2014

CONSOLIDATED INTERIM REPORT OF THE COMPANY AND THE GROUP

1 January 2014 – 30 September 2014

Lietuvos energija

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Key indicators of the Lietuvos Energija group

Key operating indicators of the Group of Lietuvos Energija, UAB

		9 months of 2014	9 months of 2013	Change +/-	Change %
Operating indicators					
Generated electricity	TWh	1.46	1.55	-0.08	-5.4
Distributed electricity through medium- and low-voltage grids	TWh	6.18	6.07	0.11	1.7
Public and guaranteed supply	TWh	2.38	2.27	0.12	5.1
Sales of electricity on the free market	TWh	0.89	0.81	0.08	9.2
Volume of sold gas	million m^3	595.20	737.54	-142.34	-19.3
Volume of gas distributed to consumers	million m^3	498.92	622.93	-124.01	-19.9
Quality indicators of electricity supply					
SAIDI, min. (incl. force majeure)	min.	113.30	109.31		
SAIFI, units (incl. force majeure)	units	1.02	1.06		
Quality indicators of gas supply					
SAIDI, min. (incl. force majeure)	min.	0.14	0.08		
SAIFI, units (incl. force majeure)	units	0.0021	0.0014		

Key financial indicators of the Group of Lietuvos Energija, UAB

		9 months of 2014	9 months of 2013	Change +/-	Change %
Revenue	LTL thousand	2,202,332	2,139,029	63,303	3.0
Costs of purchase of electricity, fuel and related services	LTL thousand	(1,568,359)	(1,281,943)	-286,416	22.3
Operating expenses[1]	LTL thousand	(367,037)	(311,649)	-55,388	17.8
EBITDA[2]	LTL thousand	543,756	550,399	-6,643	-1.2
EBITDA margin[3]	%	24.7	25.7		
Net profit	LTL thousand	130,837	127,454	3,383	2.7

		9 months of 2014	31 12 2013		
Total assets	LTL thousand	10,347,402	9,727,225	620,177	6.4
Equity capital	LTL thousand	6,374,425	6,252,705	121,720	1.9
Financial debts	LTL thousand	1,262,886	1,180,088	82,798	7.0
Net financial debts[4]	LTL thousand	689,060	442,005	247,055	55.9
Return on equity (ROE)[5]	%	2.7	2.7		
Equity capital level[6]	%	61.6	64.3		
Net financial debt / EBITDA of 12 months	%	102.6	65.2		
Net financial debt / Equity	%	10.8	7.1		

[1] Operating expenses (OPEX) = operating expenses, excluding the costs of purchase of electricity and related services, costs of depreciation, amortisation and value impairment and costs write-offs of tangible fixed assets.

[2] EBITDA (earnings before interest, taxes, depreciation and amortisation) = pre-tax profit (loss) + interest expenses – interests revenue – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets.

[3] EBITDA margin = EBITDA / revenue.

[4] Net financial debts = financial debts – cash and cash equivalents – short-term investments and time deposits – share of other non-current financial assets comprising investments in debt securities.

[5] Return on equity (ROE) = net profit (loss), restated annual expression / equity capital at the end of period.

[6] Equity capital level = equity capital at the end of period / total assets at the end of period.

1 About the Group and the Company

The Lietuvos Energija group is one of the largest state-owned groups of energy companies in the Baltic States. The main activities of the Group include the generation and supply of electricity and heat, sales and distribution of electricity, sales and distribution of natural gas, as well as the servicing and development of the energy sector. The rights and obligations of the shareholder of the Lietuvos Energija group are implemented by the Ministry of Finance of the Republic of Lithuania.

The consolidated income of the Group of nine months of 2014 amounted to LTL 2,202.3 million, and EBITDA of the Group was LTL 543.8 million. Net profit of nine months amounted at LTL 130.8 million.

The Lietuvos Energija group with more than 5,600 employees manages and operates the key energy generation capacities of Lithuania ensuring the security of energy supply and distribution network covering the whole territory of the country, and provides services to almost 1.6 million of consumers throughout Lithuania, offers electricity supply services to consumers abroad, operates 8,200 distribution gas pipelines, supplies gas to more than 560,000 consumers, implements development projects of strategic value and pursues the goals of the National Energy Strategy. During the first nine months of 2014, 1.46 TWh of electricity were generated, 6.18 TWh of electricity were transmitted to consumers and 498.92 million m^3 of natural gas were transported via the distribution gas pipelines.

The parent company of the Group – Lietuvos Energija, UAB (hereinafter – Lietuvos Energija or the Company) is responsible for transparent management and coordination of activities of the whole Group, improvement of the efficiency in order to ensure the competitive servicing of consumers, and for socially responsible creation of the long-term value for shareholders.

The Company analyses the activities of the Group, represents the Group, implements the rights and obligations of the shareholder, establishes operational guidelines and rules, and coordinates the activities in the areas of production, commerce, finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

2 CEO statement

Dear Customers, Partners, Employees and Sharehlders,

Over the third quarter of this year and the second half of autumn, the state-owned group of energy companies Lietuvos Energija, by implementing decisions significant for the Group and the State and making targeted investments, stimulated competition in the market of electricity and natural gas, laid foundations for lower prices of energy resources and guaranteed the payment of dividends into the state budget.

The most significant events of this year in the Lietuvos Energija group – the acquisition of Lietuvos Dujos, the natural gas price discount obtained from Gazprom, the agreement signed by LITGAS and Statoil opening an alternative for the supply of natural gas, decisions on the development of projects of co-generation power plants in Vilnius and Kaunas – will have a long-term positive impact on the country's economy and consumers.

Over the last few months we could obviously witness the value generated by our strategic investments in the sector of natural gas for the whole economy of Lithuania. Having acquired Lietuvos Dujos and improved the conditions of supply and agreed on competitive prices of liquefied natural gas (LNG) between LITGAS and Statoil, market rules started working in the Lithuanian sector of natural gas. When LITGAS purchased and guaranteed the delivery of LNG cargo required for terminal testing, for the first time in the history of Lithuania the country's gas system was filled with natural gas coming not from Russia.

The real benefits of these decisions will also be enjoyed by consumers – irrespective of the infrastructure costs that have increased due to objective reasons, as a result of lower average price of natural gas and reasonable allocation of the compensation for overpayment, it will be possible to supply consumers with cheaper gas and to create preconditions for lower heating prices.

Targeted actions of the Lietuvos Energija group companies in the sector of energy will contribute to the improved quality of services and lower electricity tariffs not only in 2015, but also to ensure the most favourable prices in the longer-term perspective. During 9 months, Lietuvos Energija Gamyba saved LTL 39.1 million of consumers' funds through more effective and lower quota-based production of electricity, and LESTO – LTL 44 million, because of lower volumes of electricity purchased from cogeneration power plants and more electricity acquired on the exchange. The transfer of generation from old units to the modern one, next year will enable Lietuvos Energijos Gamyba to produce more electricity at a lower price. Further reduction of costs is achieved through the elimination of ineffective capacities and upgrading the remaining capacities.

Over 9 months of 2014, revenue of Lietuvos Energija group amounted to LTL 2,202.3 million and by 3 % or LTL 63.3 million exceeded the comparable figure of 9 months of 2013. Net profit of the Group of 9 months of 2014 was LTL 130.8 million and during the period under consideration has increased by 2.7 %. The net profit result was significantly influenced by positive results of activities of electricity production as well as electricity distribution and transmission sectors.

On 1 November, the natural gas sector of Lithuania completed the implementation of the requirement of the third package of the European Union to separate the activities of supply, sales and distribution of natural gas. A new company Lietuvos Dujų Tiekimas was set up to take care of the supply of natural gas to consumers, with the management and development of the distribution network concentrated in Lietuvos Dujos. The corporate governance model uniform for the whole Group has been implemented in these companies.

While continuing our work, we are planning to achieve the goals set for this year and to come closer to the strategic goal – doubling the value of the Group companies by 2020.

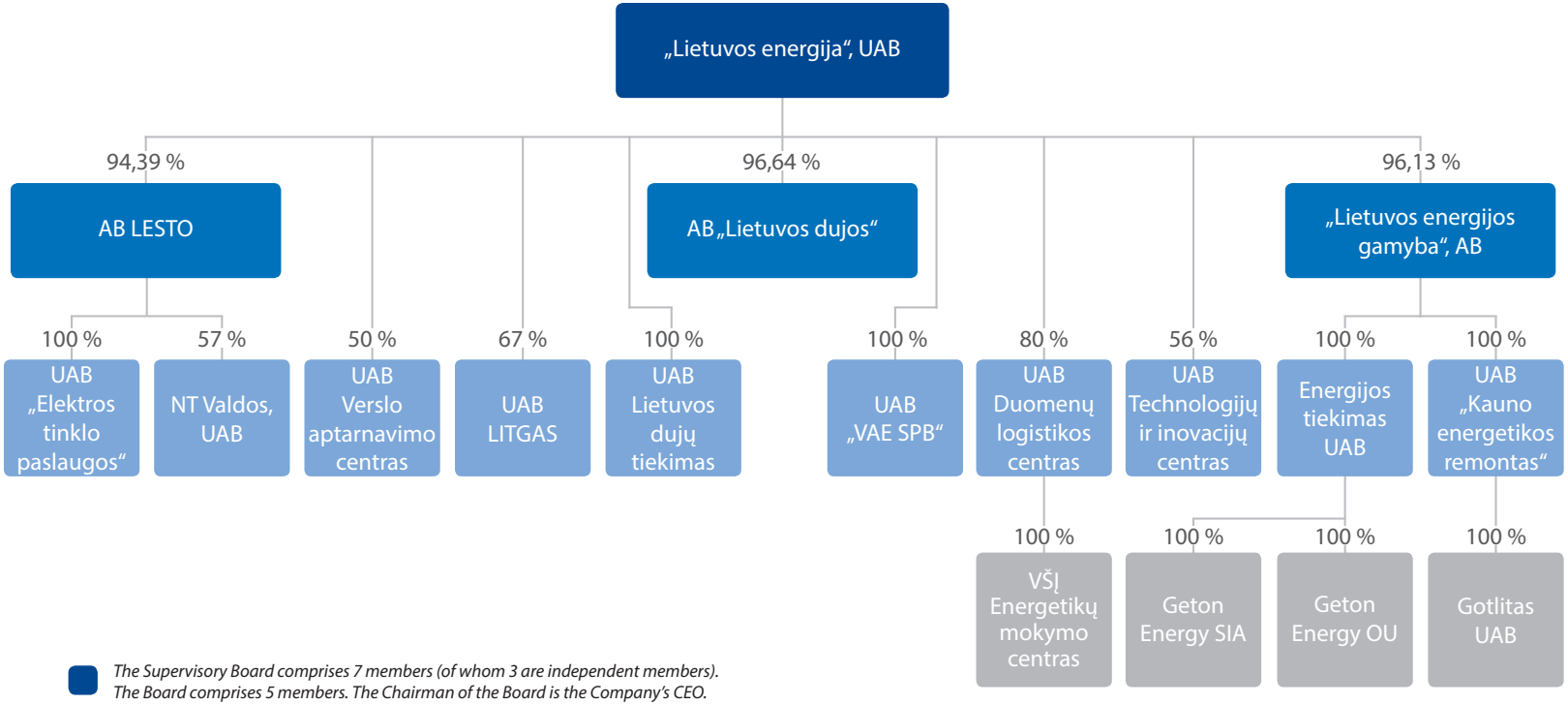
Dr. Dalius Misiūnas
Chairman of the Board and
Chief Executive Officer of Lietuvos Energija, UAB

Structure of the Group

As of the date of the Report, the Lietuvos Energija group consisted of 18 companies: the parent company and 17 directly and indirectly managed companies. The main business activities of the Group are the generation and supply of electricity and heat, sales, distribution and supply of electricity, and supply of natural gas. Activities of the Group's companies servicing these main types of business activities comprise the ITT, real estate, transport, repairs and construction of energy facilities, staff training, public procurement, accounting, administration of labour relations and other services.

The detailed list of the Group companies is presented on p. 46 of this document.

The Organisational Chart of the Group as of 30 September 2014



The Supervisory Board comprises 7 members (of whom 3 are independent members). The Board comprises 5 members. The Chairman of the Board is the Company's CEO.

The Supervisory Board comprises 3 members (of whom 1 is independent member). The Board comprises 5 members (who work in the Company). The Chairman of the Board is the Company's CEO.

The Board comprises 3 members (2 shareholders and 1 independent member). The Company's CEO is not a member of the Board.*

The Chief Executive Officer, the boards are not formed.

**In the case of TIC, the Board of 5 members is formed; in the case of VAE SPB the Board is not formed. This complies with the provisions of the corporate governance guidelines with respect to management and supervisory bodies of subsidiaries approved by the Minister of Finance.*

Strategy of the Group

The main goal of the strategy of the Lietuvos Energija group is to double the value of the Group and to become the most valuable energy company in the Baltic States by 2020. This value is perceived as a sustainable balance of three components: return on assets, improvement of competitiveness and responsibility towards employees, society and environment.

The value of the Group is increased through the development – diversifying activities, indulging in new and economically feasible projects and activities, acquiring enterprises, ensuring the efficiency of daily operations and achieving the goals set by the shareholder. The Group will contribute to the enhancement of the economic competitiveness by ensuring a stable supply of electricity, offering new products and promoting energy efficiency. The social responsibility of the Group shall be realised through the purpose-oriented activities in the environmental protection, relationships with employees, the public and market activities.

MISSION –
sustainable growth of value in the energy sector by promoting the economic and social development of the country.

VISION –
to become the highest value energy company in the Baltic States.

VALUES –
responsibility,
cooperation,
results.

The main strategic directions of the Group:

Ensuring quality services to consumers. The care is taken to achieve better servicing of consumers, develop electronic (saving consumer time) and new services responding to the needs of consumers, increase consumer choices and guarantee the reliability of generation, distribution and supply of electricity and of distribution and supply of natural gas.

Diversifying the operations. The diversification includes implementation of investment projects in the sector of electricity, heat and natural gas. The projects would increase the competitiveness of the Group and of the national economy at large as well as the energy independence of the state, optimisation of the production and trading portfolio, development of new activities by extending the value chain of the Lietuvos Energija group. These goals will be achieved using the available resources and infrastructure, investing in the creation of new infrastructure and effective governance, as well as through acquisitions.

Enhancing the efficiency of operations. The efficiency is pursued in the main activities of the Group, as well as in the provision of support functions, management of assets and other resources across all Group companies. In order to achieve higher efficiency, the management and control system of the Group companies is integrated by setting the common principles of business management, division, coordination and control of responsibilities. Efficiency improvement measures covering all Group companies or identical or very similar activities at the individual company level are also continued. Active sharing of best practices between companies is promoted and sought.

Building new organisational culture. A modern, effective and dynamic organisation is being created operating on the basis of common values, developing in consistent and targeted manner the required competences and successors for key employees, and offering internal environment which encourages the involvement of employees.

3 The most significant events

Centralisation and improvement of efficiency of processes

22 July 2014. UAB Verslo Aptarnavimo Centras started providing public procurement, accounting and employment relations' administration services to the Group companies. Since October 2014, UAB Verslo Aptarnavimo Centras has taken over the public procurement functions from the Group companies. In December it will start providing the centralised accounting services, and in spring 2015 – administrating the employment relations. (See p. 22 for more information)

Beginning of supply of natural gas from the LNG terminal

21 August 2014. LITGAS signed the agreement on the provision of liquefied natural gas (LNG) with the Norwegian company Statoil, which has offered the most favourable conditions and for a period of five years from the beginning 2015 will annually supply 540 million m^3 of natural gas to maintain the operations of Klaipėda LNG terminal. In October, LITGAS started trading in gas intended for test works of the LNG terminal. (See p. 18 for more information)

Start of implementation of co-generation projects

28 August 2014. Lietuvos Energija, in developing the projects of co-generation facilities in Vilnius and Kaunas, leased 3.33 ha part of the land parcel at the address: Jočionių g. 13, which will be used for the construction of a new power plant. On 3 October 2014, the selection of partners interested in the joint development of the projects of co-generation power plants in Vilnius and Kaunas was started. (See p. 17 for more information)

Establishment of the Support Fund

15 October 2014. Lietuvos Energija set up the Support Fund, which will combine and coordinate the support provided by all Group companies for projects, programmes and activities of public significance. (See p. 40 for more information)

Separation of the natural gas distribution and supply activities

31 October 2014. AB Lietuvos Dujos transferred the service of supply of natural gas to a new company UAB Lietuvos Dujų Tiekimas, which from 1 November ensures the supply of natural gas to household customers, business and other customers. (See p. 23 for more information)

Payment of interim dividends

November 2014. Lietuvos Energija, UAB received LTL 197,283 million of interim dividends from the companies controlled by it – AB LESTO, Lietuvos Energjos Gamyba, AB and AB Lietuvos Dujos. By decision of the Government Lietuvos Energija will pay to the state LTL 84.95 million of interim dividends. According to decisions of the meetings of shareholders held on 30 September AB LESTO disbursed LTL 66.4 million of dividends to shareholders, Lietuvos Energijos Gamyba, AB – 69.9 million, and AB Lietuvos Dujos – LTL 69.8 million.

Legal disputes with the National Control Commission for Prices and Energy

October – November 2014. AB LESTO and Lietuvos Energjos Gamyba, AB initiated legal proceedings with respect to decisions adopted by the National Control Commission for Prices and Energy (NCCP), whereby, in the opinion of the companies, the ceilings of prices for the provided services have been established incorrectly. (See p. 49-52 for more information)

4 Analysis of the financial and operating results of the Group

Key operating and financial indicators

Over 9 months of 2014, the Lietuvos Energija group generated 1.46 TWh of electricity (-5.4 % or by 0.08 TWh less than over 9 months of 2013). Quota-based electricity generation in Elektrėnai Complex over 9 months of 2014 amounted to 0.77 TWh and was by 13.1 % smaller than during the same period of 2013. In H1 of this year no electricity was generated in Elektrėnai. Electricity generation volumes also reduced in Kaunas Algirdas Brazauskas Hydroelectric Power Plant. Over 9 months of 2014, due to relatively low water level the generation of electricity in Kaunas Hydroelectric Power Plant has reduced by 20.1 %, compared to 9 months of 2013. The volumes of electricity generation in Kruonis Pumped Storage Power Plant during the reporting period have increased by 27.4 %.

Over 9 months of 2014, the amount of electricity distributed by the Group to consumers via medium and low voltage networks increased to 6.17 TWh (+ 1.7 %, +0.11 TWh) and, compared to the same period of 2013. The increase was mainly influenced by Q3 2014, during which the amount of distributed electricity increased by 4.0 % from 1.93 TWh to 2.01 TWh.

Over 9 months of 2014, the public and guaranteed supply of electricity of the Lietuvos Energija group was 2.38 TWh (+5.1 %, +0.12 TWh). The growth in volumes of this activity was predetermined by unplanned winding-up of activities of several independent energy suppliers at the end of 2013. The Group's electricity sales on the free market during the reference period totalled 0.89 TWh (+9.2 %, +0.08 TWh).

Over 9 months of 2014, the average duration of unplanned interruptions in electricity transmission (System Average Interruption Duration Index (SAIDI)), including the causes of force majeure circumstances, per consumer was 113.3 minutes, and the average number of unplanned long interruptions (System Average Interruption Frequency Index (SAIFI)) per customer was 1.02 times. The quality ratio of electricity supply – SAIDI of LESTO, compared to the same period of 2013, was 109.31 minutes and SAIFI – 1.06 times). The main reason for the minor deterioration of these ratios is related to unfavourable weather conditions in spring 2014. As aerial lines make up about 78 % of the distribution networks of Lithuania, the reliability of electricity supply remains very dependent on weather conditions.

Excluding force majeure effects, in 9 months of 2014, compared with 9 months of 2013, SAIDI improved and was 53.81 minutes (in 9 months of 2013 – 55.24 minutes), and SAIFI of 9 months of 2012 was 0.69 times and SAIFI of 9 months of 2013 was 0.74 times).

Over 9 months of 2014, the amount of natural gas distributed by the Group reduced to 498.92 million m3 (was by -19.9 % or 124.01 million m3 smaller than during the same period of 2013). Over 9 months of 2014, the distributed amount of gas reduced by 19.3 % or 142.34 million m3 from 737.54 m3 to 595.20 m3. The reduction of the distributed amount of gas was mainly influenced by smaller amounts (-20.5 %) of sales of natural gas to non-household customers due to lower consumption of gas. Over 9 months of 2014, 84 % of the total amount of sold gas was sold to non-household customers.

Key indicators of the Group of Lietuvos Energija, UAB

		9 months of 2014	9 months of 2013	Change +/-	Change %
Operating indicators					
Generated electricity	TWh	1.46	1.55	-0.08	-5.4
Distributed electricity through medium- and low-voltage grids	TWh	6.18	6.07	0.11	1.7
Public and guaranteed supply	TWh	2.38	2.27	0.12	5.1
Sales of electricity on the free market	TWh	0.89	0.81	0.08	9.2
Volume of sold gas	million m^3	595.20	737.54	-142.34	-19.3
Volume of gas distributed to consumers	million m^3	498.92	622.93	-124.01	-20.0
Quality indicators of electricity supply					
SAIDI, min. (incl. force majeure)	min.	113.30	109.31		
SAIFI, units (incl. force majeure)	units	1.02	1.06		
Quality indicators of gas supply					
SAIDI, min. (incl. force majeure)	min.	0.14	0.08		
SAIFI, units (incl. force majeure)	units	0.0021	0.0014		
Financial indicators					
Revenue		2,202,332	2,139,029	63,303	3.0
Costs of purchase of electricity, fuel and related services		(1,568,359)	(1,281,943)	-286,416	22.3
Operating expenses[1]		(367,037)	(311,649)	-55,388	17.8
EBITDA[2]		543,756	550,399	-6,643	-1.2
EBITDA margin[3]	%	24.7	25.7		
Net profit		130,837	127,454	3,383	2.7

In 9 months of 2014, the Group's assets increased by +6.3 % (+LTL 620.2 million) and as of 30 September 2014 totalled LTL 10,347.4 million. Equity capital of the Lietuvos Energija group went up by +1.9 % (+LTL 121.7 million) and as of 30 September 2014 was LTL 6,374.4 million. The ratio of the Group's equity capital level has not changed and as of 30 September 2014 stood at 61.6 % (as of 31 December 2013 it was 64.3 %).

Key indicators of the Group of Lietuvos Energija, UAB (continued)

		30 09 2014	31 12 2013	Change +/-	Change %
Financial indicators (continued)					
Total assets		10,347,402	9,727,225	620,177	6.4
Equity capital		6,374,425	6,252,705	121,720	1.9
Financial debts		1,262,886	1,180,088	82,798	7.0
Net financial debts[4]		689,060	442,005	247,055	55.9
Return on equity (ROE)*[5]	%	2.7	2.7		
Equity capital level[6]	%	61.6	64.3		
Net financial debt / EBITDA of 12 months	%	102.6	65.2		
Net financial debt / Equity	%	10.8	7.1		

A positive change in equity capital was mainly influenced by net profit from ordinary activities.

[1] Operating expenses (OPEX) = operating expenses, excluding the costs of purchase of electricity and related services, costs of depreciation, amortisation and value impairment and costs write-offs of tangible fixed assets.

[2] EBITDA (earnings before interest, taxes, depreciation and amortisation) = pre-tax profit (loss) + interest expenses – interests revenue – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets.

[3] EBITDA margin = EBITDA / revenue.

[4] Net financial debts = financial debts – cash and cash equivalents – short-term investments and time deposits – share of other non-current financial assets comprising investments in debt securities.

5 Return on equity (ROE) = net profit (loss), restated annual expression / equity capital at the end of period.

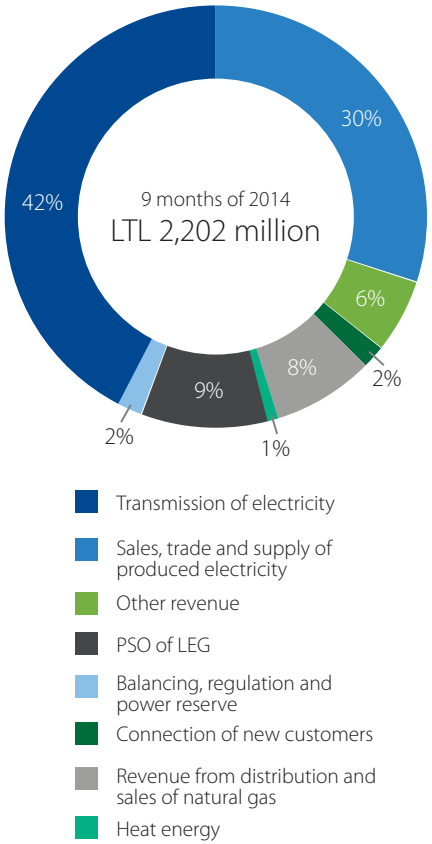
[6] Equity capital level = equity capital at the end of period / total assets at the end of period.

Revenue

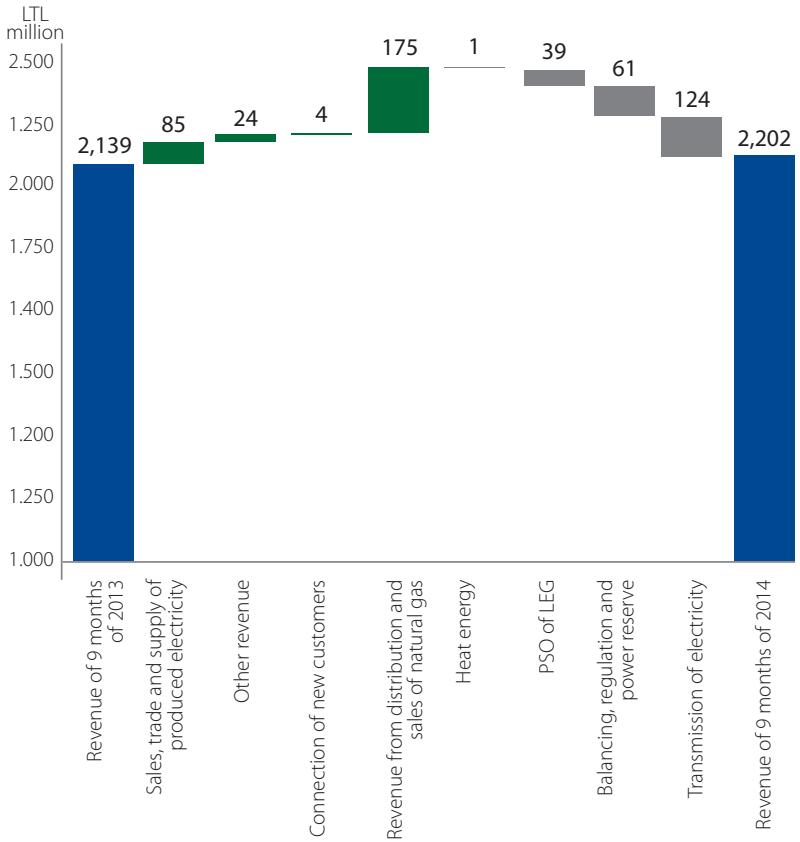
The revenue of the Lietuvos Energija group of 9 months of 2014 amounted to LTL 2,202.3 million (+3 % and +LTL 63.3 million change, compared to the result of the same period of 2013). Over the reporting period the major part of revenue was generated from the activities of electricity transmission (42 % or LTL 933.3 million) and sales, supply and trade of electricity (30 % or LTL 656.3 million).

Excluding income of AB Lietuvos Dujos included in the Group's statement of comprehensive revenue of 9 months of 2014, which as from 20 June 2014 accounted for LTL 175.1 million or 8 % of the total revenue of the Group during 9 months of 2014, revenue of the Lietuvos Energija group of 9 months of 2014, compared to the same period of the last year, reduced by LTL -112 million or -5.2 % from LTL 2,139 million to LTL 2,027 million. The main reasons for lower revenue of the Group was the reduction of income from transmission service (-11.7 or -LTL 123.9 million), from balancing, regulation and power reserve (-56.2 % and -LTL 60.5 million), and from services subject to PSO of Lietuvos Energijos Gamyba, AB (-15.9% and -LTL 39.1 million).

Structure of revenue of the Group of 9 months of 2014



Dynamics of revenue of the Group over 9 months of 2014, by sector

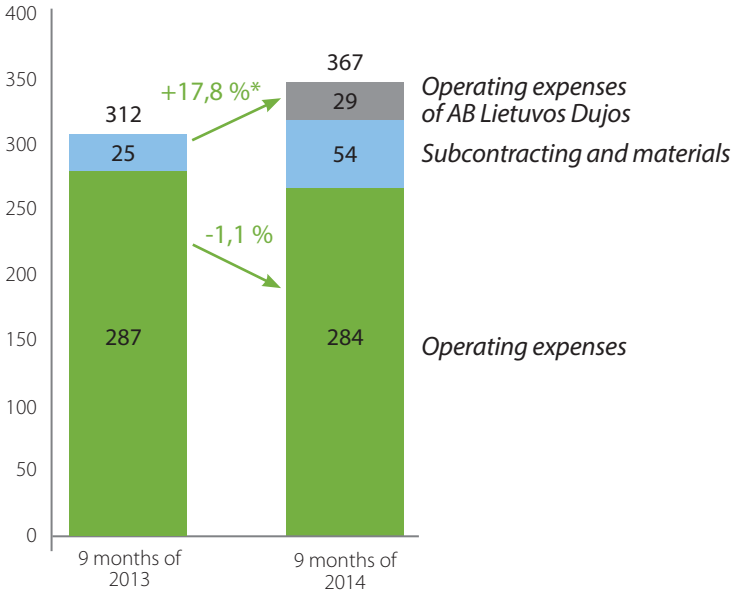


Operating and purchasing expenses

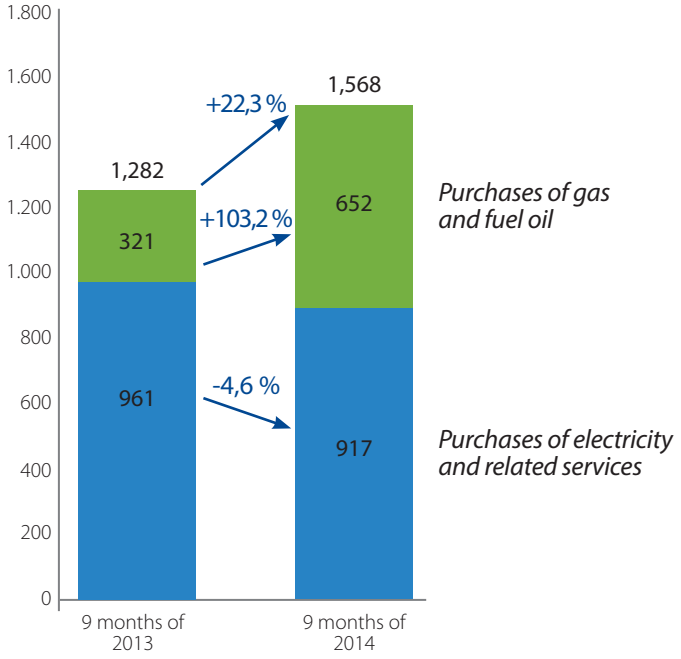
The operating expenses of the Group of 9 months of 2014 amounted to LTL 367 million and exceeded the comparable figure of the same period of the previous year by +17.6 % or LTL +55 million. The increase in operating expenses was mostly influenced by higher costs of subcontracting and materials related to repairs and maintenance of the distribution network (+LTL 29 million or +116 %), and operating expenses of AB Lietuvos Dujos (+LTL 29 million) included in the operating expenses of the Group since the acquisition of the controlling block of shares of AB Lietuvos Dujos from June 2014. Excluding subcontracting, materials and operating expenses of of AB Lietuvos Dujos, operating expenses of the Group during the period under consideration contracted by -LTL 3 million from LTL 287 million to LTL 284 million.

During the reporting period, expenses of the Group for purchase of electricity, gas, fuel and related services, compared to 9 months of 2013, increased by +22.3 % (+LTL 286 million). The increase was mostly predetermined by inclusion of purchasing costs of AB Lietuvos Dujos in the purchasing costs of the Group from June 2014. Over 9 months of 2014, compared to the same period of 2013, purchases of gas and fuel oil increased by +103.2 % or +LTL 331 million from LTL 321 million to LTL 652 million. Purchases of electricity and related services over 9 months 2014 reduced by 4.5 % or LTL 44 million from LTL 961 million to LTL 917 million because of lower electricity production volumes in Elektrėnai Complex.

Operating expenses of the Group of 9 months 2013 and 9 months of 2014, LTL million



Expenses of the Group for purchase of electricity, gas, fuel and related services, LTL million



EBITDA and net profit

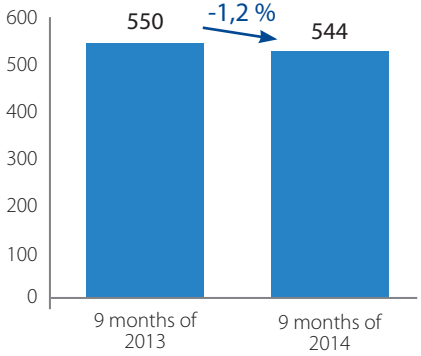
The Group's EBITDA of 9 months of 2014 amounted to LTL 543.8 million (-1.2 % or -LTL 6.6 million, compared with LTL 550.4 million EBITDA of 9 months of 2013). EBITDA profitability margin of the reporting period practically has not changed and accounted for 24.7 % (EBITDA profitability margin of 9 months of 2013 was 25.7 %). Lower EBITDA of the Group was predetermined by the reduction of the EBITDA of electricity generation over 9 months of 2014 because of lower electricity generation volumes.

Over 9 months of 2014, net profit of the Group stood at LTL 130.8 million and exceeded the comparable figure of 9 months of 2013 (LTL 127.5 million) by +2.7 % or +LTL 3.4 million.

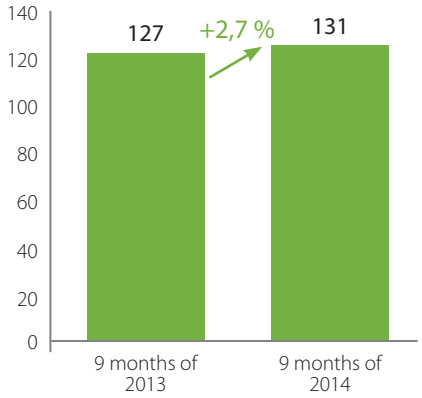
The net profit result was considerably influenced by the one-time general positive result of investments in AB Lietuvos Dujos accounted using equity method and restatement of these investments as well as by recorded goodwill related to the acquisition of AB Lietuvos Dujos, which totalled LTL 205 million, and also the one-time negative result because of the decision of the Board of AB Lietuvos Dujos of 21 July 2014 to form additional provisions of LTL 277 million adopted considering the obligation to allocate a part of the price of gas to be imported for the reduction of the price for non-household consumers in 2015–2016.

A positive result of net profit was mostly influenced by positive results of activities of generation, distribution and transmission of electricity.

EBITDA of the Group of 9 months 2013 and 9 months of 2014, LTL million



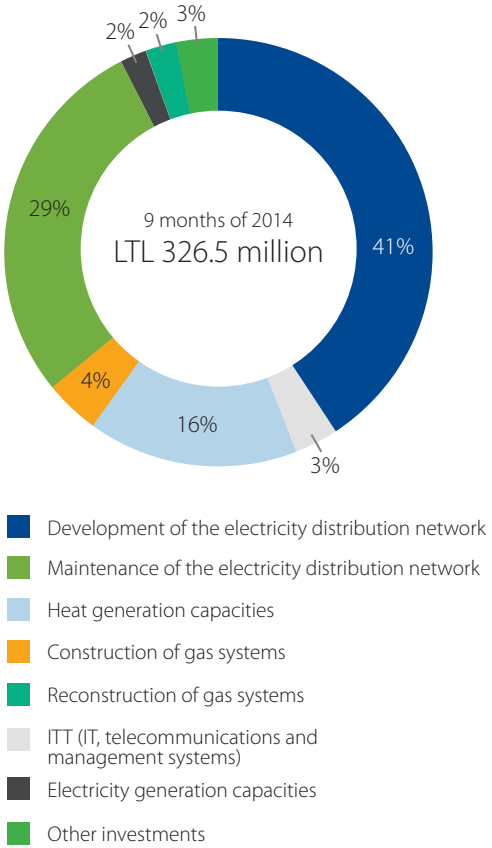
Net profit of the Group of 9 months of 2014, LTL million



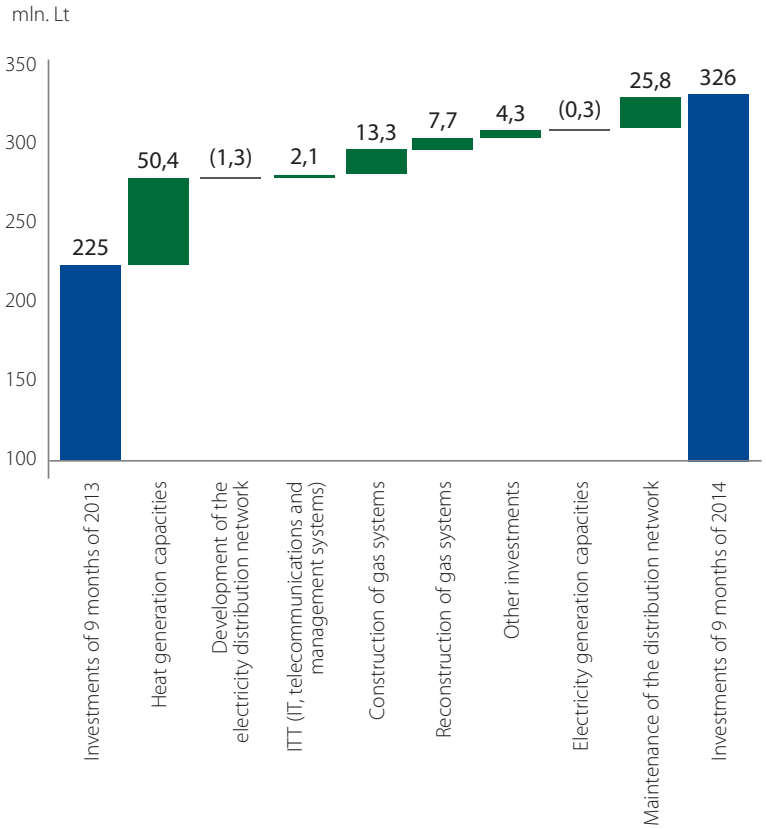
Investments

The Group's investments of 9 months of 2014 totalled LTL 326.5 million or +45 %, +LTL 101 million increase compared with the same period of 2013 (LTL 225 million). In 9 months of 2014, compared with 9 months of 2013, investments in the development of the electricity distribution network and electricity generation capacities remained similar, and in other sectors – increased. Over 9 months of this year, the largest of investments were made in the development of the distribution network (LTL 134 million) and in its maintenance (LTL 93 million). Over 9 months of 2014, investments in the development of new heat generation capacities have also considerably increased (LTL 51 million) – new bio fuel fired boilers and other ancillary equipment were installed in Elektrėnai Complex. Investments of the Group's companies in the reconstruction and construction of gas systems in the reporting period totalled LTL 21 million.

Structure of investments of Group companies over 9 months of 2014, %



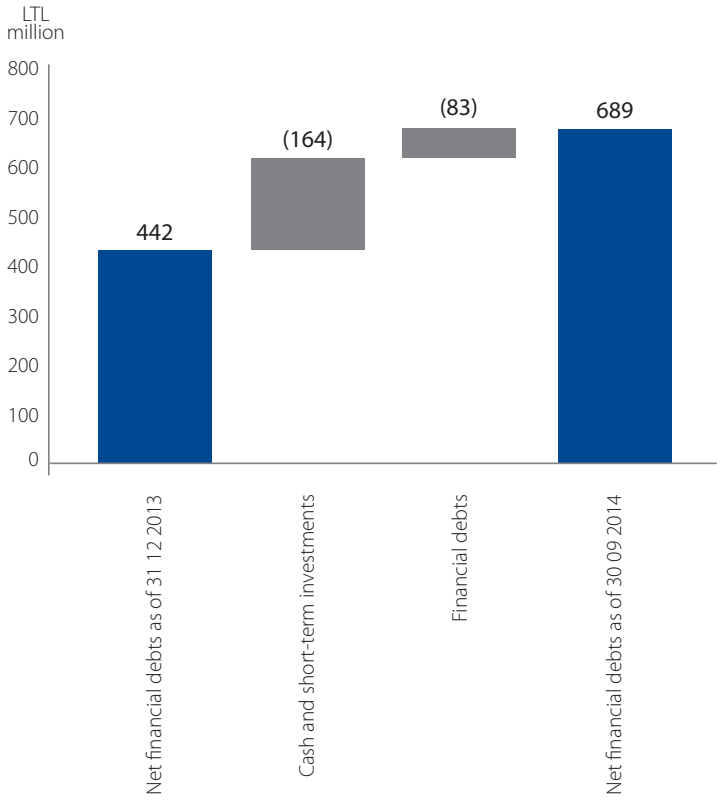
Investments of Group companies of 9 months of 2014 by sector, LTL million



Financial debts

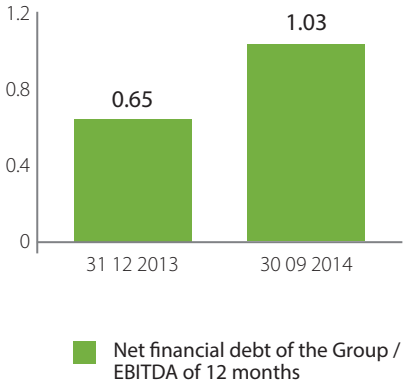
In the end of Q3 2014, net financial debts of the Group totalled LTL 689 million, and compared to the level of debts in the end of 2013, increased by LTL 247 million. The greatest impact on the increase of the net financial debt of the Group came from acquisition of the majority shareholding of AB Lietuvos Dujos in H1 2014, which was acquired using internal funds accumulated by the Company. In 9 months of 2014, the level of loans of the Group in terms of loan-to-asset ratio practically has not changed and amounted to LTL 1,263 million, compared to LTL 1,180 million at the end of 2013.

Net financial debts of the Group in September 2013 and September 2014, LTL million

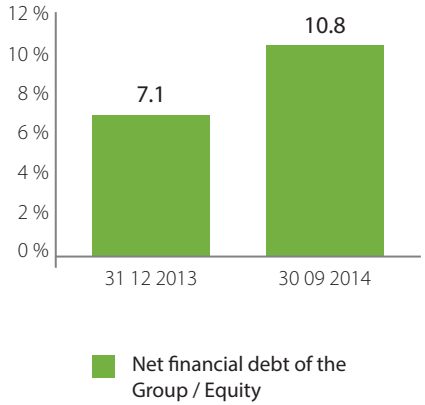


The current level of financial debts of the Group at the end of Q3 2014 remains low in terms of earned revenue, profitability and structure of capital. Over 9 months of 2014, net financial debts of the Group have increased by almost 1.5 times; however, such growth was caused by low level of net financial debts at the end of 2013 and the use of local financial resources of the Group for acquisition of the majority shareholding of AB Lietuvos Dujos in H1 2014. The existing relatively low level of financial debts and high level of equity, compared with the respective indicators of the European energy sector companies reflects a strong and stable financial position of the Group and perspective as well as sufficient financial possibilities of the Group to implement and finance investments and new projects and to ensure further development of the Group.

Net financial debt of the Group / EBITDA of 12 months, in times



Net financial debt of the Group / Equity, %



5 Review of activities of the Company and the Group

Review of activities of the Lietuvos Energija group covers the period between 1 January 2014 and the end of the reporting period (30 September 2014) and after the reporting period – until the date of the Report.

Diversification of activities

Diversification of activities of the Group companies is one of the main preconditions for improving the value of the Group. By 2020, the Group is planning to invest LTL 2–3 billion in the following areas: heat sector by constructing new or upgrading the existing co-generation power plants, supply and sales of natural gas utilising the potential of the LNG terminal, renewable energy sources, and to participate in the implementation of the nuclear power plant project after adoption of the respective decisions.

Starting the implementation of strategic co-generation projects in Vilnius and Kaunas

On 28 May 2014, the Government of the Republic of Lithuania passed the resolution whereby Lietuvos Energija was tasked with implementing Vilnius and Kaunas district heat supply sector modernisation projects, attracting investments of municipalities and (or) private partners. The projects of the new power plants have been recognised by the Government as projects of the state significance. The purpose of these projects is to achieve the maximum reduction of the price for generation of heat energy supplied to district heat supply systems in Vilnius and Kaunas, ensuring maximum economically feasible quantity of electricity generated from local and renewable sources of energy.

On 20 June 2014, Lietuvos Energija started the analysis of potential partners of co-generation projects – the Company sent non-binding invitations to the Municipalities of Vilnius and Kaunas and companies owned by these municipalities to participate in the initial survey, publishing the information about the survey on the internet website www.kogen.lt. The international market participants were also informed about the survey by the independent energy news agency Platts. Responses were also obtained for co-generation power plants burning bio-fuels and waste in both cities. Potential partners were interested in the participation with the rights of shareholders, contractual works, financing and operation of power plants. The proposed likely contributions covered land parcels, financial resources and technologies.

On 28 August 2014, Lietuvos Energija leased 3.33 ha part of the land parcel at the address: Jočionių g. 13, which will be used for the construction of a new power plant. The state-owned land lease agreement was concluded with Vilnius Branch of the National Land Service under the Ministry of Environment of the Republic of Lithuania.

On 3 October 2014, the selection of partners interested in the joint development of the projects of co-generation power plants in Vilnius and Kaunas was started. In the first stage of the compe-

tition, until 19 October, Lietuvos Energija received 18 applications from legal entities established in 8 countries. The tenderers who have met the pre-qualification criteria were provided by Lietuvos Energija with the legal and economic structure of the projects proposed by Lietuvos Energija, business assessment assumptions and other significant information necessary for the preparation of tender offers.

After submission and evaluation of tender offers by potential partners, consultations will be held with partners submitting tender offers that are the best in terms of meeting the project goals, and finally, the cooperation agreements will be signed.

In October 2014, the European Bank for Reconstruction and Development (EBRD) expressed support for the construction of the new co-generation facilities in Vilnius and Kaunas and submitted a proposal to the state-owned group of companies Lietuvos Energija and future partners on the potential long-term financing or investment for the projects.

Plans for Vilnius and Kaunas include the installation of modern power plants burning waste and (or) biofuels generating heat and electricity, which, compared to 2013, would ensure by 30 % lower heat prices for consumers of Vilnius and Kaunas, generate about 60 % of heat required for these cities and provide for Lithuania about one-tenth of the required amount of electric energy annually (1.1 TWh). According to the National Heat Sector Development Programme the preliminary amount of investments in these projects provided could reach about EUR 138.4 million in Kaunas and about EUR 328.4 million in Vilnius. The technical parameters of power plants and the amount of investments might change when optimal solutions are finally selected together with partners. The share of capital of the potential partners in the future special-purpose companies can account up to 49 %.

Beginning of supply and sales of liquefied natural gas, expansion into the gas sector

In February 2014, LITGAS – the liquefied natural gas (LNG) supply and sales company of the Group was approved as the designated supplier, who will have to ensure the quantity of natural gas necessary for uninterrupted minimum operations of the LNG terminal in Lithuania – 540 million m3 annually starting from 2015.

In Q1 2014, LITGAS completed the first stage of direct negotiations with potential suppliers of the LNG on a long-term supply agreement for a period of 5 years. This stage involved the meetings with all three selected potential suppliers, clarification of tender conditions and their interpretation, coordination of positions seeking to obtain the most favourable conditions for Lithuania. During the negotiations, the Norwegian Company Statoil submitted the most competitive tender offer, which was selected on the basis of the economic advantageousness criterion. In May 2014, the results of the negotiations and the main terms and conditions of the future agreement were introduced to the Government of the Republic of Lithuania and the latter approved the results of the negotiations by a protocol decision and tasked LITGAS with coordinating the final technical conditions of the contract and signing the supply agreement.

On 8 July 2014, LITGAS signed non-binding Master Trade Agreements (MTA) on LNG with seven global LNG supply companies. When cheaper liquefied natural gas appears on the global market and if there is a need for such liquefied natural gas in Lithuania, it would be possible to acquire additional LNG quantities according to such agreements.

On 21 August of this year, LITGAS signed the agreement on supply of liquefied natural gas (LNG) with the Norwegian Company Statoil that has offered the best conditions. According to this agreement, for a period of 5 years since the beginning of 2015, Statoil will annually supply LITGAS with 540 million m3 of natural gas (about 950,000 million m3 of liquefied natural gas) to ensure uninterrupted operation of Klaipėda terminal. This agreement will enable to ensure uninterrupted operation of the terminal, introduce new pricing of natural gas linked to the prices of the European markets of natural gas. The agreement also covers the possibility of developing new commercial activity in the Baltic Sea region – the re-fuelling of LNG. Statoil will deliver to the Seaport of Klaipėda 6-7 cargos of the liquefied natural gas every year.

In October 2014, LITGAS started trading in gas necessary for the

testing operations of the liquefied natural gas (LNG) terminal. By 31 December of this year, up to 50 million m3 of gas intended for testing of the liquefied natural gas (LNG) terminal will be offered by LITGAS on the Lithuanian natural gas exchanges GET Baltic and Baltpool. The LNG cargo for testing operations of the terminal was acquired from Statoil Company, after having evaluated 16 tender offers submitted by 9 different suppliers with whom LITGAS has signed non-binding general sales contracts.

Over three quarters of this year Lietuvos Energija kept intensively expanding into the natural gas sector.

On 21 February 2014, the Ministry of Finance of the Republic of Lithuania transferred to Lietuvos Energija 51,454,638 state-owned ordinary registered book-entry shares of the public company Lietuvos Dujos, which grant 17.7 % of votes at the general meeting of shareholders of Lietuvos Dujos.

On 21 May 2014, Lietuvos Energija, having obtained the approvals of the Competition Council of the Republic of Lithuania and NCCPE, signed agreements with the German Company E.ON Ruhrgas International whereby it took over 38.9 % of shares of AB Lietuvos Dujos and 11.76 % of shares of AB LESTO. The total value of the shareholding was LTL 336.9 million, and the price of the block of shares of Lietuvos Dujos alone totalled LTL 219 million. After this transaction, the Group acquired control over more than half of shares of AB Lietuvos Dujos.

Acting in observance of the Law on Securities, having exceeded the threshold of one-third of votes, Lietuvos Energija submitted an official tender offer for purchase of the remaining shares of Lietuvos Dujos, held by OAO Gazprom and minority shareholders. The official tender price – EUR 0.653 (or LTL 2.255) of one ordinary registered share of the issuer of one litas nominal value.

During the official offering of 17 June 2014, Lietuvos Energija acquired 40.03 % of shares of AB Lietuvos Dujos. After this acquisition Lietuvos Energija controls 96.63 % of shares of AB Lietuvos Dujos.

From 1 November, in implementing the requirements of legislative acts of the European Union to separate the activities of supply, sales and distribution of natural gas, the company Lietuvos Dujų Tiekimas was separated from Lietuvos Dujos and will be responsible for the supply of natural gas to the consumers of Lithuania. The new company has taken over from Lietuvos Dujos all gas consumers and gas supply agreements concluded with them. Lietuvos Dujos will manage the distribution network of the natural gas and provide distribution services. The management of both the companies has also been reorganised. The Supervisory Board and Management Board of Lietuvos Dujos were formed in observance of the corporate governance guidelines applicable at the level of the state-owned group of energy companies Lietuvos Energija. The implementation of this model contributes to the clearer definition of the responsibilities of management and supervisory bodies of the company, ensures higher transparency and better realisation of goals set by the shareholder.

Investments in generation from bio-fuel in Elektrėnai, analysis of wind energy potential in Kruonis PHSP

Lietuvos Energijos Gamyba continued the project of the development of new heat production capacities launched in 2011 in Elektrėnai Complex. The tinworks and assembly of technological equipment were completed at the scheduled time and according to the planned volumes, the works of installation of smoke condensation economiser and related pipelines were carried out, smoke channels were installed, electrostatic smoke filters were mounted, bio-fuel weighing machine was installed and the works of assembly of metal structures of the future building of the weighing machine are under way. The local road was constructed by which trucks will deliver the stocks of bio-fuel to the territory of the boiler-room in cold season. The adjustment works of the part of equipment assembled on the construction site of the boiler room have been started – the newly erected grab-cranes to be used in the premises of the boiler-room's warehouse have been tested. Also, the works of installation of the heating system pipelines were carried out in the bio-fuel boiler-room.

The main mechanical reconstruction works of the heating system pipelines necessary for ensuring the supply of heat to Elektrėnai and other customers were completed according to the schedule. The electromechanical and automatics' works of the pipeline are under way.

Operation of the first installations producing heat from bio-fuel should start already for the heating season of 2014-2015. The testing of the newly assembled installations and systems is planned to be carried out over the last quarter of the year, and the new steam generation facilities will be put into operation already in December. A new 50 MW steam boiler-room will ensure the maintenance of thermal reserves, generation of heat during the peak of low temperatures, as well as the possibility of putting into operation the reserve units of the old power plant. The new boiler-rooms will provide with required power and steam the town of Elektrėnai, the company Kietaviškių Gausa and the reserve power plant managed by Lietuvos Energijos Gamyba, and will facilitate in reducing the need for PSO funds.

At the beginning of 2014, the complex measurements of wind speed, directions and other meteorological conditions were started in the territory of Kruonis PSHP for the purpose of preliminary assessment of the potential of the land lot for the installation of the park of wind power plants. Based on the measurement results Lietuvos Energijos Gamyba will adopt decisions on the possible works of installation of the wind power plants.

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

In Q1 2014, Lietuvos Energijos Gamyba finalised the planned works under the project of installation of the engineering infrastructure industrial park situated in the territory of Kruonis PSHP. Now the territory is better prepared for foreign direct investments that will enable to develop high-tech activities in this appealing area provided with all required infrastructure.

In implementing the project, about 5 km of roads were reconstructed and the engineering infrastructure was set up: the water supply system, with water wells and rainwater drainage networks. The works of reconstruction of the road and installation of rain water collector were also completed by the end of December 2013, and in February 2014, the final part of the project – the installation of the watering place – was completed. At present the planning of the second stage of the project is under way.

Joining NASDAQ OMX Commodities Exchange, the Group's representative will contribute to the implementation of REMIT

On 14 August 2014, Lietuvos Energijos Gamyba joined the financial derivatives' exchange NASDAQ OMX Commodities in order to actively contribute to the integration of electricity markets of the Northern European and Baltic countries. NASDAQ OMX Commodities is derivatives' exchange trading in financial instruments linked to the electricity price on the Nord Pool Spot exchange. The trading in financial instruments enables to manage the risks of volatility of energy prices.

In October 2014, Diana Kazakevič, the lawyer of Lietuvos Energijos Gamyba trading on the exchange, was invited to represent the participants of the Lithuanian energy sector and the market of the Baltic States in the Nord Pool Spot Member Focus Group for REMIT. REMIT – Regulation of the European Parliament and of the Council) is the Regulation on Energy Market Integrity and Transparency. This Group, to which the representative from Lietuvos Energijos Gamyba has been invited, focuses on addressing any issues arising to market participants with respect to the implementation of REMIT. Members' representatives provide the feedback and express the needs, ideas and proposals of members of the exchange in implementing the changes.

Start of operations of the most effective data centre in the Eastern Europe Tier 3

On 6 May 2014, one of the largest data transmission and data centre operators in the Baltic States Duomenų logistikos centras belonging to the Group opened one of the most modern data centres in the Baltic States – Data Inn – the only centre in Lithuania holding the Uptime Institute Tier III Certificate. The energy efficient Data Inn will allow reducing costs for information technologies, improving their functional reliability and enhancing the competitiveness of Lithuania and its business at the global level. Its power usage effectiveness (PUE) ratio is only 1.3, considerably outpacing the global average (1.65).

The new data centre is the first stage of the whole project of Data Inn. Currently, it useful floor space covers 500 m^2, power – 1000 kW, and capacity – 100 server stands. Investments in the project amounted to almost LTL 10 million.

The plans for the nearest future include the design and construction works of the new stages of Data Inn and the expansion of its

facilities by several times. According to the plans, after completion of expansion, Data Inn will have its useful floor space increased to 3,200 m^2, power – to 6,000 kW and will provide places for 6,000 server stands. The total project value will reach LTL 42 million.

Syderiai geological structure surveys

At the beginning of 2014, Lietuvos Energijos Gamyba analysed the possibilities for the installation of the underground natural gas storage in Telšiai District, finalised the processing of data collected during all seismic and geological surveys, and developed the simulation model of the storage reservoir. This model allows assessing the geological suitability of the storage, its behaviour in the course of gas pumping and extraction processes, and setting the working parameters of operations of the storage. All results and conclusions of the surveys were submitted to the Ministry of Energy. In order to enable the project initiator – the Government to adopt a reasonable decision on further progress of the project, he specialists of Lietuvos Energijos Gamyba are performing the cost-to-benefit analysis of the project on instruction of the Ministry. Its results have shown that only the regional alternative of 500 million m3 working capacity storage facility is financially feasible, using part of the storage facility's capacities for satisfying the needs of the polish market, however, the implementation of the project Gas Interconnection Poland-Lithuania (GIPL) is necessary. The study specifies that it would be expedient to attract the EU financial support from the European fund of the infrastructure network facility (CEF) for the implementation of the project. In October – November, the Ministry of Energy and the Government will be provided with the project survey results for decicing on further progress of the project.

Performance of peparatory works of the nuclear power plant project

At the beginning of 2014, a positive conclusion was received from the SNPSI on the nuclear power plant site assessment report. The SNPSI found no irregularities, and positive conclusions were also obtained in respect of the undated report from all coordinating authorities. This conclusion finalised an important stage of the nuclear plant project that has lasted for several years. Summarising the completed site assessment surveys and the amount of data obtained in the course of such surveys it has been concluded that the sites are suitable for the construction of the power plant; and, moreover, the territory of the sites has been subject to the best geological surveys at the level of both Lithuania and the Baltic States.

On 30 July 2014, the Ministry of Energy and the strategic investor of the new nuclear power plant – Hitachi – signed the Memorandum of Understanding on joint action in preparing to set up an intermediate project company. The parties to the Memorandum have undertaken to jointly perform the preparatory works of the establishment of the intermediate project company after completion of which the potential investors will be provided with the proposal on the establishment of the intermediate project company. By mid-September, it is envisaged to prepare a detailed plan for the establishment of the intermediate project company defining the structure and functions of this company. The prepared plan and its implementation process will be introduced and discussed in detail with representatives of the regional partners – Latvia and Estonia – in order to adopt decisions on the intermediate project company. This company is being set up for the purpose of ensuring the maturity of the project and further improvement of the project competitiveness and implementation conditions.

On 30 October, the SNPSI has coordinated the report on the assessment of safety of construction site of the new power plant. The report prepared by Lietuvos Energija covers the assessment of two alternative sites selected for the construction of the power plant in the territory of Visaginas municipality near the completely decommissioned Ignalina Nuclear Power Plant. The Report contains the information about the specifics of the construction site which is likely to have impact on the safety of the nuclear power plant, the formulated conclusion on the suitability of both selected construction sites for the design of the new power plant. The report analyses geotechnical, geological and seismological data of the construction site, the features of the final heat absorber (Drūkšiai Lake), the risks of meteorological phenomena characteristic of the site (extreme winds, precipitation, extreme snow cover, extreme temperatures, tornados, snowstorms, etc.) and other relevant safety matters.

With a view to separating and clarifying these activities and concentrating all nuclear energy related achievements, competences, started and completed projects, it was decided to transfer the project of the new power plant, as part of business of Lietuvos Energija, to a separate company VAE SPB, UAB. On 13 October 2014, Rimvydas Štilinis was appointed the CEO of VAE SPB, UAB, and on 21 October, the employees of Lietuvos Energija Project Management Service, who have worked with the project, were transferred to VAE SPB. According to amended articles of associations, the activities of VAE SPB shall be expanded without limiting it only to the new nuclear plant project. VAE SPB Company has been provided with a possibility to operate in the sphere of creation and application of new technologies, participate in the projects carried out by them, and provide expert advice to other companies of the Group.

Enhancement of the operating efficiency

Higher efficiency of activities of the Group implies both higher profit and return for shareholders and lower tariffs for consumers. The strategy of Lietuvos Energija for 2014–2020 establishes that higher operating efficiency will be achieved by adapting the most advanced management practices in corporate governance, planning and monitoring of activities, finance, procurement, risk management and internal audit areas.

Solid foundations for enhancing the operating efficiency were laid in 2013, when the Lietuvos Energija group reformed its management according to a new model. The parent company Lietuvos Energija concentrated the coordination of activities of the Group companies, elected the supervisory and management boards, separated the responsibilities of management and supervisory bodies. In Q2 2014, when Lietuvos Energija became the principal shareholder of Lietuvos Dujos, the management reform of Lietuvos Dujos was commenced in accordance with the corporate management guidelines applicable across the Group. The management reform was completed on 3 November 2014.

Also, at present the Group is implementing the uniform management and control system aimed at establishing the management and control principles corresponding to the common needs of the Lietuvos Energija group, the division of responsibilities for separate activities and processes, risk management and control, as well as supervision, coordination and control of activities and processes at the level of the Group or individual companies. This system will facilitate in achieving the efficiency and synergy in the activities of the Group companies and the implementation of goals set.

Centralisation and improvement of efficiency of processes

With a view to improving the processes that support the principal activities of the Group and reducing their expenses, the Lietuvos Energija group companies have agreed on the concentration of the part of functions supporting the principal activity in a separate company – UAB Verslo Aptarnavimo Centras. UAB Verslo Aptarnavimo Centras helps the Group companies in providing the services of public procurement, accounting and administration of employment relationships. In July 2014 the agreement on the establishment of UAB Verslo Aptarnavimo Centras was signed by five companies of the Group – Lietuvos Energija, UAB, Lietuvos Energijos Gamyba, UAB, AB LESTO, UAB LITGAS and UAB Technologijų ir Inovacijų Centras.

The aim of centralisation of the processes of public procurement, accounting and administration of employment relationships is to standardise the processes, achieve higher transparency and efficiency and accelerate them. Such model of concentration of the supporting processes is in line with the best international practices.

In the first instance, from October of this year, UAB Verslo Aptarnavimo Centras took over the public procurement functions from the Group companies. According to the plans, in December, the company will start providing centralised accounting services and in spring of the next year – the administration of employment relationships in the Group companies. On 2 October, the Board of Lietuvos Energija approved the public procurement policy of the contracting authorities of the Group, which establishes the principles of organisation and conducting of the public procurement of the Group of companies.

Lietuvos Energija, having acquired the qualifying holding of Lietuvos Dujos, controls two companies providing services to individuals and business – the synergy will enable to improve the quality of services provided to the electricity and gas consumers and to offer better servicing to them, and to contribute to higher efficiency and improvement of operating results through coordinated activities of the companies.

Publication of the Operating Strategies of LESTO and Lietuvos Energijos Gamyba for 2014-2020

On 20 August 2014, LESTO and Lietuvos Energijos Gamyba published the approved new Operating Strategies for 2014-2020.

LESTO will attempt to improve almost by one-tenth the reliability of the power distribution network. According to the approved long-term strategy LESTO will seek consistent investments in the projects contributing to higher reliability and security of the distribution of electricity and increase of the company's value, operating efficiency and return in equity. One of the key aims of LESTO shall be to seek further simplification of the power installation procedures and shortening the time of connection to power grids.

Lietuvos Energijos Gamyba provides in its strategy that its total revenue over the coming year will reduce because of higher competition and reducing production volumes of Elektrėnai Complex. However, the profitability of the company should grow in implementing the strategic goals. Lietuvos Energijos Gamyba envisages increasing its value through consistent improvement of the profitability of commercial activities, refusal of unused production capacities, by investing in the upgrading of other capacities, enhancing process efficiency and reducing operating expenses.

Integration of Lietuvos Dujos with the Group after separation of activities

On 21 July 2014, the Board of Lietuvos Dujos approved the description of the method of separation of the company's distribution activities with the action plan, according to which for the purpose of separating the distribution and supply activities of the company it will sell the property complex (part of the company), i.e. the natural gas supply activities with the property, rights and obligations assisted to it to a company controlled by Lietuvos Energija, the shareholder of Lietuvos Dujos, on the basis of a purchase and sale contract. On 24 July 2014, the National Control Commission for Prices and Energy (NCCPE) approved the plan and concluded that this change of the action plan on separation of the distribution activities will not affect the established final term of legal, functional and organisational separation of activities of Lietuvos Dujos.

On 30 June, the Board of Lietuvos Energija approved the guidelines of the plan for integration of Lietuvos Dujos with the Lietuvos Energija group which comply with the corporate governance guidelines of the Lietuvos Energija group. The integration of the company has been started and covers such areas as management model, procurements and accounting, planning and monitoring, ITT, internal audit and other functional areas. On 31 October 2014, Lietuvos Dujos transferred and UAB Lietuvos Duju Tiekimas (with 100% of its shares held by Lietuvos Energija) took over the part of the company, i.e. the natural gas supply activity with all assets, rights and obligations attributed thereto. The price of the part of the company amounted to LTL 60,457 million. The price of the sold part of the company corresponded to the market value of the part of the company established by the independent property valuators.

At the extraordinary general meeting of Lietuvos Dujos held on 29 October the new articles of association of Lietuvos Dujos, on the basis of which the supervisory board is formed in this company, were approved and the Supervisory Board was elected consisting of Darius Kašauskas, Ilona Daugėlaitė and Petras Povilas Čėsna, the terms and conditions of agreements on activities of the supervisory Board Members and of the confidential information protection agreements were approved, and the former audit committee of Lietuvos Dujos was cancelled. By these actions the management of the company was reorganised according to the corporate governance guidelines. Members of the new Supervisory Board supervise the particular areas of activities of Lietuvos Dujos and hold positions of managers of the respective subdivisions.

On 4 November, the following persons were appointed the Board

Members of Lietuvos Dujų Tiekimas which has been separated from Lietuvos Dujos: Ieva Lauraitytė, Director of Legal Service of Lietuvos Energija, and Mindaugas Keizeris, Strategy and Development Director of Lietuvos Energija; the Board appointed the manager of the company – Mantas Mikalajūnas, who before the appointment had worked for Lietuvos Dujos for twelve years, was the acting manager of the company and coordinated the separation of activities of Lietuvos Dujos. In the future an independent member will also be nominated to the Board.

Implementation of the uniform project management policy

The Group of companies is implementing the uniform project management policy according to which the portfolios will be formed for the implementation of the Group strategy. The Enterprise Project Management Office (EPMO), which is being set up in the parent company Lietuvos Energija, will ensure the sharing of best practices between companies of the Group. EPMO will consult the Project Management Offices (PMO) set up / renewed in the companies, all project managers of the Group on management matters and will monitor the status of projects under implementation.

Also, EPMO will set up the Project Supervision Committees (PSC) – bodies managing / providing expert advice on management of portfolios of the Group projects, carrying out the supervision of projects and providing recommendations to the programme and project managers with respect to the implementation of programmes or project. The programme and project management indicators will be established. The project portfolio indicators indicating the number of projects implemented according to the plan, the size of portfolio deviations, their distribution by project stages and causes have been selected, are being monitored and regularly submitted to the management.

Establishment of the optimal scenario of operations of Elektrėnai Complex

On the basis of results of analysis of the project" Prospects of Elektrėnai Complex" initiated by Lietuvos Energijos Gamyba, the recommended optimal operating scenario was developed for Elektrėnai Complex, which consists of old units of the Lithuania Power Plant and the unit of the combined cycle gas turbine.

According to the established optimal operating scenario of Elektrėnai Complex, units 1 and 2 (each of 150 MW power) of the reserve power plant should be decommissioned when a new bio-fuel boiler-room, which now is under construction in Elektrėnai, is put into operation, and units 5 and 6 (each of 300 MW power) – after putting into operation the links with Sweden and Poland. In this way, as from 2016, electricity generation capacities in Elektrėnai Complex would consist of a modern unit of the combined cycle gas turbine of 455 MW capacity, and units 7 and 8 of the reserve power plant (each of 300 MW power) that can generate electricity firing both gas and heavy oil. The total installed power of the power plant would reach 1055 MW.

Considering the situation on the market and in implementing the operating strategy of the company, on 20 October, the Board of Lietuvos Energijos Gamyba passed the resolution to close down units 1 and 2 of the reserve power plant in Elektrėnai. The start of dismantling of unit 1 is planned in January 2015, and of unit 2 – in April.

The Gross Bidding principle based trading

In March 2014, Lietuvos Energijos Gamyba started electricity trading on the Nord Pool Spot Exchange under the Gross Bidding principle. This means that the company carries out all its electricity purchase and sale transactions separately, which allows increasing the transparency of the non-regulated market and enhancing its efficiency. The assessment of benefits of the concluded fixed-price transactions has become easier for Lietuvos Energijos Gamyba and the company has better preconditions for increasing the efficiency of commercial activities. Concurrently, the company contributes to the development of transparent wholesale electricity market in the Baltic States.

Conclusion of the credit agreement

On 21 February 2014, Lietuvos Energijos Gamyba and the SEB Bank signed the credit agreement on granting the 10-year loan of EUR 158 million (LTL 546 million). The funds will be allocated for refinancing of three long-term loans disbursed to the company by consortiums of banks operating in Lithuania and the European Bank for Reconstruction and Development. This transaction contributes to the optimisation of investments of the country's company of strategic importance aimed at the implementation of pro-

jects in Elektrėnai Complex, because after the refinancing of the existing loans, the regulated operating expenses of the company will reduce and the administration of assumed obligations will become easier. Moreover, the decreasing credit risk of the company will allow expecting favourable funding conditions in the future.

Ensuring the quality of services

The Group's company LESTO servicing more than 1.6 million customers devotes great attention to the development and modernisation of the power grid and consistently expands and improves the provided services considering the changing needs of its customers, thus providing both economic and social benefits to the society, increasing the reliability and quality of electricity supply and contributing to higher energy efficiency.

Over nine months of 2014, LESTO connected 13,641 objects of new customers – by 33 % more than in 2013, when 10,244 objects of new customers were connected. Also, LESTO continued the purchase of power grids of gardeners' associations, thus ensuring a reliable and secure supply of electricity and carried out the projects of network modernisation co-financed from the EU structural funds – over nine months of this year the Company completed the works in seventeen objects of the gardeners' associations, carried out the modernisation of four transformer substations (according to the project 7 substations will be modernised), and replaced overhead power transmission lines by cable lines.

During the period of nine months, LESTO replaced 95,658 units of electricity measurement devices that no longer met the metrological requirements, installed 17,891 units of electricity measurement devices for new customers, carried out the maintenance works of more than 619,000 units of electricity measurement devices. By investing in the modernisation and automation of electricity measurement devices, during nine months of 2014, LESTO connected 4,514 units of electricity measurement devices to the automated data reading system, thus increasing the number of electricity measurement devices operated by the Company the data of which are read in remote manner to 24,581. The automation of electricity measurement devices provides the possibility of automated billing of customers for electricity consumed in a certain period without the need for customers to declare the consumed amount of electricity themselves.

LESTO takes into account the needs of customers and their changing habits – customers are willing to save their time and to receive information on the matters of interest to them in expedited manner, therefore in the recent years more and more customers acquire services not in customer service centres, but calling by phone or ordering a service on the self-service website: www.manoelektra.lt. In the third quarter of 2014, LESTO reorganised the customer service network. Involving the partners – the Lithuanian Post and libraries of the country – LESTO offered to its customers even more possibilities of conveniently provided services. This will reduce the costs incurred by the company and will increase the long-term efficiency.

LESTO introduced to its customers a mobile version of the self-service website www.manoelektra.lt. From now on, a specially adapted and convenient mobile link to LESTO website will be displayed to customers who connect to www.manoelektra.lt with smart phones or tablets.

By the end of the reporting period, there were 484,000 users registered in the self-service website www.manoelektra.lt, and the number of its visitors has reached 2,800,000. Over nine months of this year, information was provided to more than 740,000 customers using the short number 1802 for servicing LESTO customers, the requests of more than 324,000 customers on different matters were received and settled, and customer service centres situated in five largest cities of Lithuania provided services to more than 190,000 customers. At the end of Q3 2014, more than 41 % of all payments for consumed electricity were effected out via e-channels.

Over nine months of this year, the Group's company Lietuvos Dujos, which supplies with gas more than 560,000 customers, received 3,600 requests to connect to the natural gas systems. During nine months, the company's employees performed 274,000 checks of readings of the natural gas meters of customers.

In August, Lietuvos Dujos and LESTO opened a joint customer service centre in Vilnius, Viršuliškių sk. 34, where the services of both companies may be provided to customers during one visit. This is

a pilot project during which both companies will assess the possibilities of synergy in order to offer to customers the possibility to obtain the services and to be serviced according to the one-stop-shop principle.

Over 9 months of 2014, customer service branches of Lietuvos Dujos were visited more than 93,000 times by customers on different supply related matters. With a view to ensuring the reliability of the gas distribution system and considering the needs of customers, the company keeps expanding the distribution system. In 9 months of 2014, the company received about 3,600 requests to connect new customers to natural gas systems. During the same period of the last year, about 3,200 requests had been received. In 2014 the company is planning to connect about 3,700 of new consumer and construct about 95 km of distribution gas pipelines, investing almost LTL 19.7 for this purpose.

One of the largest projects of investment in the construction of new gas systems launched in 2014 is the average pressure gas pipeline to the block of residential houses of the northern part of Pilaitė district in Zujūnų, Varnės, Smalinės, Karaliaučiaus Streets in Vilnius. The first stage of this project was already completed. In implementing this project, 4.6 km of the gas distribution system were constructed, LTL 0.5 million were invested, and 37 new customers were connected. Further development of the project will be carried out considering the needs of customers.

In 2014, gas infrastructure distribution system of Vilnius in Vismaliukai was also being developed. According to the plans, 4.2 km of the average pressure gas pipeline will be constructed and LTL 0.9 million will be invested. The completion of this project is envisaged in 2014.

6 Corporate governance

The Lietuvos Energija group, whose shareholder is the State of Lithuania, aims at ensuring the efficient and transparent operations. The reorganisation of governance was carried out in 2013, during which the corporate governance of the Group was reorganised and improved.

The new governance structure and model of the Group has been developed on the basis of the most advanced international and national practices, following the recommendations published by the Organisation for Economic Cooperation and Development, having regard to the Corporate Governance Code of for companies listed on the NASDAQ OMX Vilnius exchange, Guidelines on the Governance for State-owned Enterprises recommended by the Baltic Institute of Corporate Governance. The corporate governance model of the power generation companies' group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013 (the Guidelines are available at: www.le.lt).

The primary goal of the corporate governance is to achieve the effect of synergy aligning different activities of the Lietuvos Energija group companies and targeting them at the achievement of the common goals at the Group level.

The Group's governance structure has been formed in observance of the principles of corporate governance and contributes to their implementation. The Company's shareholder is the State controlling 100 % of its shares. The rights and obligations of the shareholder are implemented by the Ministry of Finance of the Republic of Lithuania, which adopts the main decisions related to the implementation of the ownership rights and obligations.

Supervisory bodies

Supervisory Board

The Supervisory Board is a collegiate supervisory body specified in the articles of association of the Company and elected by the general meeting of shareholders for a term of four years. The Supervisory Board of Lietuvos Energija consists of seven members – natural persons representing the Ministry of Finance, the Ministry of Energy, the Ministry of Economy, the Office of the Government of the Republic of Lithuania, and three independent members. The Chairman of the Supervisory Board is elected by the Supervisory Board from among its members. This model of formation of the Supervisory Board complies with the principles of corporate governance.

The Supervisory Board of Lietuvos Energija, operating since 16 July 2013 and at the end of the reporting period (until 30 June 2013), was as follows:

	Šarūnas Kliokys (born in 1959) Chairman, Independent member	**Antanas Danys** (born in 1975) Independent member	**Dr. Virginijus Lepeška** (born in 1955) Independent member	**Tomas Garasimavičius** (born in 1978) Member	**Aloyzas Vitkauskas** (born in 1954) Member	**Žydrūnė Juodkienė** (born in 1974) Member until 12 09 2014	**Rasa Noreikienė** (born in 1959) Member
Educational background	Vytautas Magnus University; Baltic Management Institute, Degree in Business Administration (EMBA); Vilnius University, Economist's Diploma.	Vilnius University, Master's Degree in Business Administration (MBA); Boston College, Bachelor's degree.	Vilnius University, Doctor of Social Sciences.	Creighton University, Political Science Master's Studies; Vilnius University IIRPS, Political Science Master's Studies; Vilnius University TSPMI, Bachelor's Degree in Political Science.	Vilnius Civil Engineering Institute, Post-graduate studies of technical sciences; Vilnius Civil Engineering Institute, Master's Degree in Civil Engineering.	ISM University of Management and Economics, Bachelor's Degree in Management and Business Administration; Mykolas Romeris University, Master's Degree in Law; Vilnius Pedagogical University, Diploma of History and Political Sciences.	Kaunas University of Technology, Master's Degree in Public Administration; Vilnius University, Lawyer's Speciality.
Participation in the capital of the Company and Group companies , %	–	–	–	–	–	–	–
Workplace, position	Chairman of the Board of UAB Ekonovus, Chairman of the Board and Director of UAB Avestis, Chairman of the Board of UAB Šiaulių plento grupė.	Board Member of PE Lietuvos Junior Achievement, Partner of United partners.	Chairman of the Board of UAB Organizacijų vystymo centras, Board Member of the Association Mentor Lietuva, Board Member of PE Children's Support Centre.	Government of the Republic of Lithuania, Advisor to the Prime Minister for Energy.	Ministry of Finance of the Republic of Lithuania; Vice-minster.	Ministry of Energy of the Republic of Lithuania; Vice-minster.	Ministry of Economy of the Republic of Lithuania; Vice-minster.

The main functions and responsibility of the Supervisory Board cover the following areas: election and recall of the Board Members, supervision of activities of the Board and CEO, provision of feedback to the general meeting of shareholders on the Company's strategy, a set of financial statements, distribution of profit (loss), and annual report. The Supervisory Board also addresses other matters attributed to its competence.

The Supervisory Board is functioning at the Group level, i.e. where appropriate, it addresses the issues related to the activities of the Company, its subsidiaries or their management and supervisory bodies.

Committees of the Supervisory Board

For the purpose of effective fulfilment of its functions and duties, the Supervisory Board forms the committees. The committees of the Supervisory Board provide their conclusions, opinions and proposals to the Supervisory Board according to their competence. A committee consists of minimum three members of whom at least one member must be a member of the Supervisory Board and at least one independent member.

The following committees are set up in Lietuvos Energija:

- **Risk Management Supervision Committee** is responsible for the submission of conclusions or proposals to the Supervisory Board on the functioning of management and control system in the Group and (or) main risk factors and implementation of risk management or prevention measures;
- **Audit Committee** is responsible for the submission of the objective and impartial conclusions or proposals to the Supervisory Board on the functioning of the audit and control system in the Group;

- **Nomination and Remuneration Committee** is responsible for the submission of conclusions or proposals on the matters of nomination, recall or promotion of the Board Members to the Supervisory Board, also for the assessment of activities of the Board and its members and for issuing the respective opinion. The functions of the Committee also cover the formation of the common remuneration policy at the Group level, establishment of the amount and composition of remuneration, principles of promotion, etc.

Where appropriate, the Company may also form other ad hoc committees (e.g., for addressing specific issues, preparation, supervision or coordination of strategic projects, etc.).

A detailed description of the supervisory bodies of the Company and listed companies of the Group is provided on p. 35.

Management bodies

Board

The Board is a collegiate management body provided for in the articles of association of the Company. The members of the Board are elected for a term of four years and recalled by the Supervisory Board on proposal of the Nomination and Remuneration Committee.

The Board comprising 5 members elects from among its members the chairman of the Board – the Chief Executive Officer of the Company. The members of the Board, acting according to their competence, must ensure the proper performance of the Company's activities / supervision of the respective areas at the Group level.

The Board of Lietuvos Energija, operating since 22 July 2013 and at the end of the reporting period (by 30 September 2013) was as follows:

	Dr. Dalius Misiūnas (born in 1978)	**Ilona Daugėlaitė** (born in 1970)	**Darius Kašauskas** (born in 1972)	**Mindaugas Keizeris** (born in 1980)	**Liudas Liutkevičius** (born in 1980) Member until 03 11 2014
Educational background	Lund University, Doctor's degree in Technological Sciences; Lund University, Master's Degree in Industrial Electrical Engineering and Automatics; Kaunas University of Technology, Bachelor's Degree in Electrical Engineering.	Vilnius University, Master's Degree in Hydrogeology and Engineering Geology.	ISM University of Management and Economics, Doctoral Studies of Social Sciences, Course of Economics; ISM University of Management and Economics; BI Norwegian Business School, Master's Degree in Management; Vilnius University, Master's Degree in Economics.	Vilnius University, International Business Master's Degree; Vilnius University, Business Administration and Management Bachelor's Degree.	Vilnius University, International Business School, International Business Finance Master's Degree; Vilnius University, International Business School, International Business Bachelor's Degree.
Participation in the capital of the Company and Group companies, %	–	–	–	–	–
Workplace, position, participation in activities of other enterprises and organisations	Lietuvos Energija, UAB, Board Chairman, CEO; Lietuvos Energijos Gamyba, AB, Supervisory Board Chairman; Association Eurelectric, Member of the Board of Directors; National Lithuanian Electricity Association, President; KTU Alumni Association, President.	Lietuvos Energija, UAB, Board Member, Organisational Development Council Director; LESTO AB, Supervisory Board Member; UAB Technologijų ir Inovacijų Centras, Chairwoman of the Board; UAB Elektros tinklo paslaugos, Board Member; AB Lietuvos Dujos, Board Member.	Lietuvos Energija, UAB, Board Member, Finance and Treasury Service Director; LESTO AB, Supervisory Board Chairman; NT Valdos UAB, Board Member; UAB Kauno Energetikos Remontas, Board Member; UAB LITGAS, Board Member.	Lietuvos Energija, UAB, Board Member, Strategy and Development Service Director; UAB Elektros Tinklo Paslaugos, Board Member; Energijos Tiekimas UAB, Board Member; AB Lietuvos Dujos, Board Member.	Lietuvos Energija, UAB, Board Member, Production and Service Director; NT Valdos, UAB, Board Member; Energijos Tiekimas UAB, Board Member; UAB Kauno Energetikos Remontas, Board Member.

The description of management bodies of the listed companies of the group is provided on p. 37.

Organizational culture and employees

The Company's employees are the key element in implementing the operating strategy of the Lietuvos Energija group. The aim is to build and maintain the organisational culture based on values and motivating employees to assume responsibility, cooperate, and joint efforts to achieve the best result.

After reorganisation of management of the Lietuvos Energija group, the focus on coordinated organisational development, management of human, creation of new organisational culture, efficiency of the organisation of activities, building and maintaining of competences will be increased further. In 2014 and upcoming years, the greatest attention will be paid to the improvement of remuneration of the Group employees, improvement of performance assessment and management systems, creation of the system for identification of talents, building leadership, management and professional competences, development of personnel succession system, communication and implementation of values and optimisation of human resources' management processes.

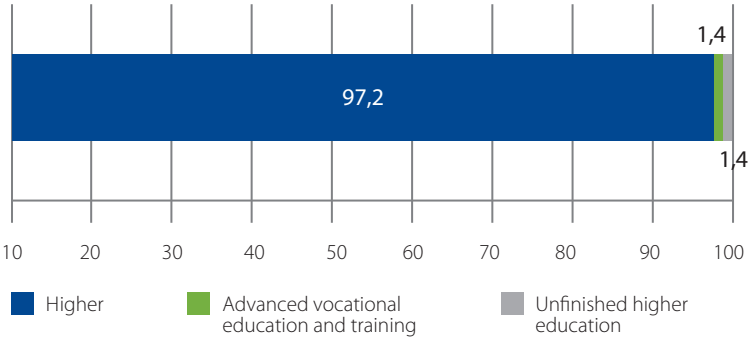
Company	Staff number
Lietuvos Energija, UAB	73
AB LESTO	2,368
Lietuvos Energijos Gamyba, AB	502
AB Lietuvos Dujos	1 ,280
UAB Technologijų ir Inovacijų Centras	172
UAB Duomenų Logistikos Centras	18
Energijos Tiekimas UAB	19
Geton Energy SIA	1
UAB Kauno Energetikos Remontas	236
UAB Gotlitas	9
UAB ELEKTROS TINKLO PASLAUGOS	545
NT Valdos, UAB	229
VšĮ Respublikinis Energetikų Mokymo Centras	160
LITGAS	11
UAB VAE SPB	1
UAB Verslo Aptarnavimo Centras	2
UAB Lietuvos Dujų Tiekimas	6
Total	**5,632**

In implementing the goals set by the shareholder and pursuing a socially responsible business, we aim at attracting and retaining skilled specialists in the Group and creating with them the long-term partnership relationships and joint successful future while ensuring the mutual benefits.

As of 30 June 2014, there were 5, 632[1] employees in the Group. Compared to Q2 2014, the number of employees of the Lietuvos Energija group has slightly reduced.

As of 30 June 2014, there were 73 employees in the parent company Lietuvos Energija. 97.2 % of the Company's employees have higher university education, and 8 of them are doctors of science. The Company employs three certified professional project managers (PMP and PRINCE2), one certified financial analyst (CFA) and one expert with 2 CFA levels, one expert with 1 CIIA level, one Certified Internal Auditor (CIA), one Certified Fraud Examiner (CFE), 6 employees with the professional Board Member's qualification of the Baltic Institute of Corporate Governance, and nuclear energy specialists. The employees are active members of the associations and unions (TBTA, EGIA, LBEA, FAA, LSIS, LGS, NLEA) and of the academic community (KTU Business Council, LEI Supervisory Board, VU FF Council, Technological Development Committee under the Agency for Science, Innovation and Technology, etc.).

Structure of the Company's employees by educational background, %



[1] *Number of valid employment contracts.*

The total wage fund of the Company of January – September 2014 was LTL 4,965,000.

The average monthly wage of the Company's employees in January – September 2014

Category of employees	Average monthly wage, LTL
Chief executive officer (CEO)	20 ,693
Top-level managers	14,154
Mid-level managers	11,630
Experts, specialists, workers	5,596

As of 30 September 2014, the Group employed 5,632 employees (including AB Lietuvos Dujos). The total wage fund of the Group inr January – June 2014 was LTL 148.31 million.*

The average monthly wage of the Group employees in January – September 2014

Category of employees	Average monthly wage, LTL
Chief executive officer	14,948
Top-level managers	13,324
Mid-level managers	6,553
Experts, specialists	2,969

** The wage fund of AB Lietuvos Dujos is included from 1 July 2014.*

Developing competences and building organisational culture

The Lietuvos Energija group is consistently taking care of the professional development of employees and ensures that employees possess all certificates established by laws that are necessary for their work. In Q3 2014, training courses organised by the Lietuvos Energija group were attended by 3,717 employees.

The Group's company LESTO devotes great attention to its best employees and therefore the talent management system is being developed for several consecutive years. Over Q3 2014, the company updated list of its talents and prepared plans for their development.

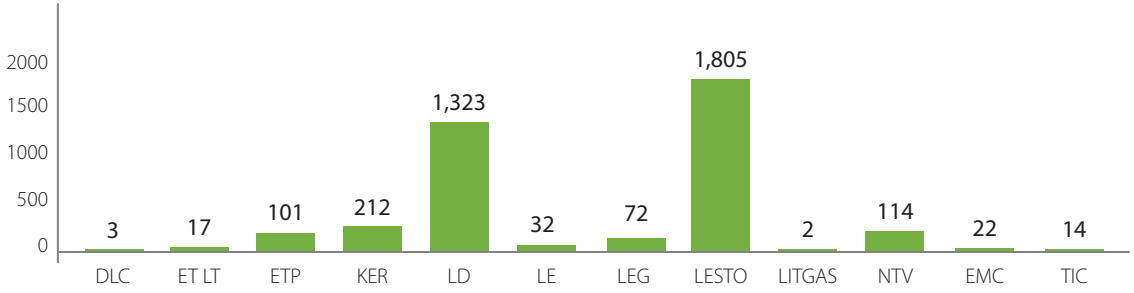
Kauno Energetikos Remontas participated at the meting with students of Kaunas University of Technology, who have chosen the targeted financing studies; the agreements on the financing of studies were signed with 3 students.

In Q3 2014, the Group's Mid-level Management Forum initiative involving 25 mid-level managers representing each company of the Group was continued. The purpose of this Programme is to organise common discussions, seminars and project activities in order to develop management and leadership competences of the mid-level managers, facilitate the sharing of experience and encourage mutual cooperation and jointly pursue strategic goals.

The Lietuvos Energija group understands that the realisation of its aims of continuous development and increase of the Group's value mostly depends on the involvement of employees and their contribution to the development and success of the organisation. In order to assess how much the employees are involved in the activity of the organisation and are interested in active participation in the achievement of success of the organisation, the survey of involvement of the Group's employees was initiated. When the results of the survey are received, they will be analysed and the plans of action for maintaining and increasing the involvement of employees will be developed for the year 2015. It is envisaged that the developed action plans will enable LESTO to maintain the position of the most desirable employer among energy companies in the survey of the most desirable employer conducted by CV Bank, and that other companies of the Group will also be able to strengthen their positions among energy companies.

In implementing the common values of the Lietuvos Energija group, the companies of the Group hosted the events for the implementation of values. For example, LESTO organised the summer event LESTIADA in which more than 800 employees of LESTO participated. On 3 October, the Lietuvos Energija group organised the autumn event "Autumn Energy". Kauno Energetikos Remontas implemented the session of ambassadors of the Company's values, during which the action plan for the implementation of values was worked out and arrangements were made on the responsible employees and deadlines. The ambassadors of values have already implemented 1 initiative – organised the Children's Drawing Afternoon, also planning to implement 3 more initiatives.

Number of employees participating in training



Opportunities of internship

The Group companies create conditions for students of higher education institutions and vocational schools to apply their theoretical knowledge and acquire practical skills. Over Q3 2014, 123 students were placed on the internship in the Group companies – Lietuvos Energija, Lietuvos Energijos Gamyba, LESTO, Lietuvos Dujos, Kauno Energetikos Remontas, Elektros Tinklo Paslaugos, Respublikinis Energetikų Mokymų Centras. Twenty-one trainees after internship in Kauno energetikos remontas, LESTO, Lietuvos Energijos Gamyba and Elektros Tinklo Paslaugos, Respublikinis Energetikų Mokymų Centras were employed according to fixed-term or open-ended employment contracts.

Lietuvos Energijos Gamyba acquired the Occupational safety and Health Certification (OHSAS)

On 19 May 2014, Lietuvos Energijos Gamyba acquired OHSAS 18001:2007 certificate confirming that the occupational safety and health system (OSH) of the company meets the requirements of this management standard. The company was appraised for practically ongoing improvement of the OSH policy, which forms part of the management system of the company capturing the organisational structure, planned activities, distribution of responsibility, business practice, internal routines and procedures, methods, management of processes and resources necessary for the implementation, support and improvement of the OSH policy. Lietuvos Energijos Gamyba was also appraised for ensuring the occupational safety and health in reducing the probability of occupational accidents.

Supervisory bodies

As of 30 September 2014, the Supervisory Board functioning in Lietuvos Energijos Gamyba, AB comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Dr. Dalius Misiūnas Chairman	-	August 2013 – August 2017	Lietuvos Energija, UAB, Board Chairman and CEO
Pranas Vilkas Independent member	-	August 2013 – August 2017	-
Liudas Liutkevičius Member	-	August 2013 – 12 November 2017	Lietuvos Energija, UAB, Production and Service Director
Mindaugas Keizeris	-	20 November 2014 – August 2017	Lietuvos Energija, UAB, Strategy and Development Director

As of 30 September 2014, the Supervisory Board functioning in AB LESTO comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Dr. Darius Kašauskas Chairman	-	July 2013 – July 2017	Lietuvos Energija, UAB, Finance and Treasury Service Director
Petras Povilas Česna Independent member	-	September 2013 – July 2017	LITEXPO Board Chairman
Ilona Daugėlaitė Member	-	July 2013 – September 2017	Lietuvos Energija, UAB, Organisational Development Director

As of 30 September 2014, the Supervisory Board functioning in AB Lietuvos Dujos comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Dr. Darius Kašauskas Chairman	-	November 2014 – November 2018	Lietuvos Energija, UAB, Finance and Treasury Service Director
Petras Povilas Česna Independent member	-	November 2014 – November 2018	LITEXPO Board Chairman
Ilona Daugėlaitė Member	-	November 2014 – November 2018	Lietuvos Energija, UAB, Organisational Development Director

Committees of the Supervisory Board

As of 30 September 2014, the Supervisory Board committees formed in the Company, as a parent company of the Group, included the Audit, Risk Management Supervision, Nomination and Remuneration Committees.

Audit committee

Committee member	Number of shares held in the Company and in the Group companies	Workplace
Rasa Noreikienė Chairwoman of the Committee	-	Ministry of Economy of the Republic of Lithuania, Vice-minister
Danielius Merkinas Independent member	-	UAB Nordnet, Finance Director
Aušra Vičkačkienė Member	-	Ministry of Finance of the Republic of Lithuania, Asset Management Department Director
Gintaras Adžgauskas Member	-	World Energy Council, Director of the Lithuanian Member Committee
Irena Petruškevičienė (From 28 october 2014)		European Commission Audit Development Committee Member

Main functions of the Committee:

- monitoring the process of preparation of financial statements of the Company and Group companies, with a special focus on the adequacy and consistency of used accounting methods;
- monitoring the efficiency of the internal control and risk management systems of the Company and Group companies, analysis of the need for, and adequacy of, these systems and perform the review of the existing internal control management systems;
- monitoring the adherence to the principles of independence and objectivity by the certified auditor and audit company, provision of related recommendations, as well as proposals for the selection of an audit company;
- monitoring the audit performance processes of the Company and Group companies, examining the effectiveness of audit and response of the administration to the recommendations provided by the audit company in the management letter;
- monitoring the effectiveness of the internal audit function of the Company and Group companies, analysis of the need for, and adequacy of, this function, provision of recommendations on the need for, effectiveness of, the internal audit function, and on other internal audit related matters;
- providing proposals for the internal audit plans of the Company and Group companies, recommendations for the regulations of the internal audit units of the Company and Group companies, appointment and dismissal of the head of a structural unit performing the functions of the internal audit, approval of his (her) job description, imposition of incentives and penalties;
- monitoring the compliance of activities of the Company and Group companies with laws and other legal acts of the Republic of Lithuania, articles of association and business strategy;
- assessment and analysis of other issues attributed to the competence of the Committee by decision of the Supervisory Board;
- performance of other functions related to the functions of the Committee set forth by legal acts of the Republic of Lithuania and in the Corporate Governance Code of companies listed on NASDAQ OMX Vilnius Stock Exchange.

Risk Management Supervision Committee

Committee member	Number of shares held in the Company and in the Group companies	Workplace
Antanas Danys Chairman of the Committee	-	Public Institution Lietuvos Junior Achievement, Board Member
Raimundas Petrauskas Independent member	-	Schmitz Cargobull Baltic, CEO
Donatas Kaubrys Independent member	-	Dovirma, UAB, Manager
Tomas Garasimavičius Member	-	Advisor to the Prime Minister of the Republic of Lithuania for Energy

Main functions of the Committee

- monitor the identification, assessment and management of risks relevant for the accomplishment of goals of the Company and Group companies;
- assess the adequacy of internal control procedures and risk management measures to the identified risks;
- assess the status of implementation of risk management measures;
- monitor the implementation of risk management process;
- analyse financial possibilities for the implementation of risk management measures;
- assess the risks and risk management plan of the Company and Group companies;
- assess the regular risk identification and assessment cycle;
- control the establishment of risk registers, analyse their data and provide proposals;
- monitor the drafting of risk management related internal documents;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

Nomination and Remuneration Committee

Committee member	Number of shares held in the Company and in the Group companies	Workplace
Aloyzas Vitkauskas Chairman of the Committee	-	Ministry of Finance of the Republic of Lithuania, Vice-minister
Virginijus Lepeška Virginijus Lepeška Independent member	-	UAB Organizacijų vystymo centras, Chairman of the Board
Tomas Garasimavičius Member	-	Advisor to the Prime Minister of the Republic of Lithuania for Energy

Main functions of the Committee:

- assess and provide proposals on the long-term remuneration policy of the Company and Group companies (the main fixed part of the remuneration, performance based remuneration, pension insurance, other guarantees and forms of remuneration, compensations, severance pays, other parts of the remuneration package), other principles of compensation for costs related to the individual's performance;
- assess and provide proposals on the policy of bonuses of the Company and Group companies;
- monitor the compliance of the policy of remunerations and bonuses of the Company and Group companies with the international practice and good governance practice recommendations, and provide respective proposals for the improvement of the policy of remunerations and bonuses;
- provide proposals concerning bonuses upon distribution of distributable profit (losses) of the Company and Group companies of the respective financial year;
- assess the terms and conditions of agreements of the Company and Group companies with members of management bodies of the Company and Group companies;
- assess the procedures of recruitment and selection of candidates to members and senior management of the Company and Group companies and establishment of the qualification requirements;
- perform regular reviews of the structure, size, composition and activities of the management and supervisory bodies of the Company and Group companies;
- supervise how members of management bodies and employees of the Company and Group companies are notified of the professional development possibilities and how they upgrade their skills regularly;
- supervise and assess the implementation of measures ensuring the continuity of operations of the management bodies and employees of the Company and Group companies;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

Management bodies of the Group companies

As of 30 September 2014, the Board of Lietuvos Energijos Gamyba, AB comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Juozas Bartlingas Chairman	-	September 2013- September 2017	Lietuvos Energijos Gamyba, AB, CEO
Adomas Birulis Member	-	September 2013- September 2017	Lietuvos Energijos Gamyba, AB, Business Development Department Director
Eglė Čiužaitė Member	-	September 2013- September 2017	Lietuvos Energijos Gamyba, AB, Finance and Legal Department Director
Darius Kucinas Member	-	September 2013- September 2017	Lietuvos Energijos Gamyba, AB, Production Department Director
Vidmantas Salietis Member	-	September 2013- September 2017	Lietuvos Energijos Gamyba, AB, Wholesale Electricity Trade Department Director

Manager: Juozas Bartlingas, Chief Executive Officer of Lietuvos Energijos Gamyba, AB.

As of 30 September 2014, the Board of AB LESTO comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Aidas Ignatavičius Chairman	-	September 2013- September 2017	AB LESTO, CEO
Andrius Bendikas Member	-	September 2013- September 2017	AB LESTO, Finance and Administration Department Director
Dalia Andrulionienė Member	-	September 2013- September 2017	AB LESTO, Personnel and Communication Division Director
Sergejus Ignatjevas Member	-	September 2013- September 2017	AB LESTO, Customer Service Division Director
Virgilijus Žukauskas Member	-	September 2013- September 2017	AB LESTO, Electricity Network Division Director

Manager: Aidas Ignatavičius, Chief Executive Officer of AB LESTO.

As of 30 September 2014, the Board of AB Lietuvos Dujos comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Dr. Dalius Misiūnas Chairman	-	June 2014 – 29 October 2014	Lietuvos Energija, UAB, Chairman of the Board, CEO
Ieva Lauraitytė	-	June 2014 – 29 October 2014	Lietuvos Energija, UAB, Legal Service Director
Ilona Daugėlaitė	-	June 2014 – 29 October 2014	Lietuvos Energija, UAB, Organisational Development Director
Mindaugas Keizeris	-	June 2014 – 29 October 2014	Lietuvos Energija, UAB, Strategy and Development Director

As of 3 November 2014, the Board of AB Lietuvos Dujos comprised:

Forename, surname	Participating interest in the Company and Group companies, %	Term of office	Workplace
Liudas Liutkevičius	-	3 November 2014 – November 2018	AB Lietuvos Dujos, Chief Executive Officer
Giedrė Ginskienė		3 November 2014 – November 2018	AB Lietuvos Dujos, Finance and Treasury Service Director
Tomas Šidlauskas		3 November 2014 – November 2018	AB Lietuvos Dujos, Gas Network Service Director
Nemunas Biknius		3 November 2014 – November 2018	AB Lietuvos Dujos, Service Provision and Development Director
Valentina Birulienė		3 November 2014 – November 2018	AB Lietuvos Dujos, Organisation Development Service Director

Manager: until 8 September 2014 – Viktoras Valentukevičius, Chief Executive Officer of AB Lietuvos Dujos. Between 9 September and 3 November – Mantas Mikalajūnas, Acting CEO of AB Lietuvos Dujos. From 4 November, CEO of AB Lietuvos Dujos – Liudas Liutkevičius.

7 Social responsibility

The Lietuvos Energija group devotes special attention to the social responsibility and seeks to ensure that operations of the Group are based on principles of responsible activities enshrined in the Global Compact, initiated by the United Nations. The Global Compact includes implementation of 10 principles of responsible activity and encourages companies to avoid damage to the environment, community, and other businesses, and to join their effort with the United Nations, public authorities and non-governmental organisations in dealing with social and environmental issues, thereby contributing to the development of the society and economic growth. The Global Compact is based on the principles of human rights, rights at work, environment, and anti-corruption.

The model of socially responsible business of the Lietuvos Energija group is implemented through targeted and consistent activities in the following areas.

Environmental protection

Relationships with employees and society

Market operations

In August 2014, the Minister of Finance of the Republic of Lithuania signed the order on the establishment of the Support Fund of Lietuvos Energija. The purpose of activities of the Fund – to provide support and other assistance to legal persons in accordance with the procedure established by the Republic of Lithuania Law on Charity and Sponsorship and the Republic of Lithuania Law on Charity and Sponsorship Funds in the areas of science education, culture, art, sports and other spheres useful to the society and not related with profit-seeking.

On 15 October 2014, Lietuvos Energija set up the Support Fund, which will combine and coordinate support provided by all companies of the Group for projects, programmes and activities of social significance. The Support Fund will facilitate in ensuring the transparency of allocation of support and will create a strong foundation for the social responsibility of the Group. The amount of support allocated by the Group to the Fund shall not exceed 1 (one) per cent of the net consolidated profit of the Group of companies of Lietuvos Energija, UAB of the previous reporting year.

The applications with the Fund shall be filed once a year in accordance with the established procedure and time limits. In 2014, the Fund received 95 applications for support.

On 3 September 2014, all companies of the Lietuvos Energija group joined the Memorandum of Good Business Practice during the Adoption of the Euro supervised by the Ministry of the Economy of the Republic of Lithuania – in this way the companies committed to ensure the fair recalculation of the prices of services and goods, indicate the prices in litas and euro in clear and understandable manner, not to mislead consumers and not to increase prices under the pretence of the currency changeover.

On 4 September 2014, Lietuvos Energija was distinguished as one of the most dynamic and advanced companies from 33 countries of Europe – together with nine other Lithuanian companies the Group was invited to represent Lithuania in the prestigious programme "European Business Awards 2014". This award was granted to 709 out of 24,000 applicant European Companies and entitles to seek the main prize – the ribbon of honour "Ruban d'Honneur".

The Association Investor's Forum engaged in assessing and awarding companies, organisations and media representatives that have mostly contributed to the improvement of the country's climate and business environment for the third consecutive year, recognised LESTO to be the most responsible company of 2013. The Group's company was awarded for social and public education projects implemented by it, targeted aspirations to foster relationships with its customers, promote transparency and conscious and responsible consumption of energy.

At the beginning of 2014, LESTO elected a member of the Lithuanian Association of Responsible Business (LAVA) Congress. The mission of LAVA is to promote the development of responsible activities as a precondition of sustainable growth in Lithuania. Activities of the association are led by collegiate bodies – the Council of 3 members, the Congress of seven members and the general meeting of members.

Environmental protection

The Lietuvos Energija group encourages the use of work equipment reducing costs and pollution, sustainable use of natural resources, is actively looking for ways of minimising the impact of energy objects on people and environment, and investing in the environmentally friendly modern technologies. In implementing different environmental projects, the Group companies aim at minimising the impact of energy objects on people and environment, and also at encouraging the participation of society in different initiatives related to environmental protection.

Waste management and sorting, efficient use of resources

The Lietuvos Energija group companies are implementing waste sorting initiatives, and have installed special waste sorting containers for sorting of plastic and paper. In cooperation with the association of purchasers of electronic equipment, LESTO also collects energy-saving light bulbs, small electronic devices and batteries at the customer servicing centres, subdivisions of Lietuvos Energijos Gamyba; special containers have also been installed in Elektrėnai, Kruonis, Kaunas and Vilnius for discarding obsolete small electronic devices and batteries. Since 2013, the Group company UAB Kauno Energetikos Remontas has been involved in the environmental project "We sort waste in the company" aimed at sorting and collecting waste of electronic equipment, domestic appliances and portable batteries and accumulators generated in the process of operations of the companies and at homes of

their employees, reducing the discharge of such waste into the environment, educating and informing the society about waste sorting.

In April 2014, employees of the Group actively joined the traditional annual cleanness initiative "Let's Do It 2014" – they collected different waste, cleaned environment in various towns of Lithuania, and set up new sports equipment and waste bins on the coast of Elektrėnai Sea.

The Group's company LESTO keeps encouraging its clients to give up paper bills and pay-books. More than 90 % of business customers of LESTO already use electronic bills. LESTO sends free of charge SMS and electronic messages to almost 80 % of the users of electricity to inform them about power supply failures or planned duration of their elimination.

The Environmental Management System complying with requirements of LST EN ISO 14001:2005 has been implemented in objects of Lietuvos Energijos Gamyba. Also, subdivisions of Lietuvos Energijos Gamyba implement the requirements for the atmospheric, surface water, groundwater and soil pollution monitoring and protection measures specified in the Integrated Pollution Prevention and Control (IPPC) permits.

In 9 months of 2014, Elektrėnai Complex handed over for utilisation 68 t of railway sleepers, 1,354 of hazardous waste of sewage sludge, 1,092 t of liquid fuel ash, 1,220 t of construction waste, sold 533 t of electrical and electronic equipment waste, and 3,348 t of ferrous metal scrap. Household waste collected in the territory of this object is removed by a specialised company on contractual basis. Household waste accumulated over January – September amounted to almost 130 m^3.

In January – September, Kruonis PSPP handed over for utilisation 10,8 of hazardous waste, 0.57 t of non-hazardous waste, and sold 12.9 t of ferrous metal scrap. Household waste generated in the territory of this object is removed by a specialised company on contractual basis. Household waste accumulated in nine months amounted to almost 25 t.

In January – September, Kaunas HPP handed over for utilisation 0.476 t of hazardous waste, 0.565 t of non-hazardous waste. Household waste generated in the territory of this object is removed by a specialised company on contractual basis. Household waste accumulated in nine months amounted to almost 4,86 t.

Paper and cardboard waste in all power plants is collected by enterprises processing such waste.

Social initiatives

The Group's companies were actively involved in the event of the traditional Days of Energy Professionals organised by the National Lithuanian Energy Association (NLEA). On 17-18 April 2014, free educational events were hosted in the Lithuanian Energy and Technology Museum – excursions for the public, the concert of the pop group Saulės kliošas. During the excursions the visitors were able to get familiarised with the Lithuanian energy system and its topicalities and to learn more about the energy specialist's occupation.

In June 2014, LESTO together with the partners Nissan and the company NT Valdos set up the first stop for quick charging of electromobiles in Vilnius, Lelevelio St. A low battery of an electric vehicle can be charged in 30 minutes at this stop. The project of the first stop for quick charging of electromobiles is a significant turning point in the development of the infrastructure of electromobiles. At present, free of charge power supply to the station is guaranteed by the largest supplier of energy of the Lithuanian capital – Energijos Tiekimas. Until present there were only slow charging stops in Lithuania – the first such stop was installed in 2011 in Vilnius, near the Lithuanian Energy and Technology Museum. At present there are up to 15 slow charging stops for electromobiles operating in Lithuania. With the help of such stops the charging of electromobiles takes 4 to 8 hours.

In order to contribute to raising awareness about energy among society and young generation in particular, Lietuvos Energijos Gamyba welcomes free of charge excursions to the objects under its control: the combined cycle unit, Kruonis Pumped Storage Power Plant, Kaunas Hydroelectric Power Plant. Over 9 months of 2014, the power plants were visited by more than 1,700 visitors from different enterprises, schools and other institutions as well as by delegations from foreign countries. During the aforementioned period, the largest number of excursions – 59 – were or-

ganised in Kruonis PSPP, 29 excursions – in Kaunas HPP, and CCU welcomed 11 delegations arriving on excursions.

On the eve of the 1st of September the inmates of Elektrėnai child care home – pupils of the primary school received the primary school pupils' kits. In cooperation with Elektrėnai Municipality, the primary school pupils' baskets were handed over to socially disadvantaged families. The baskets were also handed over to employees of Lietuvos Energijos Gamyba who raise children studying in primary school.

Lietuvos Energijos Gamyba together with the Library of Elektrėnai organises traditional events for the community of Elektrėnai region, where its principal activity is concentrated. In 9 months of 2014, two meetings were organised – in March with singing actors, the father and son Saulius and Jokūbas Bareikis, and in June – with the director and author of songs Vytautas V. Landzbergis. Seven events of this cycle have already been organised. The Company aims at gathering the community of the town and region as well as its employees in one place providing them with the opportunity to meet with famous, interesting and original people.

LESTO is continuing its cooperation with libraries under the project "Libraries for Progress 2" launched in 2014. The purpose of this cooperation is to enable customers to use the self-service website: www.manoelektra.lt at the places convenient for them. Computerised LESTO self-service sites have already been installed in 18 libraries, and in the future the company envisages increasing the number of self-service sites in libraries.

Kaunas customer servicing centre of LESTO is completely adapted for people with disabilities. This fact was acknowledged by experts of the Project "Without Thresholds" aimed at minimising social exclusion of the disabled. During their visit to Kaunas customer servicing centre the specialists of the Project "Without Thresholds" checked the number of parking spaces for cars of people with disabilities, the distance to the entrance of the building, the condition of the sloping from the carriageway to the pavement, and how the driveway to customer servicing centre is adapted to customers, as well as many other aspects. The conclusion drawn by experts contained several recommendations for possible improvements.

In 2014, Lietuvos Dujos continued cooperation with the fine crafts' centre for youth with disabilities – the traditional fair of the handmade works was organised before the Easter Holiday, at which employees of the company purchased the handmade works supported young people with disabilities. During the blood donation campaign arranged in June a large number of the company's employees donated their blood for people suffering from illnesses.

Long-term projects

The large scale long-term social responsibility projects for children, youth and general public implemented by the Group's company LESTO are characterised by active involvement of communities and different social groups, and ideas of safety, energy efficiency and conservation of environment. The active development of such projects was continued in Q3 2014.

Operation 2020. This project is aimed promoting responsible behaviour with power grid installations, raise awareness of people about safe behaviour with electrical equipment and reduce negative consequences arising from irresponsible or malicious behaviour of residents.

In 2014, LESTO continued active cooperation with the Association of the Wardens of the Municipalities of Lithuania, attended its meetings and conferences. The greatest support in fighting against thefts is the sense of community – reports of residents help to quickly identify the offenders, repair damaged transformers before they get burnt and supply of electricity to residents is interrupted. In 9 months of 2014, compared to the same period of 2013, the number of thefts from the distribution network facilities almost did not change. 128 calls of residents were received via the trust helpline informing about the cases of illegal use of electric energy. On the basis of such information provided by residents the reports have been drawn for the amount of LTL 72,000.

Not More Than Needed. This social responsibility project of LESTO is aimed at developing the reasonable energy use traditions of the society.

The Green Protocol, Energy Efficiency Conference for Business, Energy Dialogue 2014. All enterprises are invited to join the Green Protocol for the fourth year in a row. This is a unique agreement of such type initiated by LESTO in our country where-

by enterprises and organisations confirm that they are familiar with the ideas of conservation of the environment promoting reasonable use of electric energy, approve such ideas and promise to apply them in practice. Almost 230 participants from more than 160 enterprises of the country willing to get familiarised with the most relevant energy efficiency tendencies and latest solutions enabling to minimise energy costs attended the annual conference on reasonable use of energy hosted on 14 February 2014. The nomination of the Green Ambassador introduced for the first time may be awarded to an employee of the Green Protocol enterprise distinguished for the most creative and effective way of promotion of the energy saving ideas in the enterprise, involved other co-workers, or implemented or encouraged to implement the innovative technologies over the past year.

Independent suppliers supply energy to 13,000 LESTO business customers (58,000 objects), who consume about 80 % of all electric power transmitted to business customers. LESTO, as a power distribution company, seeking closer cooperation organised the second conference for independent suppliers "Energy Dialogue 2014". In addition to the analysis of the situation existing on the market, a great attention during the conference was devoted to the review of the implementation of the upcoming requirements of the Energy Efficiency Directive. The survey conducted after the event has shown that more than 90 % the participants of the conference assessed it as relevant and would agree to participate in it again.

The cycle of energy efficiency conferences for industrial enterprises. In September 2014, LESTO together with partners started the cycle of energy efficiency conferences "Not More Than Needed by Industry". The first conference held in Šiauliai was attended by representatives of more than 70 industrial enterprises of Šiauliai and Panevėžys regions. The cycle of conferences "Not More Than Needed by Industry" deals with practical energy saving measures in enterprises, energy management automation solutions, strategies of servicing industrial enterprises, examples of their application, etc. The experience and knowledge at the conference was shared by partners from the international companies Schneider Electric Lithuania, Mano Būstas, SKF Lietuva and the Training Centre for Energy Specialists.

Days of balanced and safe use of electricity in libraries of Lithuania. In order to encourage residents to contribute to the protection of the environment and balanced use of energy resources, LESTO organises the cycle of events on balanced and safe use of electricity in 14 libraries of the country. During these events LESTO specialists recommend residents how to use electric power in balanced manner and reduce the bills for electricity.

The National Educational Programme "Sustainable School". In order to raise awareness of school communities and contribute to the creation of a sustainable, energy-efficient and environmentally-friendly society of Lithuania, LESTO and the Lithuanian Youth Centre together with partners invited educational institutions of the country to participate in a one-year educational programme "Sustainable School". 70 educational institutions from different regions of Lithuania participating in the programme completed the first task of the programme – the Ecological Footprint study. Its results were introduced at the forum of school managers participating in the "Sustainable School" programme held in Vilnius. The Ecological Footprint is a measure of human demand on the resources of our planet. The Ecological Footprint study has been prepared for schools of Lithuania according to the methodology specially developed for educational institutions by Austrian scientists. The project of "Sustainable School" is aimed at contributing to the creation of sustainable educational institutions' communities capable of efficiently managing and using their resources, combining the environmental protection, social justice and eco-

nomic development. This project is implemented with the assistance of the public institution VšĮ Pakuočių Tvarkymo Organizacija and companies UAB Schneider Electric Lietuva, UAB Mano Būstas and the National Consumer Federation.

Electromagic. This educational initiative of LESTO is aimed at raising awareness of children and youth about benefits, threats and safety of electric energy. The purpose of this initiative is to teach youth safe behaviour with electricity and electrical equipment, stimulate their interest in responsible use of electricity, environmental protection and ideas of sustainable development.

In 2014, different initiatives for education of children about safe behaviour with electricity have been continued. At the beginning of this year, the pre-school and school-age children were invited to take part in the table game creation competition aimed at deepening their electricity-related knowledge in physics; this game develops logical thinking, encourages to learn more about the world of electricity and technologies, and, of course, develops creativity and drawing skills. The Project "Electromagic.lt was also innovatively introduced in the form of interactive lessons for school-age children.

8 Key information about the Company and the Group

The Interim Report of Lietuvos Energija and its subsidiaries is prepared in observance of Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 on approval of the guidelines for ensuring the transparency of activities of the state-owned enterprises and appointment of the coordinating authority and published on the Company's internet website at: www.le.lt.

Company's name	Lietuvos Energija, UAB
Company's code	301844044
Authorised capital	LTL 4,179,849,289
Paid-up authorised capital	LTL 4,179,849,289
Address	Žvejų g. 14, LT-09310, Vilnius, Lithuania
Phone	(8 5) 278 2998
Fax	(8 5) 278 2115
E-mail	biuras@le.lt
Website	www.le.lt
Legal form	Private Limited Liability Company
Date and place of registration	Registered on 28 August 2008 in the Register of Legal Entities
Data about the Company are collected and kept in the Register of Legal Entities	SE Centre of Registers

On 13 February 2013 the Company's shares were transferred to the Ministry of Finance by right of trust.

As of 30 September 2014, the authorised capital of the Company totalled LTL 4,179,849,289 (as of 31 December 2013 – LTL 4,067,163,632). On 31 December 2013 and 30 September 2014, the authorised capital was divided into ordinary registered shares of LTL 1 nominal value of one share. All shares are paid up in full.

Shareholders of the Company	Share capital (LTL thousand)	%
Republic of Lithuania, represented by the Ministry of Finance of RL	4,179,849,289	100

Information about subsidiaries, branches and representative offices

Companies directly or indirectly controlled by Lietuvos Energija, UAB at the end of the reporting period (30 June 2014):

Company	Head office address of the company	Effective shareholding, 30 09 2014 (%)	Authorised capital (LTL thou.) 30 09 2014	Main activity
Lietuvos Energijos Gamyba, AB	Elektrinės g. 21, Elektrėnai	96.1	635,084	Electricity generation, supply and trade
AB LESTO	Žvejų g. 14, Vilnius	94.4	603,945	Electricity supply and distribution to consumers
AB Lietuvos Dujos	Aguonų g. 24, Vilnius	96.6	290,686	Natural gas supply and distribution to consumers
NT Valdos, UAB	Geologų g. 16, Vilnius	94.7	295,408	Disposal of real property, other related activities and provision of services
UAB Duomenų Logistikos Centras	A. Juozapavičiaus g. 13, Vilnius	79.6	13,907	ITT maintenance services
UAB Elektros Tinklo Paslaugos	Motorų g. 2, Vilnius	94.4	18,904	Construction, repairs, technical maintenance of power grids and related installations, connection of consumers to power grids
VšĮ Respublikinis Energetikų Mokymo Centras	A. Jeruzalės g. 21, Vilnius	79.6	294	Professional development and continuing vocational education and training of energy sector specialists
UAB Kauno Energetikos Remontas	Chemijos g. 17, Kaunas	96.1	14,245	Repairs of electric installations, manufacture of metal structures
UAB LITGAS	Gedimino pr. 33-2, LT-01104 Vilnius	66.7	45,000	Supply LNG via terminal and trade in natural gas
Gotlitas UAB	R. Kalantos g. 119, Kaunas	96.1	1,100	Accommodation services, trade
Energijos Tiekimas UAB	Jeruzalės g. 21, Vilnius	96.1	750	Supply of electricity and natural gas
Geton Energy OŪ	Narva mnt 5, 10117 Tallinn	96,1	121	Supply of electricity
Geton Energy SIA	Bezdelingu 12, LV-1048, Rīga	96,1	99	Supply of electricity
UAB Technologijų ir Inovacijų Centras	A. Juozapavičiaus g. 13, Vilnius	97,9	20,000	Provision of ITT and other services
UAB VAE SPB	Žvejų g. 14, Vilnius	100	10	Advisory business and other management activities
UAB Verslo Aptarnavimo Centras	P. Lukšio g. 5b, Vilnius	50	100	Services of organising and carrying out public procurement and administration of personnel
UAB Lietuvo Dujų Tiekimas (authorised capital increased to LTL 3 million; paid up capital as of 30 September 2014 – LTL 750,000)	Aguonų g. 24, Vilnius	100	3,000	Supply of gas

Information about agreements with intermediaries of public trading in securities

Lietuvos Energija has not concluded any agreements with intermediaries of public trading in securities, because its securities are not traded on the stock exchange.

Group companies:

Lietuvos Energijos Gamyba, AB

Since 1 September 2011, shares of Lietuvos Energijos Gamyba are listed on NASDAQ OMX Vilnius Stock Exchange.

As of 30 September 2014, the company had issued 635,083,615 ordinary registered shares of one litas nominal value.

Issue ISIN code LT0000128571.

Lietuvos Energijos Gamyba has concluded the securities accounting agreement on the accounting of securities issued by the issuer and management of personal securities accounts with Swedbank, AB.

AB Lietuvos Dujos

Since 1 January 2008, shares of AB Lietuvos Dujos are listed on NASDAQ OMX Vilnius. The company's shares are traded on NASDAQ OMX Vilnius Stock Exchange.

As of 30 September 2014, the company had issued 290,685,740 ordinary registered shares of one litas nominal value.

Issue ISIN code LT0000116220.

AB Lietuvos Dujos has concluded the agreement on the accounting of securities issued by the company and management of personal securities accounts, payment of dividends to shareholders and provision of other related services with AB SEB Bank.

AB LESTO

Since 17 January 2011, ordinary registered shares of LESTO are listed on NASDAQ OMX Vilnius Stock Exchange.

As of 30 September 2014, the company had issued 603,944,593 ordinary registered shares of of one litas nominal value.

Issue ISIN code LT0000128449.

The authorised manager of securities accounts of LESTO is Swedbank, AB.

Main events related to changes in the Group until the date of the Report

- The Ministry of Finance of the Republic of Lithuania, in implementing Resolution No 120 of the Government of the Republic of Lithuania of 12 February 2014 on investment of the state-owned assets and increase of the authorised capital of companies, transferred to Lietuvos Energija, UAB 51,454,638 state-owned ordinary registered book-entry shares of AB Lietuvos Dujos of LTL 1 nominal value of one share, awarding 17.7 % of votes at the general meeting of shareholders of AB Lietuvos Dujos (21 February 2014).
- Appointment of new members of the Board of UAB Duomenų Logistikos Centras – Liudas Liutkevičius, Production and Service Director of Lietuvos Energija, UAB, and Mindaugas Keizeris, Strategy and Development Director of Lietuvos Energija, UAB (18 March 2014).
- The meeting of shareholders of Nordic Energy Link AS (hereinafter – NEL), the shareholder of which is Lietuvos Energijos Gamyba, AB passed the decision on winding-up of NEL. The company set up in 2004 was tasked with implementing the project of connection of energy systems of the Baltic States and Finland by means of the electricity cable "Estlink 1" across the bottom of the Baltic Sea. On 30 December 2013, the cable was transferred to the Estonian and Finnish transmission system operators Elering and Fingrid, therefore, the shareholders of NEL decided on the winding-up of the company as provided for in the memorandum of association of NEL. Lietuvos Energijos Gamyba, AB controls 25 % shareholding of NEL (19 March 2014).
- Lietuvos Energija, UAB acquired the blocks of shares of 54.04 % and 24.94 %, respectively, held by the Group companies Lietuvos Energijos Gamyba, AB and AB LESTO in UAB Duomenų logistikos centras. After this transaction, Lietuvos Energija, UAB controls 79.34 % of shares of UAB Duomenų logistikos centras (31 March 2014).
- Remigijus Štaras was elected the independent Board Member of Energijos Tiekimas, UAB (1 April 2014).
- Nerijus Stasiulionis was elected the independent Board Member of UAB Kauno Energetikos Remontas (2 April 2014).
- Tomas Vitkus, UAB Duomenų Logistikos Centras Sales Department Director was appointed the Acting CEO of UAB Duomenų Logistikos Centras (17 April 2014).
- Vilius Nikitinas was elected the independent Board Member of UAB Elektros Tinklo Paslaugos (17 April 2014).
- Lina Paukštė was elected the independent Board Member of NT Valdos, UAB (17 April 2014).
- Kęstutis Betingis was elected the independent Board Member of UAB LITGAS (18 April 2014).
- Aurimas Bakas elected the independent Board Member of UAB Duomenų Logistikos Centras (30 April 2014).
- Rimvydas Štilinis was appointed the Acting CEO of UAB VAE SPB (10 May 2014).
- Darius Kašauskas, Director of Finance and Treasury Service of UAB Lietuvos Energija, was elected the Board Chairman of NT Valda, UAB (15 May 2014).
- UAB LITGAS Production and Service Director Liudas Liutkevičius was elected the Board Chairman of Lietuvos Energija, UAB (20 May 2014).
- Lietuvos Energija, UAB signed agreements with the German Company E.ON Ruhrgas International, according to which it took over 38.9 % of AB Lietuvos Dujos shares and 11.76 % of AB LESTO shares (21 May 2014).
- UAB LITGAS Production and Service Director Liudas Liutkevičius was elected the Board Chairman of UAB Duomenų Logistikos Centras, and Andrius Markevičius was appointed the Acting CEO of the Company (27 May 2014).
- During the official offering Lietuvos Energija, UAB acquired 40.03 % of shares of AB Lietuvos Dujos. After this acquisition Lietuvos Energija, UAB holds 96.63 % of shares of AB Lietuvos Dujos (17 June 2014).
- The general meeting of shareholders of UAB LITGAS adopted the decision to increase the Company's authorised capital to LTL 45 million by issuing 42 million of ordinary registered shares of LTL 1 nominal value. Lietuvos Energija, UAB controls 66.7 %, and AB Klaipėdos Nafta – 33.3 % of UAB LITGAS shares (27 June 2014).
- The extraordinary meeting of shareholders of AB Lietuvos Dujos adopted the decisions to approve the resignation of the Board Members delegated by E.ON Ruhrgas International GmbH, Dr. Achim Saul and Uwe Fip, recall the Board Members

delegated by OAO Gazprom, Dr. Valery Golubev and Kirill Seleznev. Thre newly members of the Board of AB Lietuvos Dujos were – Ieva Lauraitytė, Legal Service Director of Lietuvos Energija, UAB, Ilona Daugėlaitė, Organisational Development Service Director of Lietuvos Energija, UAB, and Mindaugas Keizeris, Strategy and Development Service Director of Lietuvos Energija, UAB (30 June 2014).

- AB Lietuvos Dujos Board meeting passed the decision to elect Dr. Dalius Misiūnas, CEO of Lietuvos Energija, UAB to the position of the Board Chairman of AB Lietuvos Dujos (30 June 2014).
- The authorised capital of UAB Technologijų ir Inovacijų Centras was increased from LTL 10,000 to LTL 20,000,000. Lietuvos Energija, UAB acquired 11,106,000 units of shares of the new issue and increased the controlled portion of the authorised capital of the company from 50 % to 55.55 %. Lietuvos Energijos Gamyba, AB and AB LESTO acquired 4,442,000 units of new shares each increasing their qualifying holdings from 20 % to 20.22 % (10 July 2014).
- Lietuvos Energija, UAB together with other companies of the Group – Lietuvos Energijos Gamyba, AB, AB LESTO, UAB LITGAS and UAB Technologijų ir Inovacijų Centras signed the agreement on the establishment of UAB Verslo Aptarnavimo Centras. Activities of the company – provision of public procurement, accounting and employment relations' administration services (21 July 2014).
- The Board of AB Lietuvos Dujos passed the decision on the potential obligation to allocate a part of the effect of reduction of the imported natural gas price for the reduction of price for non-household customers, recording in financial statements the provision of LTL 281.1 million for covering of possible additional expenses between 1 January 2015 and 31 December 2016 (21 July 2014).
- The extraordinary meeting of shareholders of AB Lietuvos Dujos passed the decision to pay dividends of LTL 53.3 million, or 18.3 cents per share. Also, for the purpose of applying uniform reserve formation principles to financial statements of all companies of the Lietuvos Energija group, the meeting of shareholders decided to transfer to retailed earnings of the company other reserves of LTL 328 million formed by AB Lietuvos Dujos over several past years (22 July 2014).
- A new company of the Group – UAB Verslo Aptarnavimo Centras (equity capital of LTL 100,000) was registered in the Register of Legal Entities of the Republic of Lithuania. 50 % of shares of this company were acquired by Lietuvos Energija, UAB. The Board Chairman of UAB Verslo Aptarnavimo Centras is Darius Kašauskas, Director of Finance and Treasury Service of UAB Lietuvos Energija, Board Members – Andrius Bendikas, Eglė Čiužaitė, Marius Juknevičius, Augustas Dragūnas (30 July 2014).
- The meeting of the National Control Commission for Prices and Energy (NCCPE) passed the Resolution on results of survey of the electric power generation market (hereinafter – Resolution). By the Resolution NCCPE recognised Lietuvos Energijos Gamyba to be legal person of high influence in the electric power generation market and inter alia imposed requirements with respect to the publication of information about expenses of regulated activities (7 August 2014).
- The reorganisation of management of AB Lietuvos Dujos according to the corporate governance guidelines applicable across the state-owned Lietuvos Energija group of energy companies. In observance of these guidelines the formation of a new Board of AB Lietuvos Dujos was started and public recruitment of candidates to Board Members was announced (11 August 2014).
- Since 14 August, the customer service centre of LESTO in Vilnius opened a new area, which also services customers of AB Lietuvos Dujos. This is a pilot project during which both companies assess the possibilities of their synergy in order to offer the services and servicing to customers according to the one-stop-shop principle (14 August 2014).
- Lietuvos Energijos Gamyba became a member of NASDAQ OMX Vilnius Stock Exchange (14 August 2014).
- LESTO announced its Operating Strategy for 2014-2020. One of the key goals ensrinned in the long-term strategy is to improve almost by one-tenth the reliability of the power distribution network. LESTO will seek consistent investments in the projects contributing to higher reliability and security of the distribution of electricity and increase of the company's value, operating efficiency and return in equity (20 August 2014).
- Lietuvos Energijos Gamyba announced its Operating Strategy for 2014-2020. Lietuvos Energijos Gamyba provides in its strategy that its total revenue over the coming year will reduce because of higher competition and reducing production volumes of Elek-

trėnai Complex. However, the profitability of the company should grow in implementing the strategic goals (20 August 2014).

- Lietuvos Energijos Gamyba changed the guarantee issued on 18 April 2011 in the amount of EUR 1,766,000 to the borrower UAB Kauno Energetikos Remontas (Agreement No BG 07/01/01). The company provides guarantee for another obligation of the borrower to Nordea Bank Finland Plc (Account Credit Agreement No OS 14/09/01), as amended and supplements, on granting the bank account credit of EUR 1,448,100 (8 August 2014).
- Viktoras Valentukevičius resigned fro the position of CEO of AB Lietuvos Dujos, held since 2002. Mantas Mikalajūnas, Strategic Development Division Manager, was appointed the Acting CEO of AB Lietuvos Dujos (8 August 2014).
- UAB LITGAS concluded credit agreement with Swedbank, AB for carrying out the designated supplier's activities and financing the acquisition of a test cargo of natural gas. Maximum credit amount which can be granted under this agreement is EUR 83.3 million (17 September 2014).
- Lietuvos Energijos Gamyba appealed against the decision of the NCCPE of 7 August 2014 on results of survey of the electric power generation market by which NCCPE recognised the company to be a legal person of high influence in the electric power generation market (23 September 2014).
- The general meeting of shareholders of AB LESTO passed the decision to disburse dividends in the amount of LTL 66.4 million, or 11 cents per share (30 September 2014).
- Lietuvos Energija and UAB LITGAS signed the agreement on surety or guarantee limit according to which the company issues to UAB LITGAS a refundable security in the amount of EUR 100 million which may be increased by EUR 25 million (3 October 2014).
- The general meeting of shareholders of Lietuvos Energijos Gamyba, AB passed the decision to disburse dividends in the amount of LTL69.9 million, or 11 cents per share (30 September 2014).
- LESTO and AB SEB bank signed the agreement on granting the long-term loan of EUR 85 million (LTL 293,488 million). The loan funds will be used for the refinancing of financial obligations of the Company to financial institutions and for the financing of investments aimed at increasing the network reliability and the quality of provided services (8 October 2014).
- Rimvydas Štilinis was appointed the CEO of VAE SPB, UAB (13 October 2014).
- Lietuvos Energija issued a guarantee the beneficiary of which is Statoil ASA. The guarantee is aimed at securing the payment for the test cargo of liquefied natural gas acquired by UAB LITGAS. Maximum amount of this guarantee may not exceed USD 29,275,860, and the date of its expiration is 15 December 2014 (14 October 2014).
- Lietuvos Energijos Gamyba adopted the decision to decommission units 1 and 2 of the Lithuania Power Plant as from 1 January 2015, starting the decommissioning of unit 1 from 1 January 2015, and of unit 2 – from 1 April 2015 (20 October 2014).
- By Resolution No 1121 of the Government of the Republic of Lithuania of 20 October 2014 it was established that upon change of essential terms and conditions of the contract on supply of natural gas, the companies supplying gas that have been provided a discount, shall prepare, within two months, the natural gas pricing procedure for the coming periods according to which the change in the natural gas prices shall be included in the natural gas price over the period of two years. The aforementioned procedure must be coordinated with the National Control Commission for Prices and Energy (NCCPE) (20 October 2014).
- The general meeting of shareholders of UAB Verslo Aptarnavimo Centras passed the decision to increase the authorised capital of UAB Verslo Aptarnavimo Centras from LTL 100,000 to LTL 1,500,000. The authorised capital shall be increased by additional contributions of the company's shareholders by issuing 1,400,000 ordinary registered shares; the value and issue price of price of one share is LTL 1 (28 October 2014).
- The general meeting of shareholders appointed the Supervisory Board of Lietuvos Dujos, which consists of Darius Kašauskas, Director of Finance and Treasury Service of UAB Lietuvos Energija, Ilona Daugėlaitė, Organisational Development Service Director of Lietuvos Energija, and the independent Member – Petras Povilas Čėsna, the Board Chairman Lithuanian Exhibition and Conference Centre LITEXPO (29 October 2014).
- AB Lietuvos Dujos, transferred the natural gas supply service to the new company – UAB Lietuvos Dujų Tiekimas, which since 1 November ensures the supply of natural gas to non-house-

hold consumers, business and other customers. The reform of management of AB Lietuvos Dujos in the sector natural gas finalised the implementation of the requirement of the third package of the European Union to separate the activities of supply, sales and distribution of natural gas. After transfer of the natural gas supply activities to Lietuvos Dujų Tiekimas – a new company of the Lietuvos Energija group, Lietuvos Dujos manage the distribution network of natural gas and provide distribution services (31 October 2014).

- Vilnius County Administrative Court received the appeal of Lietuvos Energijos Gamyba, AB requesting to dismiss Resolution No O3-818 of the National Control Commission for Prices and Energy (NCCPE) of 30 September 2014 on planned inspection of Lietuvos Energijos Gamyba, AB. NCCPE approved the planned inspection report No E3-2 of 19 September 2014 and decided to reduce by LTL 21.2 million (EUR 6.14 million) the income from electric power generation activities to be received by the Lithuania Power Plant controlled by the company and by LTL 25.7 (EUR 7.44 million) – income from activities of the provision of services guaranteeing the reserve power to be received by the company. The resolution also specifies the period for the implementation of these decisions of the National Control Commission for Prices and Energy – the reporting year of 2015 – 2016. In the opinion of the company, the resolution is ill-founded, contradicting previous decisions of NCCPE on the same issues (31 October 2014).
- Lietuvos Energija signed the surety agreement with Swedbank, AB. The purpose of the surety agreement is to provide surety for the part of obligations of UAB LITGAS arising from the credit agreement concluded with Swedbank, AB. Maximum amount of this guarantee may not exceed EUR 41.6 million (17 November 2014).
- A new Board and CEO of AB Lietuvos Dujos were elected. The CEO of AB Lietuvos Dujos is Liudas Liutkevičius, the Board Chairman of Lietuvos Dujos. Elected members of the Board of the company – Giedrė Glinskienė, Finance and Treasury Service Director, Tomas Šidlauskas, Gas Network Service Director, Nemunas Biknius, Service Provision and Development Director, and Valentina Birulienė, Organisation Development Service Director (4 November 2014).
- Vilnius County Administrative Court received one more appeal of Lietuvos Energijos Gamyba, AB requesting to dismiss Resolution of NCCPE of 17 October 2014 on the establishment of ceiling prices for services of guaranteeing reserve power of AB Lietuvos Energijos Gamyba in 2015 and Resolution of 30 October 2014 on the establishment of the purchase price of electricity generated in the subdivision of AB Lietuvos Energijos Gamyba – the Lithuania Power Plant for 2015. In the opinion of the company the calculation of return on investment provided in the resolutions and inaccurate and wrong (18 November 2014).
- LESTO announced the intention to open public procurement for obtaining a long-term loan. It is planning to borrow LTL 75 million (LTL 258.96 million) for a period of five years. The funds will be allocated for the refinancing of financial obligations of the company and for its working capital. The expected variable loan interest base – 1-month EURIBOR (20 November 2014).
- Having received the notification of 28 October 2014 from the Supervisory Board Member of AB Lietuvos Energijos Gamyba Liudas Liutkevičius of the resignation from the Supervisory Board Members of AB Lietuvos Energijos Gamyba, Mindaugas Keizeris was elected to the Supervisory Board of the company at the extraordinary meeting of shareholders of 20 November (20 November 2014).
- Vilnius County Administrative Court received the appeal of AB LESTO requesting to partially dismiss Resolutions No O3-841 and No O3-845 of the National Control Commission for Prices and Energy (NCCPE) of 17 October 2014. In the opinion of the company, the NCCPE illegally extended the regulation period of 2011-2013 for the year 2015 and incorrectly established the ceilings of the electric power distribution prices for 2015 (24 November 2014).

Lietuvos Energija, UAB
Chief Executive officer
28 November 2014

Dr. Dalius Misiūnas