Repayable grants	(22)	-	-	(22)
Utilisation of grant for emission allowances	-	-	(6,406)	(6,406)
<b>Balance at 31 December 2013</b>	<b>88,842</b>	<b>973,888</b>	-	<b>1,062,730</b>
<b>Balance at 1 January 2014</b>	<b>88,842</b>	<b>973,888</b>	-	<b>1,062,730</b>
Depreciation of property, plant and equipment	(1,889)	(36,993)	-	(38,882)
Grants received	9,082	-	8,039	17,121
Utilisation of grant for emission allowances	-	-	(8,039)	(8,039)
<b>Balance at 31 December 2014</b>	<b>96,035</b>	<b>930,153</b>	-	<b>1,026,188</b>

During 2014, Company's assets-related grants decreased by LTL 38.882 thousand, i.e. by the amount of depreciation of property, plant and equipment (during the same period in 2013: LTL 39.088 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

In 2014 the Company received a LTL 5.575 thousand grant for the construction of engineering infrastructure in Kruonis industrial park.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**12 Provisions for emission allowances**

Provisions for emission allowances were accounted for as follows:

	<b>Group</b>	<b>Company</b>
<b>Balance at 31 December 2013</b>	<b>9,745</b>	<b>9,745</b>
Emission allowances utilised	(9,745)	(9,745)
Provisions for emissions*	9,803	9,803
<b>Balance at 31 December 2014</b>	<b>9,803</b>	<b>9,803</b>

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

**13 Investments**

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

**Subsidiary**

<b>At 31 December 2014</b>	<b>Cost</b>	<b>Impairment</b>	<b>Carrying amount</b>
Kauno Energetikos Remontas UAB	41,334	(21,041)	20,293
Energijos Tiekimas UAB	750	-	750
<b>Total</b>	<b>42,084</b>	<b>(21,041)</b>	<b>21,043</b>

On 17 November 2014, the decision was made to increase its authorised share capital to LTL 999,334. On 18 November 2014, the Company and UAB „Kauno energetikos remontas“ signed an Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 999,334 newly issued ordinary registered shares of UAB „Kauno energetikos remontas“ with par value of LTL 1 each. The total issue price was paid in cash. As a result of this transaction, the Company's ownership interest in UAB „Kauno energetikos remontas“ didn't change.

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

**Subsidiary**

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

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

	<b>Company 2014</b>
<b>Carrying amount as at 1 January</b>	<b>52,397</b>
Disposal of investments in subsidiaries	(41,347)
Acquisition of subsidiaries	9,993
Impairment of investments	-
<b>Carrying amount at 31 December</b>	<b>21,043</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**13 Investments (continued)**

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

<b>Group At 31 December 2014</b>	<b>Cost</b>	<b>Ownership interest (%)</b>	<b>Impairment</b>	<b>Carrying amount</b>
NT Valdos UAB	130,720	41.74	3,851	134,571
Nordic Energy Link AS	21,175	25.00	(21,175)	0
Geoterma UAB	7,396	23.44	(7,396)	0
Verslo ir aptarnavimo centras UAB	4,444	20.00	381	4,825
Technologijų ir Inovacijų Centras UAB	300	15.00	(124)	176
<b>Total</b>	<b>164,035</b>		<b>(24,463)</b>	<b>139,572</b>

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

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

<b>Company At 31 December 2014</b>	<b>Cost</b>	<b>Ownership interest (%)</b>	<b>Impairment</b>	<b>Carrying amount</b>
UAB "NT Valdos"	130,720	41.74		130,720
AS „Nordic Energy Link“	21,175	25.00	(21,175)	0
UAB „Geoterma“	7,396	23.44	(7,396)	0
UAB Technologijų ir inovacijų centras	4,444	22.22		4,444
UAB Verslo aptarnavimo centras	300	15.00		300
<b>Iš viso</b>	<b>164,035</b>		<b>(28,571)</b>	<b>135,464</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION At 31 December 2014

All amounts in LTL thousands unless otherwise stated

### 13 Investments (continued)

Movements of investments in the associates and the joint venture during the period ended 31 December 2014 :

	<b>Grupė 2014 m.</b>	<b>Įmonė 2014 m.</b>
<b>Carrying amount at 1 January</b>	<b>154,833</b>	<b>153,884</b>
Acquisition of associates	4,742	4,742
Disposal of investments in associates	(21,175)	(21,175)
Disposal of subsidiaries	(1,722)	-
Share of result of operations of associates and joint ventures, (loss)/profit	2,894	-
<b>Carrying amount at 31 December</b>	<b>139,572</b>	<b>135,464</b>

#### **Disposal of Nordic Energy Link AS**

On 19 March 2014, shareholders of Nordic Energy Link AS made a decision on dissolution of Nordic Energy Link AS. On 19 March 2014, NEL redeemed from its shareholders 10 % of shares held by them on a proportionate basis. The Company sold 860,000 ordinary registered shares for LTL 1,898 thousand. On 29 December 2014, NEL redeemed from its shareholders all shares. Company sold 7,740,000 ordinary registered shares for LTL 18,056 thousand.

#### **Increase in share capital of Technologijų ir Inovacijų Centras UAB**

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

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

#### **Establishment of Verslo aptarnavimo centras UAB**

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

During the Ordinary General Meeting of Shareholders of Verslo aptarnavimo centras UAB held on 28 October 2014, the decision was made to increase its authorised share capital to LTL 1,400,000 by way of issuing 1,400,000 new ordinary registered shares. On 29 October 2014, the Company and Verslo aptarnavimo centras UAB signed an Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 280,000 newly issued ordinary registered shares of Verslo aptarnavimo centras UAB with par value of LTL 1 each. The total issue price was paid in cash. As a result of this transaction, the Company's ownership interest in Verslo aptarnavimo centras UAB didn't changed.

During the Ordinary General Meeting of Shareholders of Verslo aptarnavimo centras UAB held on 12 December 2014, the decision was made to increase its authorised share capital to LTL 500,000 by way of issuing 500,000 new ordinary registered shares. . As a result of this transaction, the Company's ownership interest in Verslo aptarnavimo centras UAB decreased from 20% to 15%.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**14 Segment reporting**

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

As at 31 December 2014 and 2013, the Board analyses the operations of the Company separating activities to regulated and commercial. The regulated activities include revenue from heat and electricity production of the complex of Elektrėnai, revenue from balancing and regulating activities, power reserve, including electric power reservation income of Kruonis Pumped Storage Power Plant. Commercial activities include electricity trade in the market, export / import, electricity production in Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, including related regulatory and balancing services. Administrative costs are allocated between the regulated and commercial activities with a reference to operating expenses, number of employees and purchase volumes. The operations of Energijos Tiekimas UAB representing trade in electricity also constitute a separate segment. Other activities within the Group include repair services of energy facilities and IT services.

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

The table below presents the Group's information on segments for the nine-month period ended 31 December 2014:

2014	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba, AB		Lietuvos Energijos Gamyba, AB		
	Regulated activities	Regulated activities			
<b>Total segment revenue</b>	<b>454,989</b>	<b>350,205</b>	<b>236,060</b>	<b>110,415</b>	<b>1,151,668</b>
Inter-segment revenue			(226,019)	(59,459)	(285,478)
<b>Revenue from external clients</b>	<b>454,989</b>	<b>350,205</b>	<b>10,041</b>	<b>50,956</b>	<b>866,190</b>
<b>Expenses after elimination of turnover among the Group companies</b>	<b>(407,399)</b>	<b>(259,885)</b>	<b>(7,853)</b>	<b>(61,683)</b>	<b>(736,820)</b>
including depreciation and amortisation expenses	(54,480)	(22,567)	(107)	(1,777)	(78,931)
<b>Operating profit</b>	<b>47,590</b>	<b>90,320</b>	<b>2,188</b>	<b>(10,727)</b>	<b>129,370</b>
<b>Finance income</b>	<b>4</b>	<b>6,901</b>	<b>18</b>	<b>97</b>	<b>7,020</b>
<b>Finance costs</b>	<b>(14,190)</b>	<b>(2,475)</b>	<b>(2)</b>	<b>(291)</b>	<b>(16,958)</b>
<b>Share of result of associates and joint ventures</b>				<b>2,894</b>	<b>2,894</b>
<b>Profit before income tax</b>	<b>33,404</b>	<b>94,747</b>	<b>2,204</b>	<b>(8,027)</b>	<b>122,326</b>
<b>Income tax</b>					<b>(24,220)</b>
<b>Profit for the period from continuing operations</b>					<b>98,106</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**14 Segment reporting (continued)**

The table below presents the Group's information on segments for the nine-month period ended 31 December 2013:

2013	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
<b>Total segment revenue</b>	516,233	570,929	195,460	109,372	1,391,994
Inter-segment revenue			(186,557)	(6,041)	(192,598)
<b>Revenue from external clients</b>	<b>516,233</b>	<b>570,929</b>	<b>8,903</b>	<b>103,331</b>	<b>1,199,396</b>
<b>Expenses after elimination of turnover among the Group companies</b>	<b>(468,070)</b>	<b>(513,294)</b>	<b>(3,182)</b>	<b>(92,145)</b>	<b>(1,076,691)</b>
including depreciation and amortisation expenses	(59,633)	(19,060)	(47)	(12,850)	(91,590)
<b>Operating profit</b>	<b>48,163</b>	<b>57,635</b>	<b>5,721</b>	<b>11,186</b>	<b>122,705</b>
<b>Finance income</b>	<b>4</b>	<b>2,143</b>	<b>10</b>	<b>121</b>	<b>2,278</b>
<b>Finance costs</b>	<b>(20,474)</b>	<b>(2,400)</b>	<b>(23)</b>	<b>(381)</b>	<b>(23,278)</b>
<b>Share of result of associates and joint ventures</b>				<b>1,348</b>	<b>1,348</b>
<b>Profit before income tax</b>	<b>27,693</b>	<b>57,378</b>	<b>5,708</b>	<b>12,274</b>	<b>103,053</b>
<b>Income tax</b>					<b>5,555</b>
<b>Profit for the period from continuing operations</b>					<b>108,608</b>

**15 Related-party transactions**

Purchase and sale of goods and services:

The Group's transactions with related parties during the period from January to December 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Finance of the Republic of Lithuania	43	12,040	574	517,957
Litgrid AB group	4,438	33,348	36,123	456,046
Lietuvos dujos AB	13	-	156	-
Lietuvos Energija UAB	-	-	23	254
Associates of the Group	1,135	282	5,147	21,983
<b>Total</b>	<b>5,629</b>	<b>45,670</b>	<b>42,023</b>	<b>996,240</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

**15 Related-party transactions**

The Company's transactions with related parties during the period from January to December 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Associates of the Group	5,790	30,139	59,245	230,941
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	12	11,826	295	516,416
Litgrid AB group	4,438	31,355	36,123	439,090
Lietuvos dujos AB	13	-	43	-
Lietuvos Energija UAB	-	-	23	254
Associates of the Group	704	3	3,751	19,964
<b>Total</b>	<b>10,957</b>	<b>73,323</b>	<b>99,480</b>	<b>1,206,665</b>

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

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	75	35,879	420	435,827
Litgrid AB group	7,031	59,745	98,927	750,187
Lietuvos Energija UAB	-	124	25	662
Associates of the Group	1,351	400	13,873	2,798
<b>Total</b>	<b>8,457</b>	<b>96,148</b>	<b>113,245</b>	<b>1,189,474</b>

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

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Associates of the Group	1,652	34,428	5,298	188,450
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	10	31,463	95	406,888
Litgrid AB group	6,415	57,406	92,746	725,254
Lietuvos Energija UAB	-	-	25	-
Associates of the Group	143	-	7,901	-
<b>Total</b>	<b>8,220</b>	<b>123,297</b>	<b>106,065</b>	<b>1,320,592</b>

The major related-party sale and purchase transactions in 2014 and 2013 comprised transactions with the entity controlled by the Ministry of Finance of the Republic of Lithuania AB LESTO. The Group's sales transactions to this entity mainly included sales of electricity. Transactions with state-owned entities other than those controlled by the Ministry of Finance included regular business transactions and therefore they are not disclosed.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**At 31 December 2014**

All amounts in LTL thousands unless otherwise stated

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**16 Payments to key management personnel**

	<b>Group 2014</b>	<b>Company 2014</b>	<b>Group 2013</b>	<b>Company 2013</b>
Employment-related payments	2,649	1,386	4,321	1,623
Termination benefits	75	40	302	-
Other significant payments to key management personnel	207	207	51	51
Number of key management personnel at the end of period	13	6	25	9

Key management personnel in the table above are heads of administration and their deputies, and the chief financier. The number of key management personnel indicated at the end of the period, during 2014 fourth quarter came out from the company two top managers.

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Lietuvos  
energija

GAMYBA

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**“LIETUVOS ENERGIJOS GAMYBA”, AB**

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**CONSOLIDATED INTERIM REPORT  
FOR THE YEAR  
ENDED 31 DECEMBER 2014  
(unaudited)**

## TABLE OF CONTENTS

<b><u>Key Indicators of "Lietuvos energijos gamyba" group</u></b>	<b>35</b>
<b><u>Comment from CEO</u></b>	<b>36</b>
<u>Information about the Company and the Group</u>	37
<b>Most-significant events in the reporting period</b>	<b>39</b>
<b><u>Analysis of financial indicators of the Company and the Group</u></b>	<b>41</b>
<b><u>Analysis of operating indicators</u></b>	<b>43</b>
<b><u>Other factors determining financial indicators</u></b>	<b>46</b>
<b><u>Information about authorized capital and securities of the Company</u></b>	<b>50</b>
<b><u>Corporate social responsibility</u></b>	<b>54</b>
<u>Environmental protection</u>	54
<b><u>The Company and its management bodies</u></b>	<b>56</b>
<u>Employees of the Company</u>	61
<b><u>Important events in the Company's activities</u></b>	<b>65</b>
<b><u>Other important information</u></b>	<b>69</b>
<b><u>Annex 1. Notice of the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius</u></b>	<b>70</b>

## KEY INDICATORS OF "LIETUVOS ENERGIJOS GAMYBA" GROUP

		2014	2013	Change	
				+/-	%
<b>KEY OPERATING INDICATORS</b>					
Electricity generation volume	TWh	1.84	1.96	-0.12	-6.1
Electricity sales in free market	TWh	1.62	1.33	0.29	21.8
<b>KEY FINANCIAL INDICATORS</b>					
Revenues	LTL'000	866,190	1,199,396	-333,206	-27.8
Costs of purchase of electricity, fuel and related services	LTL'000	497,418	789,539	-292,121	-37.0
Operating expenses <sup>1</sup>	LTL'000	150,322	173,925	-23,906	-13.7
EBITDA <sup>2</sup>	LTL'000	219,197	239,263	-20,066	-8.4
EBITDA margin <sup>3</sup>	%	25.3	19.9		
Net profit on continued operations	LTL'000	98,106	108,608	-10,502	-9.7
		31/12/2014	31/12/2013	Change	
				+/-	%
Assets total	LTL'000	3,216,810	3,311,605	-94,795	-2.9
Equity	LTL'000	1,271,523	1,413,497	-141,974	-10.0
Financial debts	LTL'000	575,525	564,534	10,991	1.9
Net financial debts <sup>4</sup>	LTL'000	301,254	344,788	-43,534	-12.6
Return on equity (ROE) <sup>5</sup>	%	7.7	7.7		
Equity level <sup>6</sup>	%	39.5	42.7		
Net financial debts / 12-month EBITDA	%	183.2	192.1		
Net financial debts / Equity	%	23.7	24.4		

<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**

In 2014 we carried out successful operations in pursuit of "Lietuvos Energijos Gamyba's" long-term strategy's goals. In the beginning of the last year, when discussing the strategic directions of the company until 2020, we emphasised the importance of increasing the value and operating efficiency of the company, of ensuring provision of high-quality services, and of building values-based corporate culture. Today, I can firmly say to the company's shareholders, partners, customers and the general public that the very first year of the implementation of the updated strategy has already justified the major expectations concerning staff's professionalism and determination to work responsibly in pursuit of the set goals.

The Company's sale earnings in 2014, according to the unaudited data, decreased by 26%, i.e. from LTL 1,079.6 million down to LTL 797.9 million, if compared to 2013. There were two main reasons of the decrease. First of all, the change in the trading principle in 2014 resulted in almost 2.9 times smaller sales of the Company to LESTO (from 2.393 TWh in 2013, down to 0.832 TWh in 2014). Second reason, which had major impact on the Company's earnings reduction, was decrease in electricity generation by nearly one fifth in Elektrėnai Complex and Kaunas Algirdas Brazauskas' Hydroelectric Power Plant.

The situation on the electricity market in 2014 was stable, thus differently from 2013, when over-quota electricity was generated in Elektrėnai in order to ensure power supply in autumn, last year electricity production in Elektrėnai was according to the schedule agreed with the transmission system operator - mainly in the efficient new combined-cycle unit, during the warm season and without exceeding the quota established by the Government. The quota of 0.9 TWh was established for 2014, while the actual production was 0.857 TWh electricity. In 2013, Elektrėnai generated 25.7% more electricity, i.e. 1.077 TWh, though the quota remained unchanged. While, Kaunas A. Brazauskas' Hydroelectric Power Plant, producing purely green Lithuanian energy, generated smaller volumes in 2014 because of dry weather and consequently decreased inflow of the River Nemunas. Production rates of the plant varied from 0.409 TWh in 2013 down to 0.317 TWh in 2014 (22.5% decrease).

Decrease in Company's earnings caused by the shrinking electricity generation in Elektrėnai and growing competition on the exchange is projected by us also in the long-term strategy of the Company. At the same time it stipulates growing value and profitability of the Company through strengthening of the competition in the commercial activities, better use of the capacities that may produce competitive electricity. Kruonis Pumped Storage Hydroelectric Plant showed very effective operation in this respect in 2014, with the increase in its production volumes by 39.3% if compared with 2013. The plant produced 0.661 TWh electricity, which is 0.187 TWh more than in 2013.

Thus, despite all three power plants producing 6.4% less electricity together in 2014 if compared with 2013 (1.960 TWh and 1.835 TWh, respectively), good results were achieved. The Company's sale volumes on the free market were growing by 21.7% (from 1.328 TWh in 2013 up to 1.616 TWh in 2014), while effective generation in Elektrėnai and professional trading activities resulted in 31.8% decrease in costs (from LTL 981.4 million in 2013 down to

LTL 669.3 million in 2014), the value of the tradable pollution allowances available was growing (the price changed from EUR 4.91 in the end of 2013 up to EUR 7.2 by the end of 2014). All these factors determined good profitability rates of the Company and the entire "Lietuvos Energijos Gamyba" Group.

The unaudited EBITDA of the Company in 2014 amounted to LTL 221.1 million, which was 6.4% higher than in 2013 (LTL 207.9 million), while the net profit from sustained activities was growing by 13.8% (from LTL 94.4 million in 2013 up to LTL 107.4 million in 2014). The increase of the value of the tradable pollution allowances that started in the second half of 2014 made positive impact on the Company's yearly profitability rates, which according to the unaudited data amounted to LTL 19.7 million (the decrease in TPA's value in 2013 resulted in LTL 15.9 million loss).

The total earnings of the Group in 2014 reached LTL 866.2 million and were 27.8% smaller than in 2013 (LTL 1,199.4 million), its expenses dropped down by 31.6% (from LTL 1,076.7 million in 2013 down to LTL 736.8 million in 2013). In 2014, the Group's EBITDA margin was 25.3%. If compared with the same period in 2013, the EBITDA margin increased by 5.4% (from 19.9 %). The Group's EBITDA in absolute value decreased from LTL 239.3 million down to LTL 219.2 million. The net profitability of the Group increased by 2.2%: the net profitability rate in 2013 was 9.1%, while in 2014 - 11.3%. During 2014, the Group's net profit from the sustained activities was LTL 98.1 million or 9.7% smaller than during the same period in 2013, when the net profit was LTL 108.6 million.

The year 2014 was the year of challenges for the Company and the whole Group in terms of both making adaptations to the changing market conditions and implementing the important development project of new heat generation facilities in Elektrėnai. Staff's involvement and responsible work together in pursuit of the best result contributed to the timely completion of decommissioning of the units 3 and 4 of the reserve power plant, while 2015 witnessed taking of the units 1 and 2 out of operation and starting their decommissioning.

Bigger volumes of electricity generation have been planned in Elektrėnai for this year, following approval of bigger supported electricity generation quota (1.1 TWh). Thus, through using the most efficient capacities, refusing the ones that are no longer in operation and investing into refurbishment of the other capacities, the Company is planning to achieve the set goals and to ensure the return to its shareholders. At the same time, the Company will be further aspiring to make successful contributions to the reduction in the budget of the public service obligation (PSO), thus creating a possibility of cheaper electricity for consumers.

"Lietuvos Energijos Gamyba" will remain being one of the main links guaranteeing national energy security and will firmly aspire just assessment of the Company's activities, taking into consideration actual market conditions, clauses of all effective legal acts and previously adopted regulatory decisions.

**Juozas Bartlingas**  
CEO

*"Lietuvos energijos gamyba", AB*

## CONSOLIDATED INTERIM REPORT For the year ended 31 December 2014

### 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).

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

The Consolidated Interim Report provides information to shareholders, creditors and other stakeholders of "Lietuvos energijos gamyba", AB ("the Company") and the Group of companies in twelve-months of 2014.

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

The Consolidated Interim Report of "Lietuvos energijos gamyba", AB and its subsidiaries (hereinafter the Company and its subsidiaries collectively referred to as the "Group") has been prepared by the Administration of the Company in accordance with Article 25 of Chapter V of the Republic of Lithuania Law on Financial Statements of Companies, Article 9 of Chapter III of the Republic of Lithuania Law on Consolidated Financial Statements of Companies, Resolution of the Bank of Lithuania No 03-48 of 28 February 2013 "Concerning approval of the Rules for Preparation and Submission of Periodic and Additional Information", and Resolution of the Government of the Republic of Lithuania of 7 March 2012 (No 258) "Concerning approval of the Guidelines for Ensuring Transparency of Operations of State-Controlled Companies and appointment of a managing body".

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

Title	Name	Telephone
Chief Executive Officer of "Lietuvos energijos gamyba", AB	Juozas Bartlingas	+370 5 278 2900
Director of Finance and Administration Department of „Lietuvos energijos gamyba“, AB	Eglė Čiužaitė	+370 5 278 2910

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

**Information about the Group**

As of 31 December 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.

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

Energijos Tiekimas UAB is the largest independent 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.

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 Valdosa, 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 (15% of shares and AS Nordic Energy Link under liquidation (25% of shares).

**Data on the companies forming the Group**

<b>Name</b>	<b>Registration date and place, business ID</b>	<b>Contact details</b>	<b>Shareholding of the Group</b>	<b>Core business</b>
<b>UAB "Kauno energetikos remontas"</b>	27 April 2000, Register of Legal Persons of the Republic of Lithuania, business ID 135617795	Chemijos g. 17, LT-51331 Kaunas, Lithuania Tel. +370 37 456 702 Fax +370 37 452 948 Email: <a href="mailto:ker@ker.lt">ker@ker.lt</a> <a href="http://www.ker.lt">www.ker.lt</a>	100 %	Repairs of energy installations, manufacture of metal structures
<b>Energijos tiekimas UAB</b>	21 October 2009, Register of Legal Persons of the Republic of Lithuania, business ID 302449388	P. Lukšio g. 1, LT-08221 Vilnius, Lithuania Tel. +370 5 278 2770 Fax +370 5 278 2750 Email: <a href="mailto:info@etiekimas.lt">info@etiekimas.lt</a> <a href="http://www.etiekimas.lt">www.etiekimas.lt</a>	100 %	Independent power supply
<b>UAB "Gotlitas"</b>	30 September 2003, Register of Legal Persons of the Republic of Lithuania, business ID 136031358	R. Kalantos g. 119, LT-52311 Kaunas, Lithuania Tel. +370 37 370 390 Fax +370 37 370 390 Email: <a href="mailto:gotlitas@gmail.com">gotlitas@gmail.com</a> <a href="http://www.gotlitas.lt">www.gotlitas.lt</a>	100 %	Accommodation services, trade
<b>Energijos tiekimas OÜ</b>	6 March 2013, Republic of Estonia, business ID 12433862	Narva mnt 5, 10117 Tallinn, Estonia Tel. +372 622 5366 Email: <a href="mailto:info@etiekimas.ee">info@etiekimas.ee</a>	100 %	Independent power supply
<b>Energijos tiekimas SIA</b>	28 February 2013, Republic of Latvia, business ID 40103642991	Bezdelīgu str. 12, LV-1048 Riga, Latvia Tel. +371 2844 0040 El. paštas <a href="mailto:klienti@geton.lv">klienti@geton.lv</a>	100 %	Independent power supply



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

### **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. 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 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.

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.

### **Long-Term Operating Strategy Approved**

On 25 June 2014, the Board of the Company approved the Operating Strategy of "Lietuvos Energijos Gamyba", AB for 2014–2020 ('the Strategy'). The document defines the long-term strategy of the Company's operations: the strategic lines and objectives and the indicators measuring the implementation of the Strategy.

Strategic lines of the Company's operations are discussed in Section 'Other factors determining financial indicators' of this Report.

### **Centralisation of Service Functions Initiated**

On 21 July 2014, the Company signed, together with Lietuvos energija, UAB, LESTO AB, LITGAS UAB and Technologijų ir inovacijų centras UAB, an agreement establishing a joint venture under the name Verslo aptarnavimo centras UAB (VAC). This company has been formed in order to make improvements in the processes servicing the core operations and to reduce their operating costs. VAC activities are focussed on the servicing of companies forming the Lietuvos Energija Group by providing the services of administration of public procurement, accounting and labour relations. Centralisation of the public procurement, accounting and labour relations administration processes at VAC is aimed at standardising them, ensuring greater transparency and efficiency, and speeding up the processes. Such administration processes' concentration model is in line with the international best practice.

By concentrating the servicing functions at the same company, best specialists in various fields are recruited from the companies of Lietuvos Energija Group. Since the beginning of October 2014, the employees of the Company's Procurement Division, and since December – also employees of the Accounting Division were transferred to VAC.

### **The Company complains resolutions of National Commission for Energy Control and Price in court**

On 7 August, 2014 National Commission for Energy Control and Price (the Commission) adopted resolution "On the results of electricity generation market inquiry". By the resolution the Commission declared the Company as an undertaking having significant power in electricity generation market and placed obligations on the Company, starting from 1 January, 2015, in relations to the application of the prices and disclosure of the information on the regulated activities of the Company. During the public consultations period on the draft resolution, the Company stated that the electricity generation market inquiry is conducted under incorrect presumptions. Due to this, the decision to declare the Company as an undertaking having significant power in electricity generation market and related obligations should not be imposed on the Company. The Company finds that the Resolution and/or related adopted laws can influence activities of the Company.

On 30 September 2014 the Commission adopted the resolution „On the results of "Lietuvos energijos gamyba", AB audit". The Commission by this Resolution approved act on audit of 2010-2012 activities and decided to reduce Company's income from the supported electricity produced in Lithuanian power plant, owned by the Company, by LTL 21.2 million (EUR 6,14 million) and to reduce the income from services for ensuring the security of power reserve by LTL 25.7 million (EUR 7,44 million). The Resolution states that these decisions should be implemented in the period of 2015-2016 reporting years. The Company finds that the Resolution contradicts previous decisions of the Commission on the same issues. In addition, the Commission, while performing audit, failed to support its audit by the applicable legislation. Taking this into consideration, the Resolution is unsubstantiated and unlawful.

The Company complained these and concerned resolutions of 2014 of the Commission in court. More information is placed in Section 'Important events in the Company's activities' of this Report.

### **Decision to Dispossess Ineffective Production Capacities**

On 20 October 2014, the Board of the Company decided, having regard to the market situation and the Company's operating strategy, to decommission Unit 1 and Unit 2 of the reserve power plant in Elektrėnai. Dismantling of Unit 1 was started in January 2015; the dismantling works at Unit 2 will be commenced in April.

The decision to dismantle old and ineffective 150 MW units of the reserve power plant which were constructed in 1962-1965 was made due to the high price for natural gas, low efficiency coefficient of the units, high maintenance costs, and the construction of new capacities for the production of heat from biofuel in Elektrėnai. Electricity generated at these units is not competitive in the market, therefore, their abandonment will help reduce the need for public service obligation (PSO) funds as well as the final electricity tariff for customers.

It is planned that the works of dismantling Units 1 and 2 will take about two years. At the end of 2014, the Company completed a project on dismantling Units 3 and 4 (150 MW each) of the reserve power plant. It is expected that, upon application of the experience gained in this project, the works of dismantling Units 1 and 2 will be smooth and effective.

#### **Renewed Corporate Organisational Structure**

On 20 October 2014, the Board of the Company approved a renewed corporate organisational structure which took effect on 1 January 2015. The decision has been made having regard to the dismantling of power plant's units and the planned operation of new heat generation capacities as well as to the centralisation of procurement and accounting functions at Verslo aptarnavimo centras UAB (VAC). In the renewed structure, production divisions have been reorganised, a dedicated dismantling group has been formed, the former Personnel and Administration Department has been joined with the Financial and Legal Department, and the former Prevention and Control Department has been split into the Prevention Unit and the Health and Safety at Work Division, both subordinate to the CEO. From 5 January 2015, all internal auditors from the Group's companies were transferred to the Internal Audit Unit of Lietuvos energija, UAB – the Group's parent company.

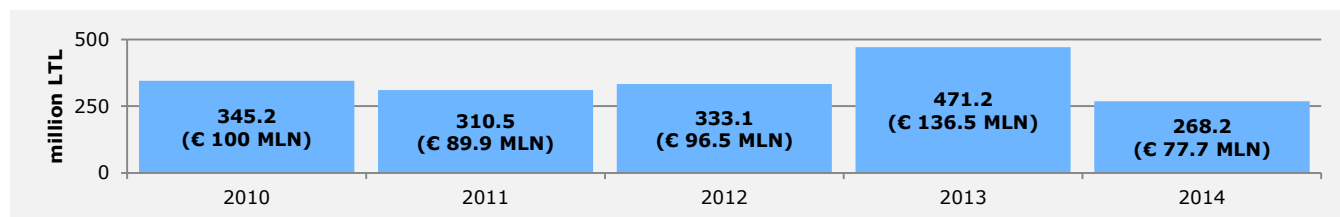
Structural changes are shown in Section 'The Company and its Management Bodies'.

#### **Production Efficiency and Saving of PSO Funds**

On 23 October 2014, the Company has marked two years since the official commissioning of the combined-cycle unit. Generation of the majority of electricity at this unit has led to savings of about LTL 168 million of public service obligation (PSO) funds over the two years. Such amount of funds would have been required if the electricity was produced at the old units in Elektrėnai; for customers, it would have meant an electricity price higher by almost one cent. LTL 100 million in the annual PSO budget is equivalent to approx. 1 cents/kWh in the final electricity tariff. Thus, since the putting into operation, the combined-cycle unit has already saved for the customers at least 0.8 cents per kilowatt-hour each year. The total production volume of the combined-cycle unit with the installed capacity of 455 MW, the efficiency of which is 30 percent higher than that of the old reserve plant's units, is slightly over 1.3 TWh of electricity during the two years' operation. This accounts for approx. 65 percent of all electricity produced at Elektrėnai during this period.

The Company seeks to lower the demand for PSO funds by efficient generation of electricity at Elektrėnai, accurate planning and making of investments, and cutting of the Company's operating costs (see Figure 1).

*Figure 1*  
**Public service obligation funds for production at Elektrėnai complex**



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

		Company			Group		
		2014	2013	2012	2014	2013	2012
<b>FINANCIAL INDICATORS</b>							
Sales income	LTL'000	797,887	1,079,590	1,172,696	807,928	1,088,008	1,347,634
Other operating income	LTL'000	7,306	7,572	3,895	58,262	111,388	96,180
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	LTL'000	221,071	207,856	146,229	219,197	239,263	170,006
Operating profit	LTL'000	135,920	105,798	52,768	129,370	122,705	57,172
Net profit on continued operations	LTL'000	107,366	94,356	34,423	98,106	108,608	38,607
Profit before tax	LTL'000	131,160	87,071	44,090	122,326	103,053	48,337
Cash flows from operations	LTL'000	306,768	441,729	170,590	311,196	469,789	174,953
Liabilities to financial institutions	LTL'000	562,414	555,390	660,590	575,525	564,534	679,150
<b>RATIOS</b>							
Liabilities / equity		1.51	1.36	1.56	1.53	1.34	1.56
Financial liabilities / equity		0.45	0.40	0.51	0.45	0.40	0.51
Financial liabilities / assets		0.18	0.17	0.20	0.18	0.17	0.20
<b>LOAN COVERAGE RATIO</b>							
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period)) <sup>1</sup>		4.58	2.55	2.29	4.46	2.80	2.64
<b>PROFITABILITY RATIOS</b>							
Operating profit margin	%	16.88%	9.73%	4.48%	14.94%	10.23%	3.96%
Profit before tax margin	%	16.29%	8.01%	3.75%	14.12%	8.59%	3.35%
Net profit margin	%	13.33%	8.68%	2.93%	11.33%	9.06%	2.67%
Return on equity <sup>2</sup>	%	8.52%	6.87%	2.63%	7.72%	7.68%	2.90%
Return on assets <sup>2</sup>	%	3.40%	2.91%	1.03%	3.05%	3.28%	1.13%
Earnings per share, LTL <sup>2</sup>	LTL	0.17	0.15	0.05	0.15	0.17	0.06
P/E <sup>3</sup> (share price / earnings)		15.93	9.16	24.27	17.43	7.95	21.64

<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.

<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 ratios for 2014 are better than for those for 2013 despite a drop in sales income in 2014. Income from regulated activities, i. e. electricity and heat generation at the Elektrėnai Complex and the power reserving services

provided by the Elektrėnai Complex and Kruonis PSHP, accounted for about 53% of total revenues of the Group (2013: 43%).

## Statement of Financial Position

As of 31 December 2014, the Company's liabilities to financial institutions totalled LTL 562.4 million, consisting of liabilities under long-term loan agreements. The Group's financial liabilities totalled LTL 575.5 million. As of 31 December 2014, financial liabilities of Kauno Energetikos Remontas UAB under long- and short-term loan and financial lease agreements amounted to LTL 10.1 million.

Changes in both Company's and Group's asset structure in 2014 compared with 2013 were insignificant.

## Comprehensive Income Statement

### Income

In 2014, the Company earned income of LTL 805.2 million. Income from the electricity trading, balancing power, power reserving and public-interest services, together with income from sale of heat energy, accounted for the largest part of this amount. Compared with 2013, the Company's income decreased 26% including a 31% drop in sales income, a 57% drop in power reserving service income, and a 5% drop in PSO income. The Group's income in 2014 totalled LTL 866.2 million, which shows a 28% decrease compared with 2013.

### Costs

The Company incurred costs of LTL 669.3 million and the Group incurred costs of LTL 736.8 million in 2014. The majority of these costs (74%, or LTL 493.2 million in the case of the Company, and 68%, or LTL 497.4 million in the case of the Group) are the costs of purchase of electricity and the related services as well as costs of fuel needed for generation of electricity. Depreciation and amortisation costs amounted to LTL 77.0 million and LTL 78.9 million for the Company and the Group respectively.

The operating costs of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, pollution permits' revaluation costs and impairment losses amounted to LTL 150.3 million in 2014, which means a decrease compared with 2013 (- LTL 23.6 million).

### Profit

The Company's EBITDA for 2014 exceeds the same indicator for 2013 by LTL 13.2 million, whereas the Group's EBITDA decreased by LTL 20.1 million. This has resulted mainly from poorer operating results of subsidiary Kauno Energetikos Remontas UAB as well as the discontinuation of inclusion of the operating result of subsidiary Duomenų Logistikos Centras UAB that had been divested. Despite these factors, the EBITDA margin of the Group increased 5.4 p. p. and was 25.3% in 2014. The Company's EBITDA margin was 27.5% in 2014.

In 2014, gross profit of the Group amounted to LTL 122.3 m and net profit from continued operations to LTL 98.1 m. The net profit margin of the Group increased 2.3 p. p. in 2014 compared with 2013 and was 11.3 %.

The Company earned net profit of LTL 107.4 million from continued operations. Its net profit margin increased from 8.7 % in 2013 to 13.3 % (2014).

In 2014, Kauno Energetikos Remontas UAB incurred a net loss of LTL 11.7 million, whereas Energijos Tiekimas UAB Group earned a net profit of LTL 2.6 million.

## Cash Flow Statement

In 2014, net cash flows from operations of the Company amounted to LTL 306.8 million and those of the Group to LTL 311.2 m, compared with LTL 441.7 million for the Company and LTL 469.8 million for the Group in 2013.

In 2014, the Group's net cash flows from investments were negative and amounted to LTL -31.2 million (2013: LTL -121.1 million). The Group's cash flows from financial activities were negative and amounted to LTL -225.4 million (2013: LTL -99.4 million).

## Investments in non-current assets

The Company's investments in non-current tangible and intangible assets totalled LTL 78.5 million in 2014, and those of the Group LTL 80.8 million. The majority of the Group's investments of this type (LTL 61.1 million) were investments in the biofuel boiler house in Elektrėnai.

## 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 2  
**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: 1655 MW*</b></p> <p>The main power plant in the Lithuanian power system, having the greatest production capacities in the country and maintaining the tertiary reserve for ensuring the security of energy supply and reserves.</p> <p>The larger part of the electricity generation will be concentrated at the most efficient unit – the combined-cycle unit.</p> <p>Units 3 and 4 of the reserve power plant have been dismantled, and Units 1 and 2 decommissioned from 2015 (150 MW capacity each). Units 5 and 6 are being put into prolonged storage, whereas Units 7 and 8 are the reserve ones (these four units - 300 MW capacity each).</p> <p>A project on the construction of new heat energy production facilities is nearing completion.</p> <p><small>* The capacity of the power plant referred to is as of 1 January 2015 when Units 1 and 2 of the reserve power plant were decommissioned.</small></p>	 <p><b>Capacity: 900 MW</b></p> <p>Kruonis PSHP is designed for the balancing of electricity generation and consumption as well as for the power system's emergency prevention and response. Kruonis PSHP is responsible for the securing the larger part of the emergency reserve required for the Lithuanian power system.</p> <p>As the need for regulation increases, and on completion of the power links with Sweden and Poland, the power plant will 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**

**Indicators of electricity generation in 2014**

The Company holds permits of unlimited duration to generate electric power. In 2014, 1.84 TWh of electricity generated at the Company's power plants was sold, which is 6.2% less than in 2013 (1.96 TWh). Compared with the same period of past year, the greatest decrease in production was recorded at Kaunas A. Brazauskas HPP.

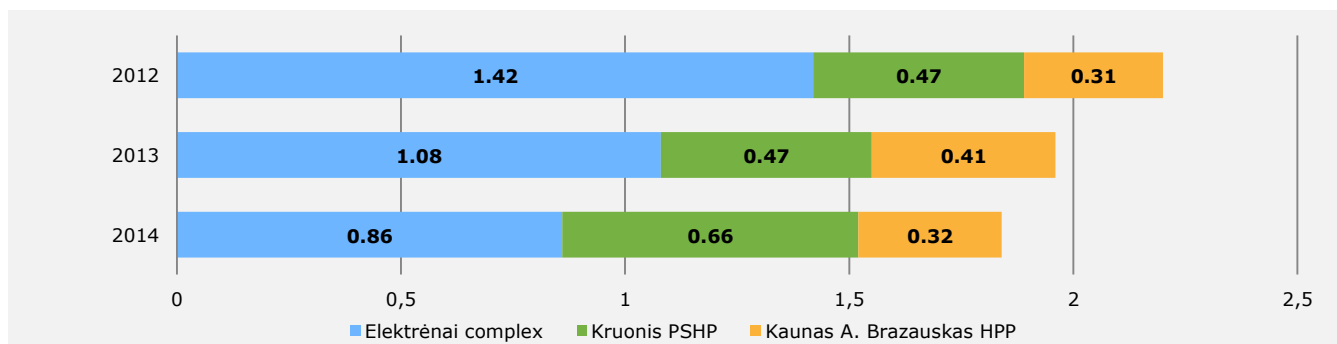
The Elektrėnai Complex started to generate electricity in April 2014. As established in the legal acts, the units of the Elektrėnai Complex were operated according to a schedule agreed with the TSO. The operation of this power plant is required for securing a reliable functioning of the power system as repairs of other electricity generating sources and limited capacities during the warm season lead to shortages of electricity and rising prices on the electricity exchange. In addition, such orientation of the Elektrėnai operation to the warm period increases the efficiency of the use of the public-interest service funds. Situation in the electricity market was stable in 2014, therefore, contrary to 2013 when over-the-quota electricity was generated in

Elektrėnai in order to secure the supply of electricity, production at the Elektrėnai Complex took place according to the agreed schedule, without exceeding the quota (in 2014, the quota was 0.9 TWh and the electricity generation volume was 0.86 TWh).

The Company also produces electricity from renewable energy resources. Kaunas A. Brazauskas HPP uses hydro power as a clean, flexible national resource which will never be depleted. In 2014, the power plant generated and sold 0.32 TWh of electricity, which is 22% less than in 2013. This power plant was operating at a lower-than-usual capacity due to a relatively dry year and the lower flowrate in the Nemunas River.

Production at Kruonis PSHP has increased compared with the nine months of last year: 0.66 TWh of electricity was generated in 2014, which is 39% more than during 2013 (0.47 TWh).

Figure 3  
**Electricity generated in the Company's controlled power plants and traded (TWh)**



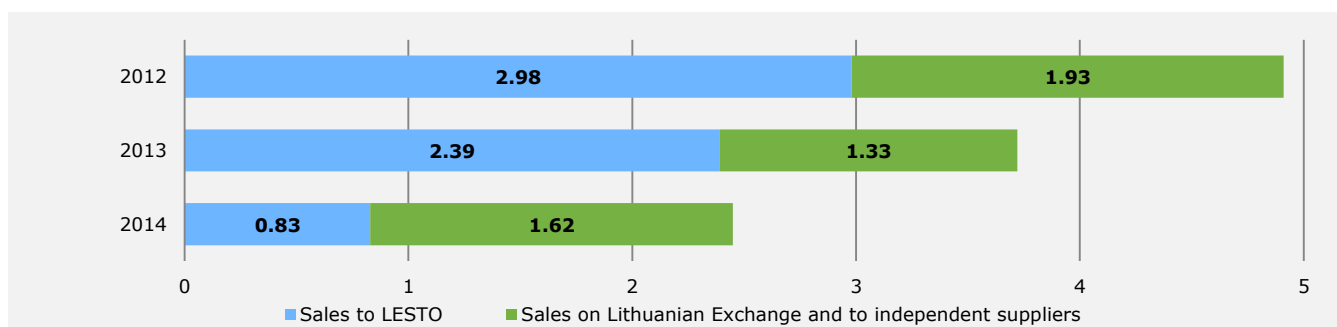
**Electricity trading indicators for 2014**

In 2014, the Company sold 2.45 TWh of electricity to the domestic market. This is a 34% decrease compared with 2013 when sales totalled 3.72 TWh (see Figure 4).

The main reason for the decrease is the change in the terms and conditions of the contract with the public supplier LESTO AB in 2014.

Since 8 January 2013, the Company has been performing the functions of a designated company, i. e. it buys all the electricity produced at wind farms according to forecasts and sells it in the Lithuanian bidding area of Nord Pool Spot (NPS). 0.51 TWh of electricity was sold in 2014.

Figure 4  
**Company's electricity sales on the domestic market (TWh)**



## **System services**

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

Power reserving service is a means to ensure the reliable operations of the energy system when, in unforeseen (emergency) situations, power generation volumes drop or consumption increases suddenly. Power generating companies provide the service of maintaining the secondary and tertiary reserves. Secondary active power reserve is the power of the installations or hydroelectric units in operation maintained by the generating company and activated within 15 minutes. Tertiary reserve is the power of the generating sources maintained by the generating company and activated within 12 hours. All the three power plants managed by the Company provide the secondary and tertiary power reserve services. The secondary power reserve is ensured by the Kaunas A. Brazauskas HPP, Kruonis PSHP and the Elektrėnai Complex, and the tertiary power reserve is ensured by the Elektrėnai Complex. In 2014, the Company sold 1.75 TWh of electricity as secondary power reserve and 2.37 TWh of electricity as tertiary power reserve (in 2013: 1.75 TWh and 2.31 TWh respectively).

Regulation power service is required in order to balance the surplus and deficit of power in the energy system. Real-time trading in the regulation power is conducted, ensuring the reliable operation 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 2014, the Company sold 0.03 TWh and purchased 0.02 TWh of regulation power (in 2013: 0.09 TWh and 0.03 TWh respectively).

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

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

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

## OTHER FACTORS DETERMINING FINANCIAL INDICATORS

### Business Strategy of the Company

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

The Strategy envisages that in 2014–2020:

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

### Strategic Directions

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

- **Increase value of the Company:** By consistently increasing the profitability of commercial activities; eliminating those production capacities that are not in use; investing in the modernisation of other capacities; increasing process efficiency and cutting operating costs.
- **Ensure quality of service to the clients (TSO, suppliers, customers):** By reducing the dependence on the state support (public service obligation (PSO)); formulating an electricity portfolio that is in line with the wishes of electricity suppliers; ensuring optimal electricity prices for suppliers and end customers; fulfilling the obligations of a socially responsible company to the public and increasing the focus on environmental protection.

- **Increase operational efficiency:** By reviewing and optimising the business 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 5  
**Strategic Directions of the Company 2014–2020**





## **Innovations and continuous improvement**

Increasing the efficiency of operations as one of the strategies of the Company is based on the optimisation of functions, technological advancement, introduction of innovations, and continuous improvement of business processes. The Company realises not just those ideas that are provided for in the operating plans but also those raised by the employees.

In addition to the ideas' assessment in terms of payback, aspects such as safety at work, quality, corporate values and ergonomic working places are considered. The employees are enabled to realise their ideas and to

## **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.

Investments of the Company (current or planned by 2020) that exceed LTL 3 million:

- Construction of heat energy and steam production facilities at the Elektrėnai Complex;
- Modernisation of physical security systems (video, perimeter and access monitoring and control);
- Chemical water purification facilities for the combined-cycle unit;
- Renovation of auxiliary integrated distribution equipment and integrated transformer substations;
- Works on the Obeniai lot (ash site) at the Elektrėnai Complex;
- Installation of the gas turbine preservation system at the combined-cycle unit;
- Kruonis PSHP frequency converter;
- Assessment of the potential of installing a wind farm in the territory of Kruonis PSHP;
- Installation of Unit 5 at Kruonis PSHP.

The following research and development projects were underway in 2014:

### **Investigations into the Syderiai Geological Structure**

In 2014, processing of all the data collected during the seismic and geologic investigations was completed and a gas storage tank model was developed. The model enables to analyse the geologic fitness of the storage facility and its behaviour during the gas pumping and extraction processes and to determine the operating parameters of the facility.

All the investigation results and conclusions were submitted to the Ministry of Energy. In order to enable the Government that has initiated the project to make a well-informed decision on further course of the project, the Company's specialists completed the project's cost and benefit analysis on instruction of the Ministry. The results of the analysis have shown that only the regional option of a 500 million m<sup>3</sup> storage facility is financially viable, with part of the storage capacities used for the meeting of the needs of the Polish market; however, completion of the Lithuanian-Polish gas pipeline project is required. The study states that the EU financial assistance under CEF (Connecting Europe Facility) should be raised for the implementation of the project. Upon presentation of the investigation results to the Government, it has been decided to secure CEF's financial assistance for the project

contribute to the development of the Company and attainment of its objectives.

Since 2012, the Company's employees have made 103 proposals for increasing operational efficiency or improving internal environment of the Company. As of the end of 2014, 32 of the ideas were realised, with the implementation of 22 underway.

Following the LEAN system's principles and applying its tools in practice, innovations and search for new solutions have become an integral part of everyday activities.

and to clarify whether Polish energy companies are interested in and prepared to jointly implement the project; any further preparatory project works should be continued only upon securing co-financing by CEF and upon clarification of the Polish companies' intentions.

### **Project on the Development of Heat Production Facilities in Elektrėnai**

In 2014 the Company carried out construction of new heat production facilities, i. e. biofuel and steam boiler houses. The biofuel storage facility's roofing and process equipment installation works were completed in duly and timely, the flue condensing economiser with the related pipeline, the flue ducts and the electrostatic flue filters were installed, the biofuel weighing equipment building with the weighing equipment was constructed. An internal road for the delivery of biofuel by vehicles to the boiler house territory in winter was built. Adjustment of part of the installed equipment on the boiler house construction site has been started – the newly installed bucket cranes were tested. Installation of the heat pipes was carried out in the biofuel boiler house.

The main mechanical works of the heat pipelines reconstruction, necessary in order to ensure the heat supply to the Elektrėnai town and other customers were timely completed. In the 2014–2015 heating season, heat will be supplied by the new pipes. It is estimated that the supply of the heat energy using the new biofuel boilers will be started prior to the end of the 2014–2015 heating season.

Testing of the newly installed steam production equipment and systems took place in November 2014. The new steam production equipment was put into operation in December. A completion certificate permitting the operation of the new equipment was issued on 19 December 2014.

The steam boiler house was built for the purposes of maintaining the heat reserves, securing the heat energy production at very low temperatures, and starting up of the units of the reserve power plant. The heat energy generated by the steam boiler house is currently supplied to Elektrėnai as well.

### **Installation of industrial park's infrastructure in the territory of Kruonis PSHP**

At the beginning of 2014, the Company completed the planned works of installing the engineering infrastructure for the industrial park within the territory of Kruonis PSHP. The territory is now ready for direct foreign investments

which would help develop the high-tech activities in this attractive area equipped with the requisite infrastructure.

The project required the reconstruction of approx. 5 km of roads and the installation of the engineering infrastructure: a water supply system with water wells and stormwater discharge networks. The road reconstruction and stormwater collector installation works were completed at the end of 2013 and the well-field – the last part of the project – was completed in February 2014.

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

#### **Main risks and contingencies**

The main risks related to the Company's operations and measures to manage them:

- In order to avoid equipment failures and emergencies the Company draws up repair plans and maintenance schedules, conducts monitoring of measures contained in the plans, and makes investments in the modernisation of equipment and acquisition of new equipment. Operational continuity plans are formulated, updated and tested regularly in order to ensure continuity of the Company's operations.
- The Company holds an ISO 14001:2004 certificate which testifies to compliance with the environmental regulations and minimisation of impact on the environment.
- In the area of health and safety at work, the Company has been issued an OHSAS 18001:2007 certificate, workplaces and the work organisation quality are being checked periodically, the employees are briefed and provided with personal safety equipment.
- To attract and retain highly competent employees, the Company has a remuneration and motivation

#### **Operations of subsidiaries**

##### **Energijos tiekimas UAB**

Energijos Tiekimas UAB is the largest independent electricity supplier, a company with Lithuanian capital invested. Its core activity is the sale of electricity in the free market.

The company has over 6,000 customers, which is the largest customer base among the independent electricity suppliers operating in Lithuania. As many as 95% of the customers have given a very good or good evaluation to the services provided by Energijos Tiekimas UAB in 2014.

The company is the sole supplier of certified electricity produced in Lithuania from renewable energy resources, i. e. the 'green Lithuanian energy'. As of the end of 2014, over 100 were buying the green Lithuanian energy generated at the Kaunas A. Brazauskas hydroelectric power plant. Drivers of electromobility can fill up their vehicles free of charge at the first fast charging point in Vilnius. A green Lithuanian energy lounge has been opened in the Vilnius Airport, using the sounds of an iceberg and water.

At the beginning of 2014, Energijos Tiekimas UAB offered a new sales product linked to an electricity exchange price.

Comprehensive measurements of wind speed and directions as well of other meteorological conditions were started in the territory of Kruonis PSHP at the beginning of 2014 in order to make a preliminary assessment of the potential for installing a wind farm. Based on the measurement results the Company has decided to launch a project on the preparatory works for the construction of a wind farm in the territory of Kruonis PSHP. In 2015–2016, a wind farm feasibility study will be prepared, environmental impact assessments will be made and the requisite territorial planning procedures will be completed.

system in place, employee development plans are formulated, and there is an employee position replacement system.

- As regards external risks, the Company is being represented at decision-making authorities in order to present and substantiate the Company's position. The Company is active in providing its comments and proposals for draft legal acts and takes part in public discussion and agreement procedures.
- The Company implements the information security requirements set for the companies with strategic or major importance for the national security within the scope of competence of the Minister of Energy.
- The Company manages its financial risks by having a higher than sufficient credit limit in its bank accounts, making cash flow forecasts, monitoring borrowing costs, concluding refinancing agreements, making suppliers' qualifications and solvency checks for the purposes of public procurement procedures, and strict monitoring of payment schedules.

Upon choosing this flexible-price package, the customer pays a variable monthly price for the energy consumed. It depends on the prices for electricity prevailing on NPS electricity exchange. The electricity used during an hour is paid for at the price prevailing for that hour on NPS plus a fixed supply margin. Open-end contracts are concluded and can be terminated by giving a 30 days' notice. This offer is quite popular among customers: in 2014, 20% of the company's customer have chosen this product linked to the NPS price.

In 2014, Energijos Tiekimas UAB was further expanding its operations in the Latvian and Estonian markets which the company had entered in the summer of 2013. During the reporting period, names of Energijos Tiekimas UAB's subsidiaries in foreign countries were changed into GETON ENERGY and contracts with major customers were concluded.

In the summer of 2014, a pilot project based on an energy saving company (ESCO) model was implemented at the Lithuanian Children and Youth Centre in Vilnius. It was aimed at saving electricity costs by replacing luminescent lamps in part of the Centre's premises and territory with

the LED lighting system that allows up to 55% electricity savings. ESCO model offers an alternative to the independent funding of energy efficiency projects as all the costs are normally paid by the ESCO service provider, which receives a payback from the electricity savings within a set term. Furthermore, the service provider assumes the risk related to the implementation of the project and is responsible for the smooth operation of the equipment. On completion of the project, the saving facilities pass into the possession of the customer and the savings output can be used at the customer's discretion. Energijos Tiekimas UAB offers ESCO projects that enable to halve expenses for lighting to companies and organisations interested in energy efficiency.

#### **UAB "Kauno energetikos remontas"**

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

In 2014, the company continued its works at various facilities and participated in new tendering procedures.

The largest project being implemented by the company at present is the design, installation and construction of new heat production facilities at the Elektrėnai Complex. Furthermore, works were successfully carried out under the following projects: extension of 330 kV Bitėnai Distribution Station into a 330/110/10 kV transformer substation, design and construction, Phase I; Krekenava transformer substation, design and construction of a 110 kV switchyard; and LITGRID AB 110 kV electricity transmission line Klaipėda-Marios 3, design and construction.

As a continuation of a project 'Increasing the Company's Efficiency' co-financed by the European Union, the majority of the components of the LEAN Management Method and the Sustainable Indicators Management Method that increase the efficiency of the company's business processes have been implemented. The production process

Energijos Tiekimas UAB is implementing, jointly with partners, a project entitled 'Developing professional skills of employees of the Group companies aimed at increasing competitive advantage'. The project is co-financed by the European Union under the 2007-2013 Operational Programme on Human Resources Development, Priority 1, Measure 'Improving Human Resources of Businesses' (project No VP1-1.1-SADM-01-K-02-162). The project is aimed at securing those management and employee capacities in the areas of leadership, management, sales, procurement, personnel, finances and optimisation of production which are necessary for the effective growth of companies.

has been optimised in accordance with LEAN guidelines by adapting it to rolled products.

An audit of an integrated quality management system, comprising the Quality Management System according to ISO 9001:2008, the Health and Safety at Work Management System according to OHSAS 18001:2007 and the Environmental Management System according to ISO 14001:2004, has been completed. It has confirmed that the company's processes meet the requirements of the said standards. In 2014, the electric equipment checking laboratory was accredited and a periodic assessment of the defectoscopy laboratory's accreditation compliance with LST EN ISO/IEC 17025:2005 was made.

In 2014, UAB "Kauno Energetikos Remontas" has launched a strategically important activity: biofuel preparation. The production was started in December.

Seeking to create a uniform, value-based operating culture, value communication and team formation events were held during the semi-annual general meetings of employees, the value ambassadors' activities were continued, and a number of employee initiatives were implemented (such as the employee's children drawing event, employee bowling tournament, Christmas events for the employees' children, presenting of relevant corporate information to the employees).

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

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

The authorized 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 (0.29 Euro) each. All the shares have been fully paid for.

As of 31 December 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.

### **Structure of Authorized Capital**

Class of shares	Number of shares	Par value		Total par value		% of authorised capital
		LTL	EUR	LTL	EUR	
Ordinary registered shares	635,083,615	1	0.29	635,083,615	184,174,248.35	100.00

### **Rights and responsibilities attached to shares**

An ordinary registered share grants its owner (shareholder) the following property rights:

- receive part of the Company's profit (dividend);
- receive part of the assets of the Company under liquidation;
- receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions established in the Republic of Lithuania Law on Companies;
- acquire shares or convertible debentures issued by the Company by the pre-emption right save for the case when the general meeting of shareholders decides to withdraw this right for all the shareholders according to the procedure established in the Republic of Lithuania Law on Companies;
- lend money to the Company by the methods permitted by the law, however, where the Company borrows from the shareholders it may not pledge its assets to the shareholders. Where the Company borrows from its shareholders, the interest rate may not exceed the average interest rate offered by commercial banks in the place of residence or in the place of business of the lender as of the date of the loan agreement. In such a case the Company and the

shareholders are not permitted to agree on higher interest rates;

- transfer all or part of his shares to other persons;
- demand that other shareholders sell their shares to him on a mandatory basis or buy shares from him on a mandatory basis in the cases and according to the procedure established by the Law on Securities Market;
- other property rights provided for by the laws.

An ordinary registered share grants its owner (shareholder) the following personal non-property rights:

- attend the general meetings of shareholders;
- vote at the general meetings of shareholders using the votes attached to the shares; an ordinary registered share grants one vote to its holder;
- receive information about the Company to the extent established by the law;
- file a lawsuit against the Company for the damage done by non-fulfilment or improper fulfilment of duties, provided for in the laws and these Articles of Association, by the Head of the Company and Members of the Board of the Company and file lawsuits in other cases established in the laws;
- other non-property rights provided for by the laws.

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

**Information about shareholders of the Company**

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

Total number of shareholders as of 31 December 2013: 6,153.

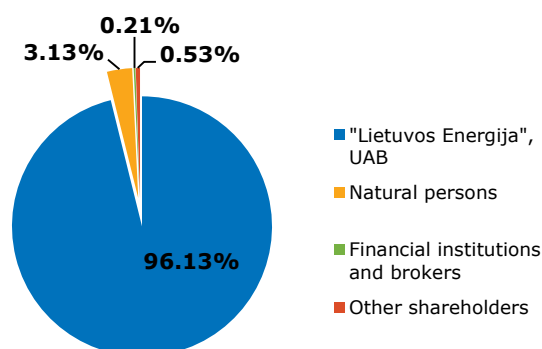
**List of shareholders whose shares account for more than 5% of the Company's authorised capital (as of 31 December 2014)**

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

**Structure of shareholders by country**

Country	Number of shareholders
Lithuania	5,953
Russia	46
Belarus	38
Estonia	37
USA	17
Latvia	10
Other	36
<b>Total</b>	<b>6,251</b>

**Structure of shareholders**



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

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

**Restrictions on voting rights**

There were no restrictions on voting rights in the Group.

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

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

**Trading in the Company's Shares**

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

	LTL			EUR			
	2012	2013	2014	2012	2013	2014	
Last trading session price	1.316	1.360	2.693	0.381	0.394	0.780	
Maximum price	1.571	1.419	2.949	0.455	0.411	0.854	
Minimum price	1.288	1.243	1.364	0.373	0.360	0.395	
Average price	1.417	1.318	2.205	0.410	0.382	0.639	
Turnover, shares	705,095	801,754	1,545,602	705,095	801,754	1,545,602	
Turnover, MLN	1.00	1.06	3.41	0.29	0.31	0.99	
Capitalisation, MLN	Company	835.46	863.97	1,710.4	241.97	250.22	495.37
	Baltic Main List	16,089.94	16,026.5	15,324.32	4,502.46	4,449.63	4,438.23

Figure 6

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

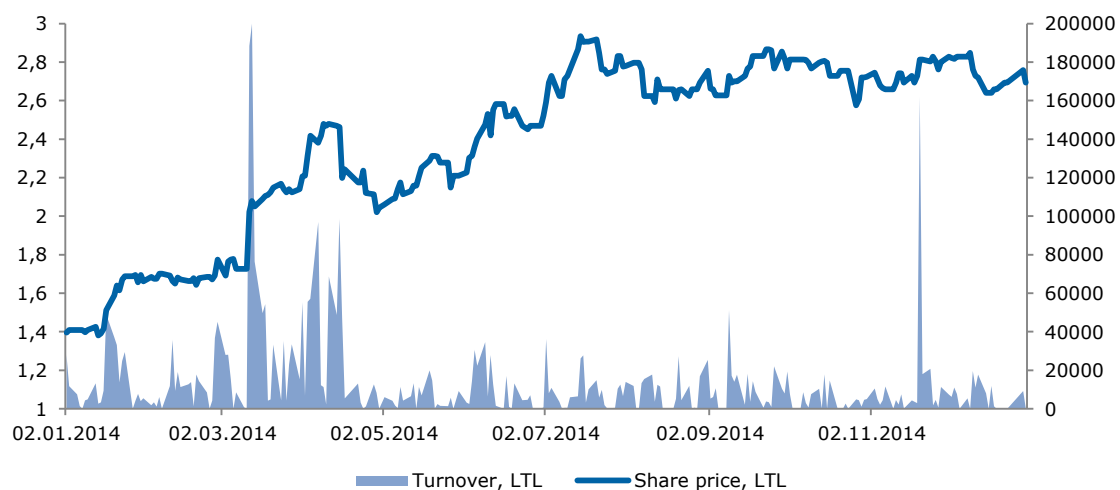


Figure 7

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

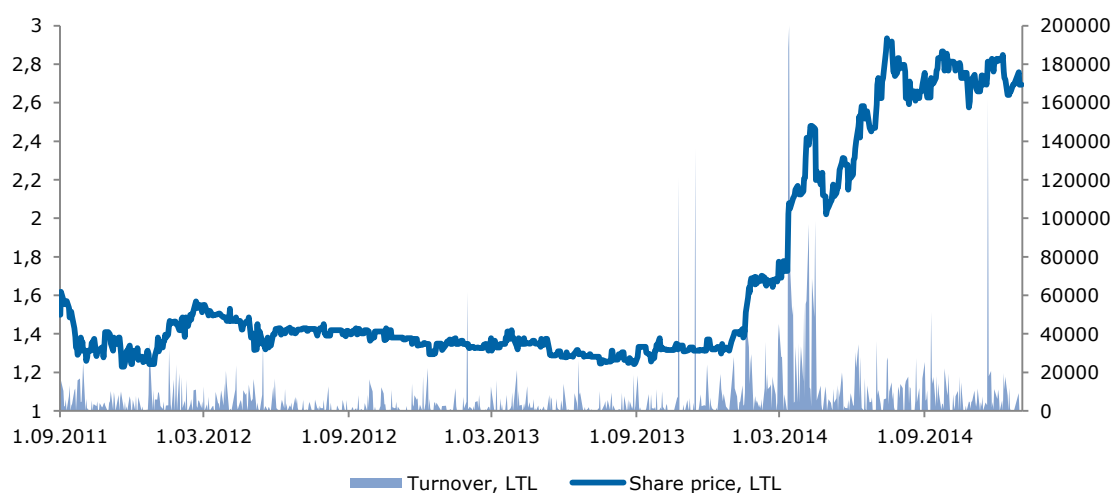
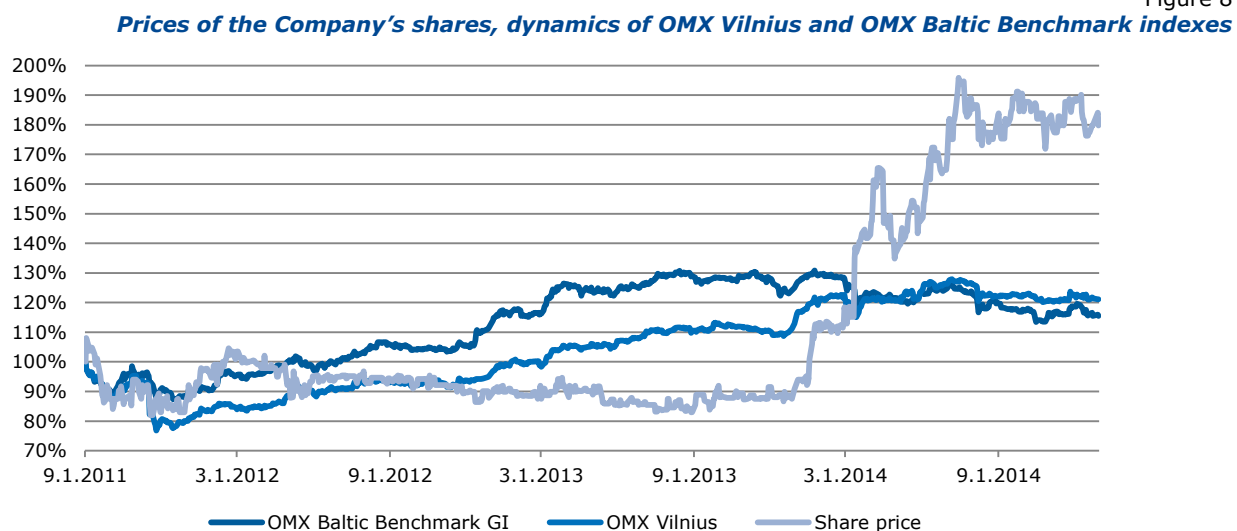


Figure 8



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

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

### 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).

Dividend / Net profit for 2013 = 1.59

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 / Net profit for 6 months of 2014 = 0.9

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 are a manifestation of its attitude toward its operations, inclusion of social, environmental and transparency principles in its business processes, and relations with stakeholders.

### **Promoting the community spirit**

In order to strengthen its relations with the community in the Elektrėnai region where the Company's operations are concentrated, the Company organises its traditional events under the title 'Lietuvos Energijos Gamyba Presents'. Four events took place in 2014: March – a meeting with actors/singers, father and son Saulius and Jokūbas Bareikis, June – with a writer, film director and song lyrics author Vytautas V. Landsbergis, October – with the team of the largest business plan competition in Lithuania ('Verslauk'), and December – with Prof. Donatas Katkus, a well-known musicologist and head of Vilnius St. Christopher's Chamber Orchestra. Nine meetings of this cycle have already been held. The Company organises them in cooperation with the Elektrėnai Library. The Company's aim is to rally the community of the town and of the region as well as the Company's employees, offering them a unique opportunity to meet with famous, interesting, original people.

On the eve of 1 September, primary school pupils' sets ('baskets') were delivered to children of the Elektrėnai Children Care Home. Such sets were also delivered, through the Elektrėnai Municipality, to families receiving social assistance and to the Company's employees having children that attend primary schools.

On Christmas Eve, the children from the Elektrėnai Children Care Home and the families receiving social assistance were invited to a show at the Elektrėnai Culture Centre where they also received Christmas presents.

### **Environment cleaning initiative**

In April 2014, the Company's employees erected new sports facilities and waste bins on the shore of the Elektrėnai Lagoon and took part in the popular national environment cleaning initiative ('Darom'). In all, over 350 bin bags of waste were collected during the cleaning campaign in Elektrėnai, Kaunas and Kruonis.

### **Educational activities**

The Company organises free excursions to its facilities for members of the public: the combined cycle unit, Kruonis PSHP, and Kaunas A. Brazauskas HPP. In this way the Company seeks to increase public awareness of the energy sector, focussing, in particular, on the younger generation.

In 2014, 173 excursions were organised, 3292 people from various organisations including schools were received; there were delegations from foreign countries as well. More than one half of these excursions (107) took place in Kruonis PSHP, 50 – in Kaunas A. Brazauskas HPP, and 16 – in the combined cycle unit.

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

### **Environmental Protection**

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

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

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

In 2014, the Elektrėnai Complex transferred to waste management companies 1221 t of liquid fuel ash, 1392 t of wastewater sludge, 5.8 t of absorbents unfit for use, 1243 t of construction waste, 71 t of tie waste, and sold 554 t of electric engineering waste, 4654 t of ferrous metal scrap, 26.6 t of aluminium waste and 15.9 t of copper waste. Domestic waste collected in the facility's territory is removed by a specialist company under a contract. 310 t of water clarification sludge was generated at the chemical unit and this amount of sludge was discharged into the Obeniai lot.

The Company has significantly reduced the amount of wastewater generated and discharged into the environment at the Elektrėnai Complex: compared with 2013, the amount was reduced by more than 15%.

During the periods of use of liquid fuel (fuel oil) at the reserve power plant, up to 97.6% of sulphur compounds and up to 92.9% of solid particles were collected by means of the air purification equipment.

In 2014, Kruonis PSHP transferred 14.7 t of hazardous waste and 1.3 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 specialist company under a contract; approx. 33.3 t of domestic waste was generated in 2014.

The Kaunas A. Brazauskas HPP transferred almost 0.5 t of hazardous waste and 0.9 t of non-hazardous waste for processing in 2014. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 6.5 t of domestic waste was generated in 2014.

### **Preventive environmental protection measures**

Divisions of the Company implement comply with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection as stated in the



IPPC Permits. Results of analyses made in 2014 show that the maximum allowable environmental (air and water) pollution values set in the IPPC Permits issued to the Lithuanian Power Plant, Kruonis PSHP and Kaunas A. Brazauskas HPP were not exceeded.

Calculations of pollution from stationary and mobile pollution sources are made, chemical substances are recorded, and internal audits of chemical substances and preparations used and of waste and wastewater generated are conducted on a regular basis.

The Company's Waste Management Instructions have been updated in order to ensure a more explicit regulation of the waste sorting procedures and to reduce the amounts of unsorted waste. Additional waste bins were acquired for these purposes.

In 2014, the works of repairing the external layer of chimney No 3 (250 m tall) at the reserve power plant were completed including the repairs and repainting of structures and the placing of a protective concrete layer.

Reconstruction of the flotation equipment in the reserve power plant's fuel facilities was completed in 2014, including the cleaning of the sediment collectors No 1 and No 2.

The dismantling of equipment of Unit 3 and Unit 4 of the reserve power plant that had been started in second half of 2012 was completed. The works were performed strictly in accordance with the environmental and health and safety at work regulations.

Implementation of the project on the installation of new modern equipment for the preparation of process water at the reserve power plant is continued. It is planned that the water preparation equipment with the capacity of up to 100 m<sup>3</sup> will be installed in the chemical unit of the plant. It is estimated that implementation of this project should cut the process water preparation costs up to 25% and water losses up to 20%.

## THE COMPANY AND ITS MANAGEMENT BODIES

### Organizational Structure

Figure 9  
*Structure of the Company (as of 31 December 2014)*

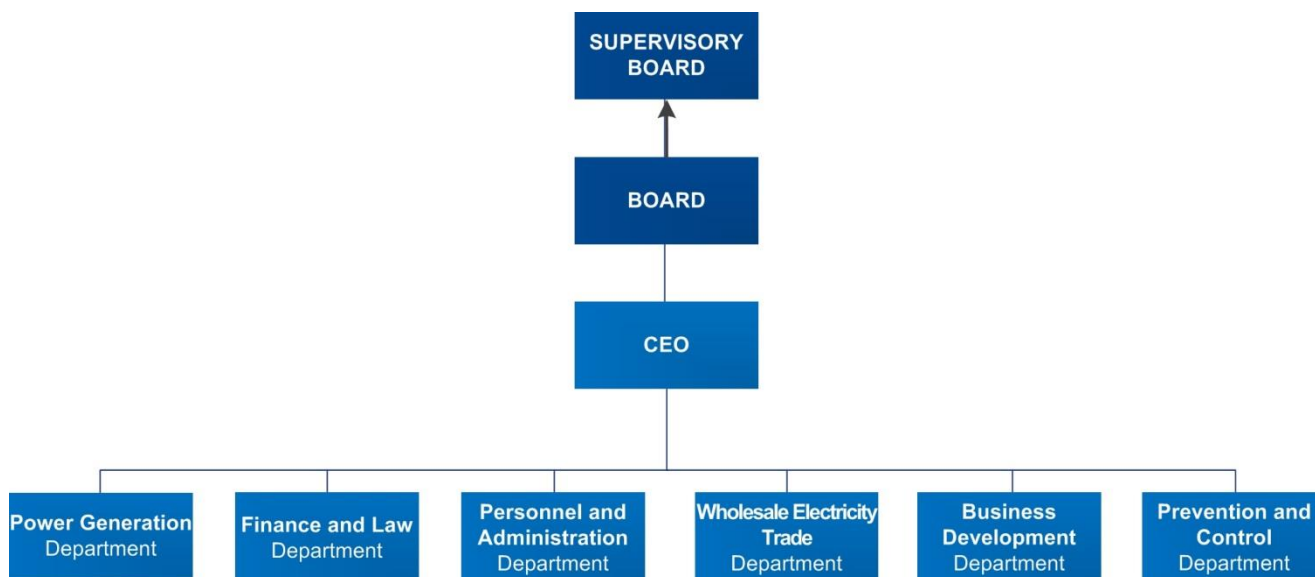
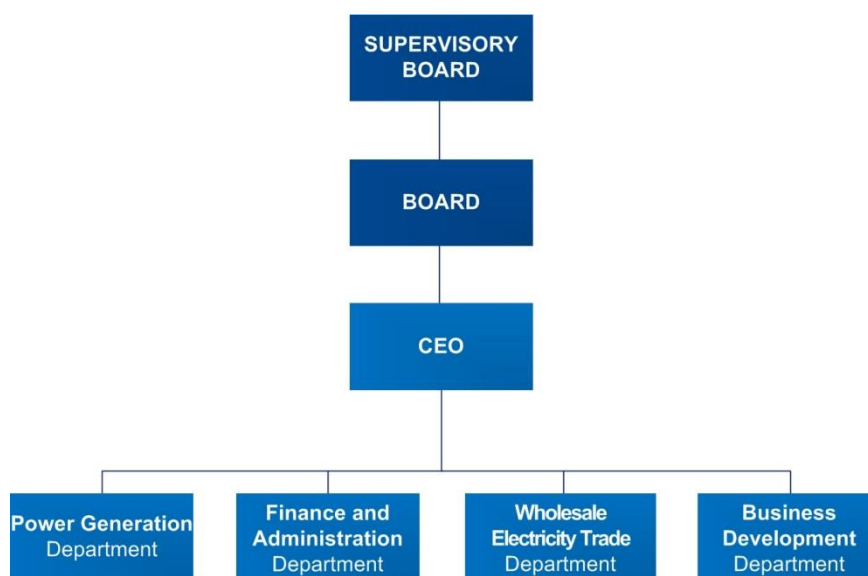


Figure 10  
*Structure of the Company (from 1 January 2014)*



### Information about Management Bodies of the Company

According to the Articles of Association valid as of 31 December 2014, management bodies of the Company include:

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

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

## General Meeting of Shareholders

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

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

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 au-

ditig 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.
4. The extraordinary meeting of shareholders of the Company held on 20 November adopted a decision to elect Mr Mindaugas Keizeris as Member of the Supervisory Board of „Lietuvos energijos gamyba“, AB until the end of the term of office of the present Supervisory Board.

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

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

## Supervisory Board

As stated in the Articles of Association of the Company, the Supervisory Board is a collegiate body exercising supervision over operations of the Company. It consists of three members – natural persons. At least one-third of the Supervisory Board's members are independent members. The Supervisory Board is elected for the period of four years by the general meeting of shareholders. The Chairman of the Supervisory Board is elected by the members of the Supervisory Board from among themselves. The Supervisory Board and its members start and terminate their activities according to the procedures established in legal acts.

The person that puts up a candidate for the position of the member of the Supervisory Board must submit to the general meeting of shareholders a written statement about the candidate's qualifications, experience in managing positions, and fitness for the position of the member of the Supervisory Board. The following persons may not be elected as Members of the Supervisory Board: the Chief Executive Officer, a member of the Board, a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the 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 Board is recalled, resigns or ceases to occupy this position for any other reason but the shareholders of the Company holding more than 1/10 of total voting rights oppose elections of individual members of the Supervisory Board, then the Supervisory Board forfeits its powers and must be elected anew. In case of election of individual members of the Supervisory Board,

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

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

- electing and recalling Members of the Board;
- overseeing activities of the Board and the Chief Executive Officer;
- furnishing the general meeting of shareholders with feedback and proposals for the operating strategies of the Company, annual financial statements, proposed allocation of profit/loss and the Annual Report of the Company as well as activities of the Board and the Chief Executive Officer;
- furnishing the general meeting of shareholders with feedback and proposals for the decision on declaring dividend for a period shorter than one financial year and on preparing interim financial statements and interim report for this purpose;
- making proposals to the Board and the Chief Executive Officer for recalling those decisions adopted by them which are in contravention of the laws and other legal acts, the Articles of Association of the Company or decisions by the general meeting of shareholders;
- resolving other matters of supervision over the Company and its management bodies falling within the scope of competence of the Supervisory Board as stated in these Articles of Association and in the decisions of the general meeting of shareholders.

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

**CONSOLIDATED INTERIM REPORT**  
For the year ended 31 December 2014

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

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
<b>Dalius Misiūnas</b> Chairman	5 August 2013 – to date	–	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<sup>1</sup></b> Member	5 August 2013 – 12 November 2014	–	Lietuvos Energija, UAB – Director for Production and Services, Member of the Board. NT Valdos, 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>Mindaugas Keizeris</b> Member	20 November 2014 – to date	–	Lietuvos energija, UAB Director for Strategy and Development, Member of the Board. UAB "Elektros tinklo paslaugos" Member of the Board. Energijos tiekimas UAB Member of the Board. AB "Lietuvos dujos" Member of the Board.	–
<b>Pranas Vilkas</b> Independent members	5 August 2013 – to date	–		–

On 28 October, 2014 the Company received notice from Mr Liudas Liutkevičius, Member of the Supervisory board regarding the resignation from the duties of member of Supervisory Board of the Company from 12 November 2014. The extraordinary meeting of shareholders of the Company held on 20 November adopted a decision to elect Mr Mindaugas Keizeris as Member of the Supervisory Board of „Lietuvos energijos gamyba“, AB until the end of the term of office of the present Supervisory Board

No other changes took place in the composition of the Company's Supervisory Board during the reporting period.

12 meetings of the Company's Supervisory Board were held in 2014. 10 of the meetings were attended by all three members, while two meetings was attended by two members.

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

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

	Pay in 2014, LTL	Other payments in 2014, LTL	Total, LTL
All members of the Supervisory Board collectively	–	19,500	19,500
Per member of the Supervisory Board on average *	–	19,500	19,500

\* 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 31 December 2014, the Supervisory Board 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.

## CONSOLIDATED INTERIM REPORT

### For the year ended 31 December 2014

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 Board;
- perform other relevant functions identified in the, Lithuanian laws and regulations and the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius.

#### Members of the Audit Committee (as of 31 December 2014)

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

On 28 October 2014 I. Petruškevičienė took a position as a member of the Audit Committee. No other changes took place in the composition of the Audit Committee.

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

The person that puts up a candidate for the position of the Member of the Board must submit to the Supervisory Board a written statement about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Member of the Board. The following persons may not be elected as Members of the Board: a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the electricity or gas

transmission operations, member of the Supervisory Board of the Board, and any person who is not entitled to occupy such position on other grounds established in legal acts.

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

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

## CONSOLIDATED INTERIM REPORT For the year ended 31 December 2014

Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security;

- transactions the value of which exceeds 10,000,000 (ten million Litass);
- other decisions provided for in the Articles of Association of the Company.

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

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

### 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 2014, the Board met for 47 times. All members of the Board attended 45 of them, while two meetings were attended by four out of five Board members (80%).

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

	Pay in 2014, LTL	Other payments in 2014, LTL	Total, LTL
All members of the Board collectively	941 593	206 639	1148 232
Per member of the Board on average	188 319	41 328	229 647

### 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**

	<b>Pay in 2014, LTL</b>	<b>Other payments in 2014, LTL</b>	<b>Total, LTL</b>
Chief Executive Officer Juozas Bartlingas	243,948	60,500	304,448
Chief Financier Giedruolė Guobienė*	124,938	19,793	144,731

\* Pay for the period of January – November 2014 is given for the Chief Financier. From 1 December 2014 accounting function was moved to UAB Verslo aptarnavimo centras. Verslo aptarnavimo centras performs the complete set of accounting functions starting from primary documents accounting and finishing with preparation of financial statements, i.e. accounting and reporting functions.

**Employees of the Company**

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

In 2014, the Company continued the process of formation of its organisational culture, implementing the Human Resources Management Policy of the Lietuvos Energija Group approved at the end of 2013. The policy establishes the general principles and provisions of human resources management in the implementation of strategic corporate objectives.

Improvement of a uniform operations' management system based on the setting of objectives and the competence model was continued, the principles of long-term human resources planning and employee recruitment were identified, and the staff replacement programme – one of the Company's priorities in 2014 – was developed. In order to secure the continuity of the key functions, a system of replacement was implemented for the main positions according to this programme, i. e. replacement ('duplicating') employees have been appointed for all the most important positions and their training according to special development programmes is taking place. The Company is highly interested in ensuring that experienced and highly qualified employees who have worked with the Company for many years would have a replacement and would transfer their knowledge and experience to young specialists.

Pay received by all employees of the Company including management consists of the fixed part, the variable part, and fringe benefits.

The fixed part of pay is established on a position level based on the competences possessed by the employee.

The variable part of pay depends on the measurable performance results, i.e. attainment of objectives or tasks set for each position. Annual objectives are identified for managers and specialists, whereas the variable pay of blue-collar workers depends on monthly performance results.

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

The performance evaluation process starts from a '360° assessment' whereby management and general competences of managers and specialists are assessed. The competences are assessed by the employees themselves and their supervisors and colleagues. During annual interviews, the employee and his/her manager discuss the results of the review, assess the level of achievement of last year's targets, plan objectives and, based on the competence assessment, outline tasks and specific employee development measures for next year.

When a need for a new employee arises, an internal selection process is organised in the first place. In case if there are no suitable candidates among the present employees, the search is continued outside the Company. In 2014, nine employees of the Company were promoted - transferred to positions that were more attractive to them. 14 employees were transferred to other companies of Lietuvos Energija Group as part of the process of broadening the employee career opportunities and encouraging intra-Group employee mobility.

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

As of 31 December 2014, the Company employed 474 people (including employees on child care leave) including specialists and line managers 57%, blue-collar workers 42%, and top management 1%. As of the end of 2013 the Company had 503 employees. The change in the employee numbers is related to the establishment of Verslo Aptarnavimo Centras UAB, to which all the Company's

public procurement and accounting staff have been transferred.

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

**Number of the Company's employees and average pay (as of 31 December 2014)**

	<b>CEO</b>	<b>Top management</b>	<b>Line management</b>	<b>Experts, specialists and workers</b>
Numbers of employees by position levels	1	5*	35	433
Average pay, LTL	20,333	13,042	7,173	3,577

\* The table presents the average wage of the Company's top management as of 31 December 2014. In QIV 2014, two persons from the top management (director of the department and chief financier) left the Company. In accordance with the existing procedure of the Company, they were paid the annual variable remuneration component for 2014, whereas the annual variable remuneration component to be paid in 2015 and 2016 has been deferred. The total amount paid to the above persons in QIV 2014 accounts for LTL 104,135, LTL 30,209 of this amount being the compensation in respect of leave accrued but not taken.

Men account for 80% and women account for 20% of the Company's employees. 39% of the employees have higher educational attainment, 15% further education, and 46% vocational secondary education.

In 2014, most employees of the company were people aged from 35 to 54, having a 10-year or longer record of service with the Company. These are highly qualified and experienced specialists forming the core of the organisation, in particular in production units where know-how and experience are of vital importance. Employees in

this age group account for 53% of all employees in the Company.

Employees aged from 25 to 34 and having a record of service up to 10 years account for 20% of the Company's employees. The majority of them work in the auxiliary divisions.

**Collective agreement and trade unions**

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

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

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

2014 m. pradžioje atliktas darbuotojų nuomonės tyrimas, At the beginning of 2014, an employee opinion survey was organised in order to learn the employees' opinions on such important areas as working environment and organisational culture, dissemination of information within the Company, career and development opportunities, pay and recognition. The survey has shown that the employee satisfaction level has remained the same as in previous year.

the divisions were held. Operating results of the Company, progress in projects that are underway, and new projects being planned were discussed at the meetings; the employees' questions were answered by management during the meeting.

Upon analysing the survey results the Company has drawn up, together with its employees, an action plan on organisational strengthening the aim of which is to improve those areas which have received poor evaluation and to promote employee involvement.

The Company seeks to purposefully develop and improve skills of the employees based on the work objectives set for the employees, assessment of competences and the skills improvement needs, therefore, the employees are encouraged to take part in the training aimed at skills improvement and competence development. At such professional training courses, the employees refresh the technical knowledge mandatory for their jobs and are issued relevant certificates upon completion. During seminars and conferences, the employees familiarise themselves with innovations and best practices in the energy sector. In 2014, 175 employees of the Company took part in technical training and 141 employees took part in management training courses. Employee excursions to other production enterprises are organised in order to acquaint the employees with organisation of work, innovations, production equipment, problem resolution etc.

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

In order to attract young highly-qualified specialists, the Company is actively collaborating with educational establishments and accepts students of higher and vocational schools for internships/apprenticeships so that they can use their theoretical knowledge and acquire

Proactive communication with the employees is a priority for the Company. In March, June, September and December of 2014, regular quarterly meetings attended by top management, Board Members and employees from all



## CONSOLIDATED INTERIM REPORT For the year ended 31 December 2014

practical skills. In March 2014, the Company took part in the Career Days organised by the Kaunas University of Technology, Vilnius Gediminas Technical University and ISM University of Management and Economics. 12 students from Lithuanian and foreign higher educational establishments had placements in the Company in 2014

including a student from the Stockholm School of Economics in Riga (Latvia) and student from Sheffield University (United Kingdom). Two of the students were offered jobs at the Company upon successful completion of placements.

### Employees of the Group

The Group employed 725 people as of the end of 2014 (including employees on child care leave). As already mentioned, Lietuvos Energijos Gamyba, AB employed 474 people, Kauno Energetikos Remontas UAB 236, and

Energijos Tiekimas UAB 15. The numbers of employees and their distribution by level of positions is shown in the table below.

	CEO	Top management	Line managers	Experts, specialists and workers	Total as of 31 December 2014	Total as of 31 December 2013
Lietuvos Energijos Gamyba, AB	1	5	35	433	474	503
Kauno Energetikos Remontas UAB	1	4	9	222	236	224
Energijos Tiekimas UAB	1		2	12	15	17
<b>Total</b>	<b>3</b>	<b>9</b>	<b>46</b>	<b>667</b>	<b>725</b>	<b>744</b>

### Information on other Committees

„Lietuvos energija“, UAB, įmonių grupėje be audito komiteto veikia Rizikų valdymo priežiūros komitetas ir Skyrimo ir atlygio komitetas.

#### 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 Board.

#### Members of the Risk Management Supervision Committee (as of 31 December 2014)

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

### **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 Board.

### **Members of the Appointments and Remuneration Committee (as of 31 December 2014)**

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

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

### **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).

Link to the notification on material event: [Regarding the group strategy approved by the "Lietuvos energijos gamyba", AB shareholder](#)

#### **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.

Link to the notification on material event: [Regarding the concluded loan agreement](#)

#### **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.

Link to the notification on material event: [On termination of Nordic Energy Link AS](#)

#### **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.

Link to the notification on material event: [Regarding the sale of UAB Duomenų logistikos centras shares](#)

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

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

Link to the notification on material event: [Regarding decisions adopted at the ordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB on 4 April 2014](#)

#### **Pledged share of the Company's assets**

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

Link to the notification on material event: [Regarding the pledge of the "Lietuvos energijos gamyba", AB property](#)

#### **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.

Link to the notification on material event: [Regarding Decision adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB on 25 June 2014](#)

#### **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.

Link to the notification on material event: [Presentation of Lietuvos Energijos Gamyba, AB Business Strategy for 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.

Link to the notification on material event: [Regarding signature of UAB Technologijų ir inovacijų centras shares and changes of authorized capital](#)

**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.

Link to the notification on material event: [Regarding the establishment of the jointly owned 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.

Link to the notification on material event: [Regarding the adopted resolution of the National Commission for Energy Control and Prices of significant importance on the activities of the Company](#)

**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.

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

**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.

Link to the notification on material event: [Regarding Decisions adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB, on 30 September 2014](#)

**Decided to decommission units 1, 2**

The Board of the Company, implementing the strategy of the Company and taking into account the opinion of the Supervisory Board, on 20 October, 2014 decided to decommission units 1, 2 of the Lithuanian power plant owned by the Company starting from 1 January, 2015 (1 unit will be decommissioned starting 1 January, 2015, 2 unit will be decommissioned starting from 1 April, 2015).

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

Link to the notification on material event: [Regarding the decommissioning of the units 1 and 2 of Lithuanian power plant owned by "Lietuvos energijos gamyba", AB](#)

**Member of the Supervisory board resigned**

On 28 October, 2014 the Company received notice from Mr Liudas Liutkevičius, Member of the Supervisory board regarding the resignation from the duties of member of Supervisory Board of the Company.

Link to the notification on material event: [Regarding the Extraordinary General Meeting of Shareholders of "Lietuvos Energijos Gamyba", AB](#)

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

On 31 October, 2014 Vilnius Regional Administrative Court accepted Company's appeal on the resolution „On the results of "Lietuvos energijos gamyba", AB audit" (the Resolution), dated 30/09/2014, No. O3-818, of the National Commission for Energy Control and Prices (the Commission).

Link to the notification on material event: [Regarding legal proceedings initiated by the "Lietuvos energijos gamyba", AB](#)

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

On 18 November, 2014 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices „On the approval of the price caps for 2015 of the AB "Lietuvos energijos gamyba" services of electricity power reserve security", dated 17/10/2014, No. O3-852 and "On the approval of the purchase price for the 2015 of the

electricity power generated in the Lithuanian power plant owned by the AB "Lietuvos energijos gamyba", dated 30/10/2014, No. O3-866

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

#### **Member of the Supervisory Board Elected**

The extraordinary general meeting of shareholders of the Company held on 20 November 2014 adopted the decision to elect Mr Mindaugas Keizeris as Member of the Supervisory Board of „Lietuvos energijos gamyba“, AB until the end of the term of office of the present Supervisory Board.

Link to the notification on material event: [Regarding Decisions adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB](#)

#### **The Court accepted a decision on buyout of the shares**

On 19 November, 2014 the Supreme Court of the Republic of Lithuania (the Court) adopted decision by cassation in cases regarding the legal obligation of the state of buyout of the shares of the expired legal entity AB Lietuvos elektrinė of the minority shareholders and the correct pricing of these shares. The Court stated that the legal obligation for buyout of shares of the state is intact and also found that the price of buyout of these shares in question is fixed at 6, 13 LTL per share.

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

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

On 5 December, 2014 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of

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

#### **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.

#### **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 National Commission for Energy Control and Prices „On the approval of the recount of the components of the price on the production of the heat of "Lietuvos energijos gamyba", AB", dated 30/11/2014, No. O3-875.

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

#### **Adopted a resolution of significant importance on the activities of the Company**

On 19 December, 2014 National Commission for Energy Control and Price adopted amendment of the resolution "On the setting of the purchase price of the electricity for 2015 generated in the Lithuanian power plant owned by the AB "Lietuvos energijos gamyba" (the Resolution). By Resolution, which is adopted on the basis of the National Commission for Energy Control and Price Resolution "On the results of electricity generation market inquiry" dated 7 August, 2014, National Commission for Energy Control and Price reduced the allocated budget of SGEI of the Company for 2015 by 29,35 million LTL.

Link to the notification on material event: [Regarding the adopted resolution of the National Commission for Energy Control and Prices of significant importance on the activities of the Company](#)

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

On 30 December, 2014 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices "On amendment of the resolution on the setting of the purchase price of the electricity for 2015 generated in the Lithuanian power plant owned by the "Lietuvos Energijos Gamyba", AB.

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

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

#### **The Company's activities were presented to the investors**

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

#### **Optimal operation scenario of Elektrėnai complex has been established**

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

In accordance with the optimal operational scenario of the Elektrėnai complex, the exploitation of the units 1 and 2 of the reserve power station (with 150 MW capacity each) should be phased out once the new biofuel boiler house, currently being constructed in Elektrėnai, comes into operation, while the units 5 and 6 (with 300 MW capacity each) should be phased out once the connections with Sweden and Poland start functioning. Hence from 2016 the power generation capacities in Elektrėnai complex would consist of a modern 455 MW capacity combined cycle gas turbine unit and units 7 and 8 of the reserve power station (with 300 MW capacity each) able to generate electricity by using both gas and fuel oil. The total installed capacity of the power station would be 1055 MW.

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

"Lietuvos Energijos Gamyba", a company engaged in the production and wholesale trading of electricity, is pursuing its goal to actively contribute to the integration of Nordic and Baltic electricity markets. The Company is the first Lithuanian company that joined the derivatives exchange NASDAQ OMX Commodities.

#### **Adopted the resolution on audit of 2010-2012 activities**

On 30 September 2014 the Commission adopted the resolution „On the results of "Lietuvos energijos gamyba", AB audit". The Commission by this Resolution approved act on audit of 2010-2012 activities and decided to reduce Company's income from the supported electricity produced in Lithuanian power plant, owned by the Company, by LTL 21.2 million (EUR 6,14 million) and to reduce the income from services for ensuring the security of power reserve by LTL 25.7 million (EUR 7,44 million). The Resolution states that these decisions should be implemented in the period of 2015-2016 reporting years.

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

16 January 2015

[On adopted Resolution of the Court](#)

21 January 2015

[On adopted Resolution of the Court](#)

#### **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 annual financial information for the year 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.

## **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.

### **References and additional explanations about the information provided in the consolidated financial statements**

The Explanatory Notes to the Financial Statements for the year 2014 contain detailed explanations of financial information.

### **Audit information**

The extraordinary general meeting of shareholders held on 25 June 2014 decided to elect PricewaterhouseCoopers UAB (J. Jasinskio 16B, 01112 Vilnius, Lithuania) as an

auditor of "Lietuvos energijos gamyba", AB financial statements for 2014 and to set a remuneration for the audit services not more than LTL 80,000 excluding VAT.

### **Other agreements with auditors**

The audit firm that audited financial statements of "Lietuvos energijos gamyba", AB for 2014, provided training services and consulting on preparation of evaluation of prices of public procurement.

## **Appendix 1. Notice of the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius**

The public company „Lietuvos energijos gamyba“, Ab, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	The main directions of company's development are publicly available on its website, annual report, and NASDAQ OMX Vilnius publications.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	All key strategic decisions affecting shareholder value growth (optimizing company's operational functions and structure, other actions aimed at increasing operational efficiency and cost savings) are made by the company's supervisory board and board of directors.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	The company has a supervisory board, board of directors and a Chief Executive Officer. These management bodies cooperate to attain the greatest possible benefit to the company and its shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	Supervisory and management bodies of the company respect the rights and interests of persons participating in and connected with company's operations: 1. Since its establishment the company cooperates and is involved in social partnership with employee representatives (allocates funds for the implementation of collective agreement, employee development, etc.). 2. The Company fulfils its financial and other obligations in accordance with the budget approved by the board of directors.
<b>Principle II: The corporate governance framework</b>		
<b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the Chief Executive Officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the Chief Executive Officer, which, in its turn, facilitate a more efficient and transparent management process.	YES	In accordance with corporate articles of association the company has the following management bodies: a general shareholders' meeting, supervisory board, board of directors and Chief Executive Officer.



**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	<p>YES</p>	<p>Supervisory board of the company is a collegial body responsible for the supervision of company's activities. Supervisory board appoints and removes members of the board of directors, supervises activities by the board of directors and Chief Executive Officer, delivers opinions and proposals to the general shareholders' meeting on matters of importance to the company. The supervisory board also has an additional authority on other matters of importance to the company.          In accordance with corporate articles of association the board of directors reports to the supervisory board and the general shareholders' meeting. The board of directors analyses, considers, approves and assesses company's activities and operational circumstances, plans activities, and makes important decisions in connection with company's governance. The board of directors takes account of the opinions of the supervisory board and nominates and removes Chief Executive Officer of the company.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's Chief Executive Officer.</p>	<p>YES</p>	<p>The company has a supervisory board, see commentary under clause 2.2.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup></p>	<p>YES</p>	<p>The company has implemented recommendations set out in Principles III and IV. The company has a supervisory board, see commentary under clause 2.2.</p>
<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.<sup>2</sup></p>	<p>YES</p>	<p>In accordance with Article 21 of corporate articles of association the supervisory board of the company comprises 3 (three) members. In accordance with Article 5 of corporate articles of association the board of directors comprises 5 (five) members.          The company believes that the above mentioned numbers of members on the supervisory board and board of directors are sufficient as they ensure expedient and effective decision-making.          The supervisory board and board of directors adopt decisions in board meetings. A meeting of the supervisory board is deemed effective and may pass decisions when the meeting is attended by more than half of its members. A meeting of the board of directors is deemed effective and the board may pass decisions if the meeting is attended by at least 4 (four) of its members.</p>
<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>YES</p>	<p>The supervisory board is elected for a term of 4 (four) years. The duration of the term of office of members on the supervisory board is the maximum term of office provided for by the Law on Companies of the Republic of Lithuania. A general shareholders' meeting may remove both the entire supervisory board and individual members thereof before the end of their term of office.</p>

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the Chief Executive Officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the Chief Executive Officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's Chief Executive Officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the Chief Executive Officer.

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and Chief Executive Officer of the company should be a different person. Former company's Chief Executive Officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>YES</p>	<p>The supervisory board elects chairman of the supervisory board from among its members.          Article 24 of corporate articles of association sets out that director general, member of the board of directors, member of a supervisory body, management body or administration of an entity engaged in the transmission of electricity or gas, or some other person who cannot hold the office under applicable legislation, cannot be a member of the supervisory board of the company. The company also complies with the requirements set out in Article 31 of the Law on Companies of the Republic of Lithuania.</p>
<p align="center"><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p>		
<p align="center"><b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>YES</p>	<p>In accordance with Article 23 of corporate articles of association every candidate to become a member of the supervisory board must produce to the general shareholders' meeting a declaration of candidate's interests specifying all circumstances that could lead to a conflict of candidate's and company's interests.          Supervisory board of the company is elected by the general shareholders' meeting in compliance with the requirements set out in the Law on Companies of the Republic of Lithuania.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>YES</p>	<p>At present the company essentially follows this recommendation. The company continuously collects, stores and presents in its annual reports and company's website information on offices held by the members of its supervisory board and/or their involvement in activities of other businesses.          Article 22 of corporate articles of association defines that a person proposing a candidate to members of the supervisory board has the obligation to produce written explanations to the general shareholders' meeting as to the qualifications of each candidate proposed to members of the supervisory board, candidate experience of managerial work, and fitness to hold the office of a member of the supervisory board. Information on candidates to become members of the supervisory board is produced to shareholders before the day of the general shareholders' meeting in accordance with the procedure prescribed in legislation.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>YES</p>	<p>Information on qualifications, work experience and office held, as well as other information describing particular competence of the candidate is made available to shareholders (Article 22 of corporate articles of association).          Information on offices held by the members of the supervisory board of the company, or their participation in activities of other businesses, is continuously collected, stored and presented in annual reports of the company.</p>

<sup>3</sup> Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's Chief Executive Officer. This note shall apply in respect of item 3.1 as well.

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>YES/NO</p>	<p>In accordance with the Law on Companies of the Republic of Lithuania the supervisory board is elected and simultaneously qualifications of its members are evaluated by the general shareholders' meeting. The supervisory board cannot determine its own composition. It should also be noted that the main activities of the company are the production and import and export of and trade in electricity, and ensuring energy security and the majority of members on the supervisory board are experts in the field of energy. As to the audit committee, see commentary under clause 4.14. As to the remuneration committee, see commentary under clause 4.13.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>YES/NO</p>	<p>Once elected members of the supervisory board are familiarized with activities of the company, its organizational and governance structure, operational and financial plans. It should also be noted that members of the supervisory board are regularly updated on the activities of the company during board meetings and personally if required or requested by the members.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>YES</p>	<p>Corporate articles of association establish that at least 1/3 (one third) of members on the supervisory board shall be independent members. Currently one of the three elected members of the supervisory board is independent.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration</li> </ol>	<p>YES</p>	<p>Terms of agreements with members of the supervisory board and criteria of member independence are defined by the general shareholders' meeting taking into account statutory requirements and good practice of corporate governance. Terms of the agreement with an independent member of the supervisory board approved by the general shareholders' meeting contain a statement of independence of a member of the supervisory board as stipulated in the provisions on independent members of a company's supervisory board set out in the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius. Also see commentary under clause 2.7.</p>

<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

<sup>5</sup> It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>YES/NO</p>	<p>These criteria are established in corporate articles of association and agreements of activities of an independent member of the supervisory board and approved by the general shareholders' meeting.</p> <p>The formation of a supervisory board and election of independent members are attributed to the competence of the general shareholders' meeting.</p> <p>See commentaries under clauses 2.7 and 3.7.</p>
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**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>YES</p>	<p>The company discloses in its annual reports which members of the supervisory board it considers to be independent.</p> <p>Also see commentaries under clauses 3.6 and 3.8.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>NO</p>	<p>See commentary under clause 3.9.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>YES</p>	<p>Corporate articles of association establish that independent members of the supervisory board may be remunerated for their work on the supervisory board if the general shareholders' meeting decides so.</p>
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	<p>YES</p>	<p>Corporate articles of association establish that the supervisory board produces to the general shareholders' meeting opinions and proposals as to the annual financial statements of the company, draft profit (loss) distribution proposal, annual report of the company, and activities of the board of directors and Chief Executive Officer. The supervisory board produces to the board of directors opinions regarding the operational strategies of the company, budget drafting, execution of transactions involving company's assets, candidates to the office of Chief Executive Officer and members of management bodies of company's subsidiaries, supervises activities of the board of directors and of the Chief Executive Officer, also performs other supervisory functions with regards to the company and its governance bodies attributed to the competence of the supervisory board.</p>

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's Chief Executive Officer.

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>YES</p>	<p>The duties set out in this recommendation are embedded in the agreement of activities of a member of the supervisory board, and agreement of activities of an independent member of the supervisory board signed by all members of the supervisory board. All members of the supervisory board act in good faith towards the company and in the best interests of the company.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>YES</p>	<p>Members of the supervisory body are actively involved in the meetings of the supervisory board. All members of the supervisory board were in attendance in all meetings of the board that were held in 2013. Names of the members of the supervisory board in attendance are recorded in the minutes of the meeting.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>YES</p>	<p>Shareholders are notified of company's strategies, risk management, and resolutions of conflicts of interests in accordance with the procedure prescribed in legislation. The role of members of the supervisory board in communicating and committing to shareholders is defined in accordance with statutory requirements and corporate articles of association.</p> <p>See commentary under clause 4.1.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>YES/NO</p>	<p>Management bodies of the company conclude and approve transactions in accordance with the requirements set out in applicable legislation and corporate articles of association. Corporate articles of association set out that a general shareholders' meeting passes decisions with regards to the terms and conditions of agreements with members of the supervisory board for activities on the supervisory board.</p> <p>See commentaries under clause 3.11 and other.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>YES/NO</p>	<p>The supervisory board acts independently in passing decisions that are of significance to company's operations and strategies.</p> <p>The company ensures that the supervisory board is supplied with all necessary resources (technical support during board meetings, provision of all required information). Agreement of activities of a member of the supervisory board defines that the company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. Corporate articles of association set out that the supervisory board has the right to apply to the board of directors and Chief Executive Officer asking for documents and information pertaining to company's operations, and the board of directors and Chief Executive Officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board.</p> <p>The company has no remuneration committee, see commentary under clause 4.13.</p>

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<sup>10</sup> In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's Chief Executive Officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>YES/NO</p>	<p>In accordance with corporate articles of association the supervisory board passes decisions in key areas. The supervisory board produces opinions to the board of directors as to the candidacy of Chief Executive Officer of the company. Corporate articles of association stipulate that the division discharging internal audit functions reports to the supervisory board. Based on the opinion of the board of directors the supervisory board decides on the nomination and removal of the head of the structural division performing internal audit functions, approval of his/her job description, promotion and disciplinary action.</p> <p>The company has no audit, nomination or remuneration committees. These committees were formed in the parent company and activities of the said committees include the coordination of the company's activities.</p> <p>The company believes that work of the supervisory board is sufficiently effective, balanced and well organized meaning that the supervisory board can discharge all functions attributed to these committees properly.</p> <p>No special or exclusive voting rights are conferred on independent members of the supervisory board. Independent members of the board can always express their opinion which is then recorded in the minutes of the meeting.</p> <p>In accordance with the Law on Audit of the Republic of Lithuania a public interest company which is a subsidiary and prepares consolidated financial statements may omit the requirement to form an audit committee defined in the Law on Audit of the Republic of Lithuania if its parent company has the required committee. Since the parent company, i.e. <i>Lietuvos energija UAB</i>, has an audit committee, there is no need or the obligation for the company to have a separate audit committee.</p> <p><i>Lietuvos energija UAB</i>, being the parent company, also has nomination and remuneration, and risk management committees.</p> <p>In addition to other functions, the nomination and remuneration committee at <i>Lietuvos energija UAB</i> inter alia evaluates and drafts proposals as to long-term remuneration policy of the company, policy of annual bonuses (tantiems); evaluates terms and conditions of agreements concluded with corporate management bodies; evaluates recruitment and selection procedures for candidates to members of management bodies and senior management of the company, and their qualification requirements; regularly evaluates the structure of corporate governance and supervisory bodies, their size, composition and activities.</p> <p>Risk management committee at <i>Lietuvos energija UAB</i> monitors the assessment and management of risks relevant to the achievement of company's goals; assesses the adequacy of internal control procedures and risk management measures to identified risks; assesses risks and company's risk management plan; and monitors the implementation of risk management process.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>YES/NO</p>	<p>See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-</p>	<p>YES/NO</p>	<p>The company implements the recommendation through the committees of the supervisory board formed at <i>Lietuvos energija UAB</i>.</p> <p>See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.</p>

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>YES/NO</p>	<p>See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>YES/NO</p>	<p>See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.</p>
<p>4.12. Nomination Committee.  4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, Chief Executive Officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>YES/NO</p>	<p>The company has no nomination committee but its functions are indirectly performed through the nomination and remuneration committee of <i>Lietuvos energija UAB</i>. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.</p>



<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>• Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> <li>• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or Chief Executive Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>	<p>YES/NO</p>	<p>The company has no remuneration committee but its functions are indirectly performed through the nomination and remuneration committee of <i>Lietuvos energija UAB</i>. See commentaries under clause 3.4 and other.</p>
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**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, Chief Executive Officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the</p>	<p>YES/NO</p>	<p>The company has no audit committee but its functions are indirectly performed through the audit committee of <i>Lietuvos energija UAB</i>.          See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.</p>
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<p>collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	NO	<p>Up until now there was no need or practice in the company for the supervisory board to conduct a formal performance review and publish its findings since no requirements to this effect were established in legislation. Performance of the supervisory board is assessed by company's shareholders in accordance with applicable legislation.</p>
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	YES	<p>In accordance with corporate articles of association and approved work regulations of both the supervisory board and board of directors this recommendation is implemented in the company.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month<sup>12</sup>.</p>	YES	<p>Meetings of collegial bodies of the company are held in accordance with an annual schedule of meetings. Intervals at which meetings should be held are defined in corporate articles of association and work regulations of the supervisory board and board of directors. As per corporate articles of association, meetings of the supervisory board must be held at least once in three months, and meetings of the board of directors at least once in two calendar weeks.</p>

<sup>12</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>YES</p>	<p>Work regulation of the supervisory board sets out that attendees of the meeting should be notified of the convocation of the meeting at least 3 (three) working days before the day of the meeting (unless there are no objections as to a shorter term of notice), and they are supplied with all material required to discuss matters on the meeting's agenda. Work regulation of the board of directors sets out that attendees of the meeting should be notified of the convocation of the meeting at least 3 (three) working days before the day of the meeting (unless there are no objections as to a shorter term of notice), and they are supplied with all material required to discuss matters on the meeting's agenda.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>YES</p>	<p>Members of the supervisory board and board of directors and board chairmen cooperate actively and closely and exchange important information in order to meet best interests of the company.</p>
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>YES</p>	<p>The authorized capital of the company consists of ordinary registered shares at par value of 1 litas which grant the same property and non-property rights to all their owners.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>YES</p>	<p>The articles of association, published in the website of the company, provide information concerning the rights attached to the shares.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.<sup>13</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>NO</p>	<p>Article 19 of the company's articles of association provides the transactions that shall be approved by the general shareholders' meeting. The transactions only partially correspond to the provided recommendation.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.</p>	<p>YES</p>	<p>The venue, date, and time of the convened general shareholders' meeting is indicated in order to ensure equal opportunities to participate at the meeting to all shareholders, procedures of convening and conducting a general shareholders' meeting are implemented under the Joint Stock Company Law of the Republic of Lithuania.</p> <p>The shareholders of the company are enabled to get acquainted with the agenda and documentation under the order determined by laws.</p>

<sup>13</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>6.5. If it is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>YES</p>	<p>Following the Joint Stock Company Law of the Republic of Lithuania, the company places information about the calling of a general shareholders' meeting, agenda, and prepared draft resolutions of the general shareholders' meeting in Lithuanian and English in its publicly accessible website in advance.</p> <p>Information about resolutions adopted by the general shareholders' meeting is published in Lithuanian and English in the website of the company.</p> <p>Following the company's articles of association and other laws, the information is also published in NASDAQ OMX Vilnius Stock Exchange and an e-journal of the Centre of Register.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>YES</p>	<p>The company's shareholders may implement their right to participate in the general shareholders' meeting in person and through a representative if the person has an appropriate authorization or an agreement on the transfer of the right to vote was made with the person under the order determined by laws. The company enables the shareholders to vote by completing the general voting ballot as it is provided by the Joint Stock Company Law of the Republic of Lithuania.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>NO</p>	<p>On request of the shareholders and considering objective circumstances, the company would allow the shareholders to vote using telecommunication terminal equipment, however, it is not applied yet because it needs extra investment.</p>
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b></p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>YES</p>	<p>The company follows the recommendations. Responsibilities deriving from this recommendation are entrenched in the company's articles of association.</p> <p>The company follows the recommendations.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>YES</p>	<p>The company follows the recommendations.</p>

<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>YES</p>	
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>YES</p>	<p>Members of the company's supervisory and management bodies shall abstain from voting and do not vote in case a conflict of a member's and the company's interest may arise when voting on those issues (Rules of procedure of the supervisory board and the management).</p> <p>Moreover, according to laws, the company's supervisory and management bodies have to avoid situations where their personal interests are or may contradict the interests of the company.</p>
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	<p>NO</p>	<p>Following Article 25(5) of the Law on Energy of the Republic of Lithuania, the company makes publicly available the information about the remuneration of the members of the company's management bodies and other payments related to the functions of the members of the company's management bodies.</p>
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>NO</p>	<p>Annual statement does not include the directors' remuneration policy of the company for the following year and the subsequent years.</p> <p>Annual statement includes information about the sums of money attributed to the members of the company's supervisory and management bodies (wages, other payments, bonuses and other benefits from profit).</p>

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>• An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>• Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• Sufficient information on the policy regarding termination payments;</li> <li>• Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>• Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>• Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>• Remuneration statement should not include commercially sensitive information.</li> </ul>	<p>NO</p>	<p>Annual statement includes information about the sums of money attributed to the members of the company's supervisory and management bodies (wages, other payments, bonuses and other benefits from profit), the disposed property and guaranties given to the members of the management bodies, also other information related to remunerations to the members of the supervisory and management bodies.</p> <p>See the comment of clause 8.1</p>
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>NO</p>	<p>See the comment of clause 8.1</p>

<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	<p>IRRELEVANT</p>	<p>See the comment of clause 8.1</p>
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	<p>YES/NO</p>	<p>See the comment of clause 8.1</p>
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	<p>YES</p>	<p>See the comment of clause 8.1</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	<p>YES/NO</p>	<p>See the comment of clause 8.1</p>



**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	IRRELEVANT	See the comment of clause 8.1
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	IRRELEVANT	See the comment of clause 8.1
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	IRRELEVANT	See the comment of clause 8.1
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	IRRELEVANT	See the comment of clause 8.1
8.13. Shares should not vest for at least three years after their award.	IRRELEVANT	See the comment of clause 8.1
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	IRRELEVANT	See the comment of clause 8.1
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	IRRELEVANT	See the comment of clause 8.1
8.16. Remuneration of non-executive or supervisory directors should not include share options.	IRRELEVANT	See the comment of clause 8.1
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	IRRELEVANT	See the comment of clause 8.1
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	IRRELEVANT	See the comment of clause 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	IRRELEVANT	See the comment of clause 8.1

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</li> </ul> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	<p>IRRELEVANT</p> <p>IRRELEVANT</p> <p>IRRELEVANT</p>	<p>See the comment of clause 8.1</p> <p>See the comment of clause 8.1</p>
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		<p>See the comment of clause 8.1</p>
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b></p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>YES</p> <p>YES</p>	<p>The corporate governance framework ensures that the rights of shareholders that are protected by law are respected.</p> <p>The company follows the recommendations. For instance, representatives of the employees of the company participate</p>

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>	<p>YES</p>	<p>in consultations, negotiation and meetings regarding the processes of performance optimization that are implemented in the company. According to the company's collective agreement signed with the representatives of the employees of the company, the company provides information to the representatives of trade unions about the expected changes in the company, the company's financial situation, etc. The shareholders may participate in the management of the company to the extent provided by laws.</p> <p>The company follows the recommendations.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		
<p><b>Principle X: Information disclosure and transparency</b></p> <p><b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b></p>		
<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company's supervisory and management bodies, Chief Executive Officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	<p>YES</p>	<p>The company discloses information indicated in the recommendation in the following ways:</p> <ol style="list-style-type: none"> <li>1. announces the information as key events under the order determined by laws (ex.: structural changes in the management of the company, election of new members of management, financial results of the company, etc.),</li> <li>2. information is placed on the publicly accessible website of the company (ex.: company's objectives), NASDAQ OMX Vilnius Stock Exchange and the e-journal of the Centre of Register,</li> <li>3. announces the information in the annual statement (ex.: members of the management bodies, director of the company and his/her remuneration, possible major risk factors, etc.).</li> </ol> <p>The company provides information about the consolidated results of the entire group of companies (i.e. „Lietuvos energijos gamyba“, AB and its subsidiary companies).</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>		<p>The company follows the recommendation and discloses information about the consolidated results of the company and the group of its subsidiary companies. Information related to the parent company "Lietuvos energija", UAB is announced by the parent company itself.</p>
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Executive Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Executive Officer as per Principle VIII.</p>	<p>YES</p>	<p>Information provided in the recommendation is available in the annual statement of the company (director's professional experience, participation of the members of supervisory and management bodies in the activity of other companies and other information) and its website.</p>
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>YES</p>	<p>The company discloses information about the links between the company and its stakeholders in the annual statement of the company. This information is also announced during press releases and placed on the company's website under the order determined by laws.</p>

**CONSOLIDATED INTERIM REPORT**  
**For the year ended 31 December 2014**

<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>YES/NO</p>	<p>The company provides information in Lithuanian and English simultaneously using the information disclosure system of NASDAQ OMX Vilnius. The company announces information before, during or after a trading session of the Vilnius Stock Exchange and simultaneously provides it to all markets that trade in its stock. The company does not disclose information that may have influence to its stock change in comments, interviews or in other ways as long as the information is disclosed via the information system of the stock exchange.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>YES</p>	<p>Besides the way of information disclosure indicated in the comment of clause 10.5, the company uses various means of media (newspapers, e-publications, news agencies, publicly accessible website of the company) in order to ensure that information would reach as many interested people as possible.</p> <p>Information placed on the company's website is available in Lithuanian and English languages.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>YES</p>	<p>The company places all information enumerated in this recommendation in its website</p>
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>YES/NO</p>	<p>An independent audit of the company's annual financial accountability and annual statement is performed in the company.</p> <p>A review or an audit of the interim financial accountability is performed.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>NE</p>	<p>A selected firm of auditors is proposed by the company's board to the general shareholders' meeting.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>YES</p>	<p>The company follows the recommendations.</p>