


2014-05-30 No. *SD-1120***CERTIFICATION STATEMENT**

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

Chief Executive Officer



Juozas Bartlingas

Director of Finance and Legal Department



Eglė Čiužaitė

Chief Financier



Giedruolė Guobienė



---

## **"LIETUVOS ENERGIJOS GAMYBA", AB**

---

**CONSOLIDATED AND COMPANY'S  
CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2014  
(unaudited)**

---

## TABLE OF CONTENTS

---

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

### Condensed interim financial information

Condensed interim statements of financial position	3–4
Condensed interim statements of comprehensive income	5–6
Condensed interim statements of changes in equity	7–8
Condensed interim statements of cash flows	9
Notes to the condensed interim financial information	10–24


The condensed interim financial information was approved by the General Director, Director of Finance and Law Department and Chief Financier of "Lietuvos energijos gamyba", AB on 30 May 2014.



**Juozas Bartlingas**  
General Director



**Eglė Čiužaitė**  
Director of Finance and Law  
Department



**Giedruolė Guobienė**  
Chief Financier

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

### At 31 March 2014

All amounts in LTL thousands unless otherwise stated

ASSETS	Note	Group at 31 March 2014	Company at 31 March 2014	Group at 31 December 2013	Company at 31 December 2013
		(unaudited)	(unaudited)	(audited)	(audited)
<b>Non-current assets</b>					
Intangible assets	4	28,681	28,186	29,542	28,968
Property, plant and equipment	5	2,593,335	2,571,934	2,636,706	2,597,392
Prepayments for property, plant, equipment		-	10,465	384	10,479
Investments in subsidiaries		-	11,050	-	52,397
Investments in associates and joint ventures	10	152,844	153,884	154,833	153,884
Deferred income tax assets		673	-	988	-
Other financial assets		16,787	16,786	20,949	17,850
Amounts receivable		23,727	23,727	17,850	20,949
<b>Total non-current assets</b>		<b>2,816,047</b>	<b>2,816,033</b>	<b>2,861,252</b>	<b>2,881,919</b>
<b>Current assets</b>					
Inventories		24,026	23,146	24,032	23,113
Prepayments		26,244	15,961	15,725	5,659
Trade receivables		97,592	88,441	169,973	133,274
Other receivables		66,451	48,916	10,513	9,242
Prepaid income tax		8,890	8,795	10,147	10,073
Other financial assets		-	-	86	-
Cash and cash equivalents		257,569	244,004	219,746	178,087
		<b>480,772</b>	<b>429,263</b>	<b>450,222</b>	<b>359,448</b>
Non-current assets classified as held for sale		131	-	131	-
<b>Total current assets</b>		<b>480,903</b>	<b>429,263</b>	<b>450,353</b>	<b>359,448</b>
<b>TOTAL ASSETS</b>		<b>3,296,950</b>	<b>3,245,296</b>	<b>3,311,605</b>	<b>3,241,367</b>

(continued on the next page)

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION At 31 March 2014

All amounts in LTL thousands unless otherwise stated

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>Group at 31 March 2014 (unaudited)</b>	<b>Company at 31 March 2014 (unaudited)</b>	<b>Group at 31 December 2013 (audited)</b>	<b>Company at 31 December 2013 (audited)</b>
<b>Capital and reserves</b>					
Share capital	6	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		7,785	3,957	37,852	4,015
Legal reserve		37,852	37,540	7,928	37,540
Other reserves		677,775	677,775	677,775	677,775
Retained earnings		(227,485)	(245,382)	(284,805)	(277,529)
<b>Total equity attributable to owners of the Company</b>		<b>1,426,778</b>	<b>1,404,741</b>	<b>1,369,601</b>	<b>1,372,652</b>
Non-controlling interest		-	-	43,896	-
<b>Total equity</b>		<b>1,426,778</b>	<b>1,404,741</b>	<b>1,413,497</b>	<b>1,372,652</b>
<b>Non-current liabilities</b>					
Borrowings	7	502,898	494,698	506,761	498,261
Finance lease liabilities		51	-	36	-
Grants	8	1,059,784	1,059,784	1,062,730	1,062,730
Other non-current accounts payable and liabilities		65,414	65,308	77,879	75,631
Deferred income tax liabilities		42,875	42,870	39,688	39,688
<b>Total non-current liabilities</b>		<b>1,671,022</b>	<b>1,662,660</b>	<b>1,687,094</b>	<b>1,676,310</b>
<b>Current liabilities</b>					
Borrowings	7	60,686	59,786	57,729	57,129
Finance lease liabilities		37	-	8	-
Trade payables		53,825	37,122	85,428	76,753
Advance amounts received		41,581	40,551	29,489	27,564
Income tax payable				1,222	-
Provisions for emission allowances	9	9,559	9,559	9,745	9,745
Other accounts payable and liabilities		33,462	30,877	27,393	21,214
<b>Total current liabilities</b>		<b>199,150</b>	<b>177,895</b>	<b>211,014</b>	<b>192,405</b>
<b>Total liabilities</b>		<b>1,870,172</b>	<b>1,840,555</b>	<b>1,898,108</b>	<b>1,868,715</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,296,950</b>	<b>3,245,296</b>	<b>3,311,605</b>	<b>3,241,367</b>

**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

	<b>Note</b>	<b>Group 1 January – 31 March 2014 (unaudited)</b>	<b>Company 1 January – 31 March 2014 (unaudited)</b>	<b>Group 1 January – 31 March 2013 (unaudited)</b>	<b>Company 1 January – 31 March 2013 (unaudited)</b>
<b>Revenue</b>					
Sales revenue		145,405	144,301	214,899	212,265
Other operating income		19,939	1,516	6,997	2,222
		<b>165,344</b>	<b>145,817</b>	<b>221,896</b>	<b>214,487</b>
<b>Operating expenses</b>					
Purchase of electricity and related services		(56,562)	(56,546)	(101,425)	(101,434)
Gas and heavy fuel expenses		(16,588)	(16,588)	(42,868)	(42,868)
Depreciation and amortisation		(19,801)	(19,250)	(19,670)	(19,153)
Wages and salaries and related expenses		(11,115)	(8,285)	(10,942)	(8,499)
Repair and maintenance expenses		(3,566)	(3,541)	(6,021)	(6,672)
Expenses of revaluation and provisions for emission allowances		(1,866)	(1,866)	(11,902)	(11,902)
Impairment of other non-current assets		(1,015)	(1,015)	(5,946)	(5,946)
Reversal of inventory write-down		115	115	(294)	(294)
Other expenses		(18,199)	(3,461)	(9,076)	(5,482)
<b>Total operating expenses</b>		<b>(128,597)</b>	<b>(110,437)</b>	<b>(208,144)</b>	<b>(202,250)</b>
<b>OPERATING PROFIT</b>		<b>36,747</b>	<b>35,380</b>	<b>13,752</b>	<b>12,237</b>
Finance income:					
Share of result of operations of associates and joint ventures		6,517	6,508	322	2,172
Other finance income		(266)		595	
Finance (costs)		(5,404)	(5,339)	(4,152)	(4,085)
		<b>847</b>	<b>1,169</b>	<b>(3,235)</b>	<b>(1,913)</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>37,594</b>	<b>36,549</b>	<b>10,517</b>	<b>10,324</b>
Current year income tax expense		(1,354)	(1,278)	(943)	(643)
Deferred income tax income/(expense)		(3,215)	(3,182)	(2,623)	(2,695)
		(4,569)	(4,460)	(3,566)	(3,338)
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>33,025</b>	<b>32,089</b>	<b>6,951</b>	<b>6,986</b>
<b>DISCONTINUED OPERATIONS</b>					
Profit (loss) for the period from discontinued operations, net of income tax		524	-	847	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>33,549</b>	<b>32,089</b>	<b>7,798</b>	<b>6,986</b>

## CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

	Note	Group 1 January – 31 March 2014 (unaudited)	Company 1 January – 31 March 2014 (unaudited)	Group 1 January – 31 March 2013 (unaudited)	Company 1 January – 31 March 2013 (unaudited)
<b>Other comprehensive income (loss)</b>					
Other comprehensive income less deferred income tax		-	-	-	-
<b>COMPREHENSIVE INCOME</b>		<b>33,549</b>	<b>32,089</b>	<b>7,798</b>	<b>6,986</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		33,308	32,089	7,409	6,986
Non-controlling interest		241		389	
		<b>33,549</b>	<b>32,089</b>	<b>7,798</b>	<b>6,986</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		33,308	32,089	7,409	6,986
Non-controlling interest		241		389	
		<b>33,549</b>	<b>32,089</b>	<b>7,798</b>	<b>6,986</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.05</b>		<b>0.01</b>	

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

Group	Equity attributable to shareholders of the Company						Non-contro- lling interest	Total equity	
	Share capital	Share premium	Revalua- tion reserve	Legal reserve	Other reserves	Retained earnings (deficit)			Total
Balance at 1 January 2013	635,084	295,767	12,055	36,145	717,775	(404,806)	1,292,020	41,498	1,333,518
Depreciation of revaluation reserve	-	-	(226)	-	-	226	-	-	-
Other adjustments	-	-	(65)	-	-	-	(65)	-	(65)
Comprehensive income	-	-	-	-	-	7,409	7,409	389	7,798
Balance at 31 March 2013 (unaudited)	635,084	295,767	11,764	36,145	717,775	(397,171)	1,299,364	41,887	1,341,251
Balance at 1 January 2014	635,084	295,767	7,928	37,852	677,775	(284,805)	1,369,601	43,896	1,413,497
Depreciation of revaluation reserve	-	-	(143)	-	-	143	-	-	-
Sale of subsidiaries	-	-	-	-	-	23,869	23,869	(44,137)	(20,268)
Comprehensive income	-	-	-	-	-	33,308	33,308	241	33,549
Balance at 31 March 2014 (unaudited)	635,084	295,767	7,785	37,852	677,775	(227,485)	1,426,778	-	1,426,778

(continued on the next page)



## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

Company	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
<b>Balance at 1 January 2013</b>	<b>635,084</b>	<b>295,767</b>	<b>7,774</b>	<b>35,867</b>	<b>717,775</b>	<b>(385,341)</b>	<b>1,306,926</b>
Depreciation of revaluation reserve	-	-	(136)	-	-	136	-
Comprehensive income	-	-	-	-	-	6,986	6,986
<b>Balance at 31 March 2013 (unaudited)</b>	<b>635,084</b>	<b>295,767</b>	<b>7,638</b>	<b>35,867</b>	<b>717,775</b>	<b>(378,219)</b>	<b>1,313,912</b>
<b>Balance at 1 January 2014</b>	<b>635,084</b>	<b>295,767</b>	<b>4,015</b>	<b>37,540</b>	<b>677,775</b>	<b>(277,529)</b>	<b>1,372,652</b>
Depreciation of revaluation reserve	-	-	(58)	-	-	58	-
Comprehensive income	-	-	-	-	-	32,089	32,089
<b>Balance at 31 March 2014 (unaudited)</b>	<b>635,084</b>	<b>295,767</b>	<b>3,957</b>	<b>37,540</b>	<b>677,775</b>	<b>(245,382)</b>	<b>1,404,741</b>

(end)

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

# CONDENSED INTERIM STATEMENTS OF CASH FLOWS

## For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

	Group 1 January – 31 March 2014 ( <i>unaudited</i> )	Company 1 January – 31 March 2014 ( <i>unaudited</i> )	Group 1 January – 31 March 2013 ( <i>unaudited</i> )	Company 1 January – 31 March 2013 ( <i>unaudited</i> )
Profit for the period	33,549	32,089	7,798	6,986
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	29,476	28,925	32,059	28,920
Loss on revaluation of property, plant and equipment	-	-	77	-
Impairment write-down of inventories / (reversal)	(115)	(115)	293	294
Revaluation expenses of emission allowances	2,052	2,052	10,483	10,483
Other impairments	2,474	(315)	4,946	4,874
Share of (profit) of associates and joint ventures	266	-	(595)	-
Income tax expense	1,257	1,278	1,189	643
Change in deferred income tax liability	3,215	3,182	2,777	2,695
(Income) from grants	(9,675)	(9,675)	(9,767)	(9,767)
(Decrease) in other provisions	(186)	(186)	1,419	1,419
Loss on write-off of non-current assets	7	2	-	-
Elimination of results of financing and investing activities:	-	-	-	-
- Interest (income)	(11)	(2)	(2)	(2)
- Interest expense	5,337	5,337	5,972	5,918
- Other finance (income) costs	(6,254)	(6,504)	(2,159)	(4,003)
<b>Changes in working capital</b>				
(Increase) decrease in trade receivables and other amounts receivable	27,255	45,105	27,263	12,460
(Increase) decrease in inventories and prepayments	(10,534)	(10,230)	16,940	15,783
Increase (decrease) in amounts payable and advance amounts received	(10,291)	(21,816)	(67,828)	(64,467)
Income tax (paid)	(97)	-	(87)	-
<b>Net cash generated from operating activities</b>	<b>67,725</b>	<b>69,127</b>	<b>30,778</b>	<b>12,236</b>
<b>Cash flows from investing activities</b>				
(Acquisition) of property, plant and equipment and intangible assets	(3,511)	(3,355)	(4,613)	(924)
Disposal of property, plant and equipment and intangible assets	-	-	152	135
Sale of subsidiaries	(26,546)	-	-	-
Dividends received	6,643	6,643	-	-
Interest received	11	2	4	-
<b>Net cash (used in) investing activities</b>	<b>(23,403)</b>	<b>3,290</b>	<b>(4,457)</b>	<b>(789)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	-	1,428	-
Repayments of borrowings	(3,563)	(3,563)	(5,096)	(2,376)
Finance lease payments	-	-	(88)	-
Interest (paid)	(2,932)	(2,932)	(3,044)	(2,990)
Dividends (paid out)	(4)	(4)	-	-
<b>Net cash (used in)/ generated from financing activities</b>	<b>(6,499)</b>	<b>(6,499)</b>	<b>(6,800)</b>	<b>(5,366)</b>
<b>Net increase in cash and cash equivalents</b>	<b>37,823</b>	<b>65,917</b>	<b>19,521</b>	<b>6,081</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>219,746</b>	<b>178,087</b>	<b>(29,546)</b>	<b>(49,271)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>257,569</b>	<b>244,004</b>	<b>(10,025)</b>	<b>(43,190)</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

### 1 General information

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

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

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

AB Lietuvos Energija and AB Lietuvos Elektrinė were reorganised by way of merger pursuant to paragraph 4 of Article 2.97 of the Lithuanian Civil Code by merging the companies under reorganisation, which ceased their activities as legal entities after the reorganisation, into a new company Lietuvos Energija AB (currently known as Lietuvos Energijos Gamyba AB), which continues the activities of the reorganised companies after the reorganisation and to which all assets, rights and obligations of the companies under reorganisation were transferred, i.e. a new legal entity Lietuvos Energija AB (currently known as Lietuvos Energijos Gamyba AB) was formed, which continues its activities on the basis of companies which ceased their activities.

The reorganisation was aimed at combining and optimising electricity generation capacities that are under the state's control by way of establishing a single electricity generation block. As a result, electricity generation activities were singled out and concentrated in one company, and electricity generation capacities were reorganised and centralised in order to ensure energetic independence of the Republic of Lithuania.

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

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

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

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 1 General information (continued)

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

Company	Address of the company's registered office	The Group's shareholding at 31 March 2014	The Group's shareholding at 31 December 2013	Profit (loss) for 1 January – 31 March 2014	Equity at 31 March 2014	Profile of activities
UAB „Kauno energetikos remontas“	Chemijos g. 17, Kaunas, Lietuva	100 proc.	100 proc.	435	23,039	Repair of energy equipment, production of metal constructions
UAB „Gotlitas“	R.Kalantos g. 119, Kaunas, Lietuva	100 proc.	100 proc.	9	1,434	Accommodation services, trade
Energijos tiekimas UAB	Žvejų g. 14, Vilnius, Lietuva	100 proc.	100 proc.	775	11,124	Independent electricity supply
Geton Energy OU	Narva mnt 5, 10117 Tallinn	100 proc.	-	(4)	104	Independent electricity supply
Geton Energy SIA	Elizabetes iela 45/47, Riga, LV-1010	100 proc.	-	(4)	80	Independent electricity supply
UAB Duomenų logistikos centras*	Juozapavičiaus g. 13, Vilnius, Lietuva	0 proc.	54.04 proc.	260	62,492	IT services
VŠĮ Respublikinis energetikų mokymo centras*	Jeruzalės g. 21, Vilnius, Lietuva	0 proc.	54.04 proc.	264	894	Professional development of energy specialists and continual professional training

\* On 31 March, 2014 the Company sold 31 835 166 shares of UAB Duomenų logistikos centras (company code 302527488, registered office at A. Juozapavičiaus st. 13, Vilnius), which is 54.04 percent of total shares of UAB Duomenų logistikos centras, to "Lietuvos energija", UAB (company code 301844044, registered office at Žvejų st. 14, Vilnius).

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 1 General information (continued)

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

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

As at 31 March 2014, the number of labor contract of the Group was 754 (31 December 2013 the number of employees – 1,104). As at 31 March 2014, the number of labor contract of the Company was 503 (31 December 2013 the number of employees – 503).

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

---

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**

### **For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

---

## **2 Accounting policies**

### **2.1 Basis of preparation**

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

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

### **2.2 Accounting policies**

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

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

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

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

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

## **3 Critical accounting estimates and uncertainties**

The preparation of condensed interim financial information in conformity with IFRS requires management to make estimates and assumptions that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The actual results may ultimately differ from these estimates, as future events can amend assumptions that were used. Such changes in estimates will be recorded in the financial statements when determinable. Significant judgments made by management in relation to accounting policies and key sources of identification of contingencies were consistent with those applied in preparation of the financial statements for the year ended 31 December 2013.

#### **Tax audits**

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

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

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

#### **Revaluation of property, plant and equipment**

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

Considering the date of the last revaluation of these assets and the periods of their acquisition, in the opinion of management, the fair value of the Group's/Company's property, plant and equipment stated at revaluated amounts as at 31 March 2014 not significantly differ from its carrying amounts.

---

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

---

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

#### Impairment of property, plant and equipment

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

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

As of 31 December 2013 and 2012, impairment test was carried out and the estimated recoverable amount of property, plant and equipment of the Reserve Power Plant and Combined Cycle block exceeded the carrying amount of LTL 2,090 thousand (as of 31 December 2012: LTL 2,160 thousand), hence no impairment charge was recognised. The recoverable amount of these assets increased in 2012 as a result of introduction of Resolution No. O3-229 of the National Control Commission for Prices and Energy on 14 September 2012.

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

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

#### Provisions for emission allowances

The Group/Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Group does not expect any material differences between the amount of estimated provisions as at 31 March 2013 and emission quantities which will be approved in 2015.

#### Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurisation. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. On 31 March 2014, the amount of variable costs incurred by the Company was higher than the amount allocated for compensation of PSO service costs, therefore, the Company accounted for receivable PSO amount of LTL 1,116 thousand as of 31 March 2014, which will be compensated during 2016. On 31 March 2013, the amount of variable costs incurred by the Company was lower than the amount allocated for compensation of PSO service costs, therefore, the Company accounted for refundable PSO amount of LTL 7,761 thousand as of 31 December 2013, which will be compensated during 2015.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

**4 Intangible assets**

The movements of the Group's intangible assets were as follows:

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
<b>At 31 March 2013</b>					
Opening net book amount	878	2,052	55,413	198	58,541
Additions	16	41	181	-	238
Grant received	-	-	1,040	-	1,040
Revaluation costs of emission allowances	-	-	(13,923)	-	(13,923)
Disposals	-	-	(4,041)	-	(4,041)
Amortisation	(154)	(394)	-	(18)	(566)
<b>Net book amount at 31 March 2013</b>	<b>740</b>	<b>1,699</b>	<b>38,670</b>	<b>180</b>	<b>41,289</b>
<b>At 31 March 2014</b>					
Opening net book amount	-	755	28,704	48	29,507
Grant received	-	-	1,358	-	1,358
Revaluation costs of emission allowances	-	-	(2,052)	-	(2,052)
Amortisation	-	(128)	-	(4)	(132)
<b>Net book amount at 31 March 2014</b>	<b>-</b>	<b>627</b>	<b>28,010</b>	<b>44</b>	<b>28,681</b>

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

Company	Computer software	Emission allowances	Other intangible assets	Total
<b>At 31 March 2013</b>				
Opening net book amount	582	55,413	65	56,060
Additions	-	181	-	181
Grant received	-	1,040	-	1,040
Emission allowances utilised	-	-	-	-
Revaluation costs of emission allowances	-	(13,923)	-	(13,923)
Disposals	-	(4,041)	-	(4,041)
Amortisation	(93)	-	(4)	(97)
<b>Net book amount at 31 March 2013</b>	<b>489</b>	<b>38,670</b>	<b>61</b>	<b>39,220</b>
<b>At 31 March 2014</b>				
Opening net book amount	216	28,704	48	28,968
Grant received	-	1,358	-	1,358
Revaluation costs of emission allowances	-	(2,052)	-	(2,052)
Amortisation	(84)	-	(4)	(88)
<b>Net book amount at 31 March 2014</b>	<b>132</b>	<b>28,010</b>	<b>44</b>	<b>28,186</b>



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 5 Property, plant and equipment

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

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
<b>At 31 March 2013</b>										
Opening net book amount	5,737	16,396	24,378	511,539	836,881	1,316,537	884	21,471	12,147	2,745,970
Additions	-	-	84	151	164	70	-	1,264	2,766	4,499
Reclassifications between groups	-	-	-	99	(248)	248	-	-	(99)	-
(Impairment)	-	(77)	20	-	-	-	-	-	-	(57)
Disposals	-	-	-	-	(135)	-	-	(1)	-	(136)
Reclassification from inventories	-	-	-	-	-	-	-	(28)	-	(28)
Depreciation	-	(115)	(808)	(6,834)	(9,143)	(12,609)	(57)	(1,928)	-	(31,494)
<b>Net book amount at 31 March 2013</b>	<b>5,737</b>	<b>16,204</b>	<b>23,674</b>	<b>504,955</b>	<b>827,519</b>	<b>1,304,246</b>	<b>827</b>	<b>20,778</b>	<b>14,814</b>	<b>2,718,754</b>
<b>At 31 March 2014</b>										
Opening net book amount	6,490	17,961	8,457	484,307	814,106	1,268,690	854	707	17,578	2,619,150
Additions	-	-	139	-	136	36	-	21	3,193	3,525
Write-offs	-	-	(5)	-	(2)	-	-	-	-	(7)
Reclassifications between groups	-	-	-	266	-	-	-	-	(266)	-
Reclassification from inventories	-	-	-	-	(23)	34	-	-	-	11
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(126)	(369)	(6,815)	(9,261)	(12,636)	(89)	(48)	-	(29,344)
<b>Net book amount at 31 March 2014</b>	<b>6,490</b>	<b>17,835</b>	<b>8,222</b>	<b>477,758</b>	<b>804,874</b>	<b>1,256,124</b>	<b>765</b>	<b>680</b>	<b>20,587</b>	<b>2,593,335</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 5 Property, plant and equipment (continued)

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

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
<b>At 31 March 2013</b>										
Opening net book amount	5,737	1,420	10,371	511,539	836,881	1,316,537	296	215	10,771	2,693,767
Additions	-	-	-	151	164	70	-	14	525	924
Reclassification from/to assets held for sale	-	-	-	99	(248)	248	-	-	(99)	-
Disposals	-	-	-	-	(135)	-	-	-	-	(135)
Depreciation	-	(7)	(200)	(6,834)	(9,143)	(12,609)	(19)	(12)	-	(28,824)
<b>Net book amount at 31 March 2013</b>	<b>5,737</b>	<b>1,413</b>	<b>10,171</b>	<b>504,955</b>	<b>827,519</b>	<b>1,304,246</b>	<b>277</b>	<b>217</b>	<b>11,197</b>	<b>2,665,732</b>
<b>At 31 March 2014</b>										
Opening net book amount	6,490	2,186	3,381	484,307	814,106	1,268,690	461	194	17,578	2,597,393
Additions	-	-	-	-	136	36	-	4	3,193	3,369
Write-offs	-	-	-	-	(2)	-	-	-	-	(2)
Reclassifications between groups	-	-	-	266	-	-	-	-	(266)	-
Reclassification from inventories	-	-	-	-	(23)	34	-	-	-	11
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(11)	(43)	(6,815)	(9,261)	(12,636)	(57)	(14)	-	(28,837)
<b>Net book amount at 31 March 2014</b>	<b>6,490</b>	<b>2,175</b>	<b>3,338</b>	<b>477,758</b>	<b>804,874</b>	<b>1,256,124</b>	<b>404</b>	<b>184</b>	<b>20,587</b>	<b>2,571,934</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 6 Share capital

As at 31 March 2014 and 31 December 2013, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange trading session in 2014 was LTL 2.503 per share (2013 – 1.419), and the lowest share price was LTL 1.364 per share (2013 – 1.243). The total number of shareholders as at 31 March 2014 was 6,250 (31 December 2013 – 6,153).

The shareholders' structure of the Company is as follows;

Shareholders	Share capital at 31 March 2014		Share capital at 31 December 2013	
	(litai)	Proc.	(litai)	Proc.
"Lietuvos energija", UAB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
<b>Iš viso:</b>	<b>635,083,615</b>	<b>100.00</b>	<b>635,083,615</b>	<b>100.00</b>

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

#### 7 Borrowings

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

	Group at 31 March 2014	Company at 31 March 2014	Group at 31 December 2013	Company at 31 December 2013
<b>Non-current borrowings</b>				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB) in EUR, to be repaid by 1 April 2018	42,124	42,124	45,687	45,687
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	204,291	204,291	204,291	204,291
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB Bank, Danske Bank A/S), in EUR, to be repaid by 3 June 2016	237,818	237,818	237,818	237,818
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	8,200	-	8,500	-
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 31 March 2027.	10,465	10,465	10,465	10,465
<b>Total non-current borrowings</b>	<b>502,898</b>	<b>494,698</b>	<b>506,761</b>	<b>498,261</b>
<b>Current borrowings</b>				
Syndicated loan (Swedbank AB, SEB Bank AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB) in EUR, to be repaid by 1 April 2018	14,253	14,253	14,253	14,253
Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	900	-	600	-
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bank AB, Danske Bank A/S) in EUR, to be repaid by 3 June 2016	21,620	21,620	21,620	21,620
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	20,429	20,429	20,429	20,429
Loan from the European Bank for Reconstruction and Development, accrued interest	3,484	3,484	827	827
<b>Total current borrowings</b>	<b>60,686</b>	<b>59,786</b>	<b>57,729</b>	<b>57,129</b>

As of 31 March 2014, the Group's undrawn balances of loans and overdrafts under the above-listed agreements amounted to LTL 270,855 thousand (31 December 2013: LTL 272,855 thousand). The Company's undrawn balances of loans and overdrafts amounted to LTL 265,855 thousand (31 December 2013: LTL 265,855 thousand).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

**8 Grants**

The grants balance consists of grants to finance acquisition of assets. Movements in grants during the three months period ended 31 March 2014 and 31 March 2013 were as follows:

Group/Company	Assets-related grants		Grants for emission allowances	Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards		
<b>Balance at 1 January 2013</b>	<b>91,729</b>	<b>1,008,732</b>	<b>-</b>	<b>1,100,461</b>
Grants received	-	-	1,040	1,040
Depreciation of immovable property, plant and equipment	(523)	(9,244)	-	(9,767)
Repayable grants	(23)	-	-	(23)
<b>Balance at 31 March 2013</b>	<b>91,183</b>	<b>999,488</b>	<b>1,040</b>	<b>1,091,711</b>
<b>Balance at 1 January 2014</b>	<b>88,842</b>	<b>973,888</b>	<b>-</b>	<b>1,062,730</b>
Grants received	-	5,371	1,358	6,729
Depreciation of immovable property, plant and equipment	(427)	(9,248)	-	(9,675)
<b>Balance at 31 March 2014</b>	<b>88,415</b>	<b>970,011</b>	<b>1,358</b>	<b>1,059,784</b>

During 2014, Company's assets-related grants decreased by LTL 9,675 thousand, i.e. by the amount of depreciation of property, plant and equipment (three-month period ended 31 March 2013 - LTL 9,767 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income

In 2014 the Company received LTL 5,371 thousand grant for equipment of engineering infrastructure in Kruonis industrial park.

In 2014 the Company received an additional grant of LTL 1,358 thousand for emission allowances to utilise for 2013. In 2013 the Company receives a grant of LTL 1,040 thousand for emission allowances.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 9 Provisions for emission allowances

Provisions for emission allowances were accounted for as follows:

	Group	Company
<b>Balance at 31 December 2012</b>	<b>13,895</b>	<b>13,895</b>
Emission allowances utilised	-	-
Provisions for pollution emitted*	(2 022)	(2 022)
<b>Balance at 31 March 2013</b>	<b>11,873</b>	<b>11,873</b>
<b>Balance at 31 December 2013</b>	<b>9,745</b>	<b>9,745</b>
Emission allowances utilised	-	-
Provisions for pollution emitted*	( 186)	( 186)
<b>Balance at 31 March 2014</b>	<b>9,559</b>	<b>9,559</b>

\*For the purpose of the statement of comprehensive income, expenses related to provisions for emission rights utilised are accounted for net of government grants utilised.

#### 10 Investments in associates

As at 25 November 2013 the Company and Technologijų ir Inovacijų Centras UAB had an Agreement for the Subscription of Shares, under which Lietuvos Energijos Gamyba AB subscribed for 2,000 ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 each. The total issue price was equal to LTL 2,000 and it was paid in cash.

#### 11 Segment information

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

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

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

**11 Segment information (continued)**

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

2014	Electricity production and trade (including export/import)			Other activities	Total Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	58,336	87,481	52,515	18,470	216,802
Inter-segment revenue	-	-	(51,342)	(116)	(51,458)
Revenue from external clients	58,336	87,481	1,173	18,354	165,344
Expenses after elimination of turnover among the Group companies	(47,464)	(62,973)	(301)	(17,859)	(128,597)
including depreciation and amortisation expenses	(13,816)	(5,433)	(24)	(528)	(19,801)
Operating profit	10,872	24,508	872	495	36,747
Finance income	(136)	6,644	4	5	6,517
Finance costs	(5,271)	(68)	-	(65)	(5,404)
Share of result of associates and joint ventures	-	-	-	(266)	(266)
Profit before income tax	5,465	31,084	876	169	37,594
Income tax					(4,569)
Profit for the period from continuing operations					33,025

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

**11 Segment information (continued)**

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

2013	Electricity production and trade (including export/import)			Other activities	Total Regulated activities Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	90,898	123,589	49,952	6,319	270,758
Inter-segment revenue	-	-	(47,318)	(1,544)	(48,862)
Revenue from external clients	90,898	123,589	2,634	4,775	221,896
Expenses after elimination of turnover among the Group companies	(94,240)	(108,010)	(705)	(5,189)	(208,144)
including depreciation and amortisation expenses	(14,773)	(4,379)	(9)	(509)	(19,670)
Operating profit	(3,342)	15,579	1,929	(414)	13,752
Finance income	135	2,037	150	(2,000)	322
Finance costs	(3,850)	(235)	(9)	(58)	(4,152)
Share of result of associates and joint ventures	-	-	-	595	595
Profit before income tax	(7,057)	17,381	2,070	(1,877)	10,517
Income tax					(3,566)
Profit for the period from continuing operations					6,951

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

The Group's revenue received from a single external client during the three-month period ended 31 March 2014 amounted to LTL 103,156 thousand (the three-month period ended 31 March 2013- LTL 73,221 thousand).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the three-month period ended 31 March 2014**

All amounts in LTL thousands unless otherwise stated

**12 Related-party transactions**

Purchase and sale of goods and services:

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

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Associates of the Group	258	239	1,056	795
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	25	9,604	67	103,236
"Lietuvos energija", UAB	-	41,352	-	-
<b>Total</b>	<b>283</b>	<b>51,195</b>	<b>1,123</b>	<b>104,031</b>

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

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Subsidiaries of the Company	87	30,407	102	51,300
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	9	9,573	23	103,156
"Lietuvos energija", UAB	-	41,352	-	-
Associates of the Company	102	-	814	2
<b>Total</b>	<b>198</b>	<b>81,332</b>	<b>939</b>	<b>154,458</b>

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

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Associates of the Group	1,223	256	882	650
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	30	36,958	127	80,099
"Lietuvos energija", UAB	-	105	6	123
<b>Total</b>	<b>1,253</b>	<b>37,319</b>	<b>1,015</b>	<b>80,872</b>



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

#### 12 Related-party transactions (continued)

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	1,039	20,608	1,395	49,284
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	9	33,573	30	73,221
"Lietuvos energija", UAB	-	-	6	-
Associates of the Company	65	-	649	-
<b>Total</b>	<b>1,113</b>	<b>54,181</b>	<b>2,080</b>	<b>122,505</b>

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

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

#### Payments to key management personnel

	Group 1 January – 31 March 2014	Company 1 January – 31 March 2014	Group 1 January – 31 March 2013	Company 1 January – 31 March 2013
Employment-related payments	774	336	953	345
Termination benefits	-	-	-	-
Number of key management personnel	29	8	18	9

Management consists of heads of administration and their deputies, and the chief financier.

#### 13 Events subsequent to the end of the reporting period

On 04 April 2014, the Ordinary General Meeting of Shareholders of Lietuvos energijos gamyba, AB approved the allocation of profit of Lietuvos energijos gamybos, AB for 2013 and payout of 0.24 litas dividend per share.

\*\*\*\*\*



---

## **LIETUVOS ENERGIJOS GAMYBA, AB**

---

**REPORT ON THE ACTIVITIES OF THE COMPANY  
DURING THE THREE-MONTH PERIOD  
ENDED ON 31 MARCH 2014**

---

## TABLE OF CONTENTS

---

### Interim Report on the Activities of Lietuvos Energijos Gamyba, AB During the Three-Month Period Ended on 31 March 2014

Information about the Company and its Contact Details

3

Information about the Group of Companies

3

Share Capital and Shareholders

4

Members of Management Bodies

5

Management's Comment

5

Financial Results of the Company and the Group

6

Key Performance Indicators and Prospects

8

Development Projects of the Company

10

Other Material Events in the Reporting Period

10

Protection of the Environment

11

Human Resources Policy

11

Social Responsibility

13

Material Events after the Reporting Period

14

## INFORMATION ABOUT THE COMPANY AND ITS CONTACT DETAILS

<b>Name</b>	<b>Lietuvos Energijos Gamyba, AB</b> (hereinafter referred to as 'Lietuvos Energijos Gamyba' or 'the Company')
<b>Legal form</b>	Public company, private legal person of limited civil liability
<b>Registration date and place</b>	20 July 2011 in the Register of Legal Persons of the Republic of Lithuania
<b>Business ID</b>	302648707
<b>Registered office address</b>	Elektrinės g. 21, LT26108 Elektrėnai, Lithuania
<b>Address for correspondence</b>	A. Juozapavičiaus g. 13, LT09311 Vilnius, Lithuania
<b>Telephone No</b>	+370 5 278 2907
<b>Fax No</b>	+370 5 278 2906
<b>Email address</b>	<a href="mailto:info@le.lt">info@le.lt</a>
<b>Website</b>	<a href="http://www.gamyba.le.lt">www.gamyba.le.lt</a>
<b>Core activities of the Company</b>	Generation and supply of electricity as well as electricity import, export and trading
<b>Divisions of the Company</b>	<ul style="list-style-type: none"> <li>Elektrėnai complex with a reserve power plant (former Lietuvos Elektrinė) and a combined-cycle unit,</li> <li>Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),</li> <li>Kaunas Hydroelectric Power Plant (Kaunas HPP)</li> </ul>

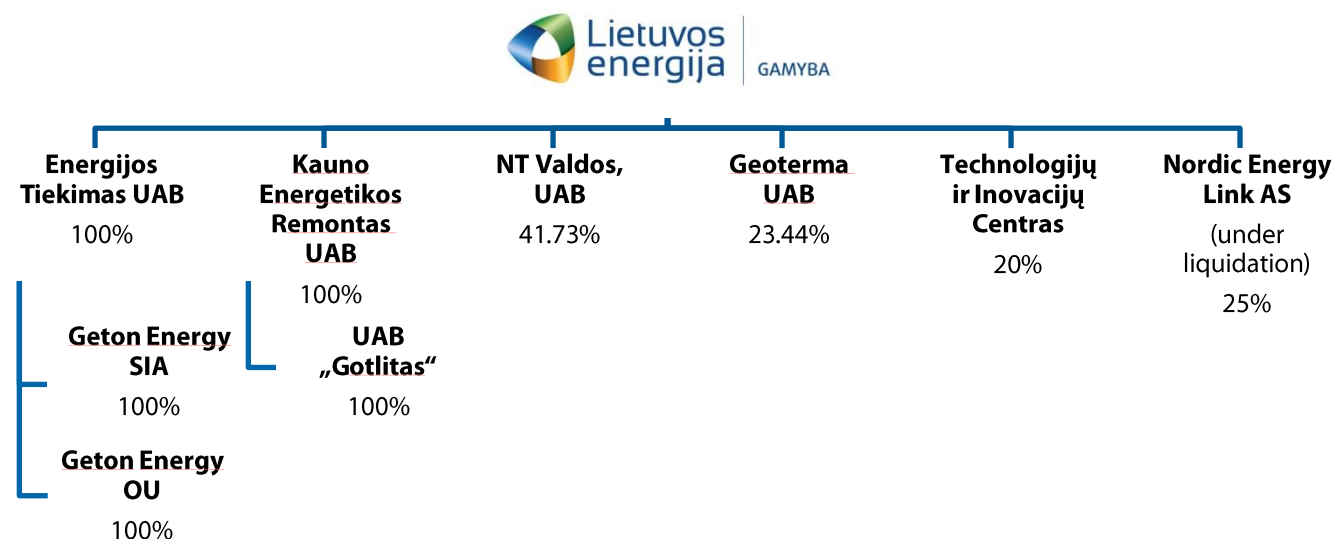
## INFORMATION ABOUT THE GROUP OF COMPANIES

As of 31 March 2014, the Company has direct control over the following wholly-owned subsidiaries: Kauno Energetikos Remontas UAB (100 % of shares) and Energijos Tiekimas UAB (100 % of shares).

Indirectly, via Kauno Energetikos Remontas UAB, the Company holds the majority of votes (100 % of shares) in Gotlitas UAB. The Company also has the majority of votes in Geton Energy OU (100 % of shares) and Geton Energy SIA (100 % of shares) via Energijos Tiekimas UAB.

Apart from these subsidiaries, the Company takes part in the management of the following companies: NT Valdosa, UAB (41.73 % of shares), Geoterma UAB (23.44 % of shares), Technologijų ir Inovacijų Centras UAB (20 % of shares) and AS Nordic Energy Link under liquidation (25 % of shares).

### Structure of the Group of Lietuvos Energijos Gamyba:



## REPORT ON THE ACTIVITIES OF LIETUVOS ENERGIJOS GAMYBA, AB DURING THE THREE-MONTH PERIOD ENDED ON 31 MARCH 2014

### SHARE CAPITAL AND SHAREHOLDERS

The authorised capital of *Lietuvos Energijos Gamyba* amounts to LTL 635,083,615 and has been divided into 635,083,615 ordinary registered shares of one Litas par value. All the shares have been fully paid for. On 1 September 2011, shares of the Company were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange ("VSE"), ISIN code LT0000128571, securities abbreviation LNR1L. The Company's shares were not traded in any other regulated markets.

As of 31 March 2014, the Company has 635,083,615 ordinary registered shares of one Litas par value in issue.

All the shares of the Company are ordinary registered shares of the same class and grant equal rights to their holders.

The Company has not acquired or transferred own shares during the reporting period. The Company has not acquired its own shares and no subsidiary has acquired shares of the Company.

#### Information on trading in the shares of Lietuvos Energijos Gamyba in January-March 2014:

	Litas	Euro
Last trading session price, LTL	2.141	0.620
Maximum price, LTL	2.175	0.630
Minimum price, LTL	1.364	0.395
Average price, LTL	1.825	0.529
Turnover, shares	743,765	743,765
Turnover, LTL m	1,357,272.69	393,093.34

#### Dynamics of the price and number of the Company's shares since the start of trading:



As of 31 March 2014, market capitalisation of *Lietuvos Energijos Gamyba* was LTL 1359.5 million (EUR 393.8 million) compared with LTL 877.1 million (EUR 254 million) as of the same date in 2013 and LTL 864 million (EUR 250.2 million) as of the end of 2013.

On 18 April 2014, as of the shareholder rights' recording data after the general meeting of shareholders held on 4 April 2014, the **total number of shareholders of Lietuvos Energijos Gamyba was 6,136.**

#### Information on the main shareholders of the Issuer:

Name	Class of shares	Number of shares	Share of authorised capital, %	Share of votes in the authorised capital, %
Lietuvos Energija, UAB Business ID 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	610,515,515	96.13	96.13

## MEMBERS OF MANAGEMENT BODIES

According to the Articles of Association of the Company, the management bodies of the Company are:

- the General Meeting of Shareholders;
- the Supervisory Council;
- the Board;
- the Chief Executive Officer – the General Manager of the Company.

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

There have been no changes in the composition of the Supervisory Council and the Board during the reporting period.

### Members of the Supervisory Council:

Name	Position	Company	Shareholding in the Company
Dalius Misiūnas	Chairman	Lietuvos Energija, UAB – Chairman of the Board and CEO	-
Liudas Liutkevičius	Member	Lietuvos Energija, UAB – Member of the Board and Director for Production and Services	-
Pranas Vilkas	Independent Member	-	-

Four meetings of the Supervisory Council were held in January - March 2014. Three of them were attended by all the 3 members and one was attended by 2 members.

### Members of the Board:

Name	Position in the Company	Participation in other companies	Shareholding in the Company
Juozas Bartlingas	Chairman of the Board and CEO	-	-
Eglė Čiužaitė	Member of the Board, Director of Finance and Legal Department	Geoterma UAB, Member of the Board	-
Adomas Birulis	Member of the Board, Director of Business Development Department	Technologijų ir Inovacijų Centras, Member of the Board	-
Darius Kucinas	Member of the Board, Director of Production Department	-	-
Vidmantas Salietis	Member of the Board, Director of Wholesale Electricity Trading Department	Nord Pool Spot Electricity Exchange, Member of the Customer Advisory Council; Eurelectric Association, Member of the Market Committee.	-

11 meetings of the Board were held in January - March 2014. Nine of them were attended by all the 5 members and two were attended by 4 members.

## MANAGEMENT'S COMMENT

The Group of *Lietuvos Energijos Gamyba* ('the Group') achieved good results in the period January – March of 2014. While the Group's revenues have decreased in the reporting period, this has been compensated for by the professional work of the company's sales personnel, which has enabled the Company to increase the electricity sales in the free market by nearly one third, and by the increased power generation at the competitive Kaunas Hydroelectric Power Plant ('Kaunas HPP') and Kruonis Pumped Storage Hydroelectric Plant ('Kruonis PSHP') due to warm winter.

Thus, based on a stable situation in the electric power system and seeking to save the funds of the public interest services (PIS), the company was able to comply with the plan agreed with Litgrid, the Lithuanian transmission system operator, and not to put into operation the reserve generation units and the combined-cycle unit of the Elektrėnai complex during the January – March period of 2014. Furthermore, since the beginning of 2014 LESTO, the distribution network operator, started purchasing electricity on the exchange, which has led to a decrease of the Group's sales under bilateral contracts. As a result, the Group's revenues were reduced (from LTL 221.9 million in the January-March period of 2013 to LTL 165.3 million in the same period of 2014).

The January-March period of 2014 saw a decrease in the Group's revenues from both regulated and commercial activities, however, the share of the latter in the overall revenue structure has been increasing: commercial revenues accounted for 59% of total revenues in the 3 months of 2013 and for nearly 65% in the same period of 2014.

## REPORT ON THE ACTIVITIES OF LIETUVOS ENERGIJOS GAMYBA, AB DURING THE THREE-MONTH PERIOD ENDED ON 31 MARCH 2014

Regulated activities of the Group include the generation of power and heat energy at the Elektrėnai complex and the power reserving services provided by Kruonis PSHP and the Elektrėnai complex. As no electricity was generated at Elektrėnai complex, the Group's revenue earned from regulated activities during the 3 months of 2014 was 36% lower compared with the same period of 2013 (LTL 58.3 million).

Revenues from commercial activities, which consist of the electricity generation at Kruonis PSHP and Kaunas HPP and the wholesale and retail trading in electricity in the free market as well as other commercial services, have dropped 18%. Due to the change in the arrangement of electricity sale to LESTO, revenues from commercial activities decreased from LTL 131 million during the 3 months of 2013 to LTL 107 million in the same period of 2014.

The Group's electricity sales in the free market during the 3 months of 2014 increased 30% compared with the same period of 2013 (0.414 TWh and 0.318 respectively). Professional trading activities have enabled the Group to increase its EBITDA from LTL 30.1 million for the 3 months of 2013 to LTL 31.6 million for the 3 months of 2014.

At the same time, costs were reduced considerably in the first quarter of 2014 compared with the first quarter of 2013 due to lower expenses for fuel and the use of the opportunities for purchasing electricity on favourable terms.

All this has resulted in the improved profitability ratios in the first quarter of 2014 compared with the same period of last year. In the period of January-March 2014, the Group's EBITDA margin was 36%. Compared with the same period of 2013, the EBITDA margin has increased by 9.5 pp (from 26.5%). EBITDA has increased from LTL 58.8 million to LTL 59.5 million. The net profitability of the Group has grown by 16.8 pp: the net profitability ratio for the 3 months of 2014 was 3.1%, for the same period of this year 20%. Net profit of the Group in the period of January-March 2014 is LTL 33 million, which is nearly five times more than in the same period of 2013 (LTL 7 million).

In the future, *Lietuvos Energijos Gamyba* will continue to focus on the increasing of efficiency of operations, project development and analysis of new opportunities. The Company plans to put new Elektrėnai thermal energy generation capacities into operation at the end of 2014 and is continuing wind measurements in the territory of Kruonis PSHP. The results of these measurements will form a basis for the decision on the feasibility of a wind farm next year.

The company has started trading according to the gross bidding arrangement in March 2014 and is concluding its electricity purchase and sale transactions separately. The company is determined to continue its contribution to enhancing market transparency and, at the same time, it will seek to maximise the use of the opportunities provided by Kaunas HPP and Kruonis PSHP to compete in the market by the electricity price.

## FINANCIAL RESULTS OF THE COMPANY AND THE GROUP

Financial indicators of the Company and the Group for Quarter I of 2014 have been recalculated due to correction of material errors related to the adjustment of the non-current tangible assets depreciation.

### Financial results of the Company and the Group:

	Company		Group	
	3 months of 2014	3 months of 2013	3 months of 2014	3 months of 2013
<b>FINANCIAL INDICATORS (LTL '000)</b>				
Sales income	144 301	212 265	145 405	214 899
Other operating income	1 516	2 222	19 939	6 997
EBITDA* (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	57 902	58 062	59 489	58 826
Operating profit	35 380	12 237	36 747	13 752
Net profit on continued operations	32 089	6 986	33 025	6 951
Profit before tax	36 549	10 324	37 594	10 517
Cash flows from operations	69 127	12 236	67 637	30 778
Liabilities to financial institutions	554 484	555 390	563 672	564 534
<b>RATIOS</b>				
Liabilities / equity	1.31	1.36	1.31	1.34
Financial liabilities / equity	0.39	0.40	0.40	0.40

## REPORT ON THE ACTIVITIES OF LIETUVOS ENERGIJOS GAMYBA, AB DURING THE THREE-MONTH PERIOD ENDED ON 31 MARCH 2014

Financial liabilities / assets	0.17	0.17	0.17	0.17
<b>LOAN COVERAGE RATIO</b>				
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period))	8.91	10.82	9.16	7.23
<b>PROFITABILITY RATIOS</b>				
Operating profit margin	24.26%	5.71%	22.22%	6.20%
Profit before tax margin	25.06%	4.81%	22.74%	4.74%
Net profit margin	22.01%	3.26%	19.97%	3.13%
Return on equity**	2.28%	0.51%	2.31%	0.49%
Return on assets**	0.99%	0.22%	1.00%	0.21%
Earnings per share, LTL**	0.05	0.01	0.05	0.01
P/E*** (share price / earnings)	42.37	125.55	41.17	126.19

\* Excluding impairment of investments in associated companies and subsidiaries and excluding result of discontinued operations.

\*\* The calculation of the ratio is based on net profit for the reporting period, i. e. a quarter.

\*\*\* Calculated as a ratio between the share price as of the end of reporting period and the quarterly earnings per share.

Profitability indicators for the 3 months of 2014 are much better than those for the same period for 2013 despite a drop in sales income in 2014. Revenues from regulated activities, i.e. electricity and heat generation at Elektrėnai complex and the power reserving services provided by Elektrėnai complex and Kruonis PSHP, during the 3 months of 2014 accounted for about 35 of total revenues of the Group (same period 2013: 41%).

### Statement of Financial Position

As of 31 March 2014, the Company's financial liabilities amount to LTL 554.5 million and consist of liabilities under long-term loan agreements. The Group's financial liabilities total LTL 563.7 million. As of 31 March 2014, financial liabilities of Kauno Energetikos Remontas UAB under short- and long-term loan and financial lease agreements amount to LTL 9.2 million.

The main changes in the structure of the Company's and the Group's assets during the 3 months of 2014 compared with the same period of 2013, include a slight change in the non-current tangible assets, decrease in trade receivables and an increase in the other accounts receivable as well as increase in the cash balance. The main changes in the liabilities' structure are mainly related to trade debts and other accounts payable.

### Comprehensive Income Statement

#### Revenues

In January – March 2014, the Company earned revenues of LTL 145.8 million. Revenues from the electricity sale, balancing and regulating power, power reserving and public-interest services, as well revenue from sale of heat energy account for the largest part of this amount. Compared with the same period of 2013, the Company's revenues decreased 32.0% (including trade revenues 35%, power reserving 53%, PIS 16%). The Group's revenues for January – March 2014 total LTL 165.3 million, which is 25.5% less than in the same period of 2013.

#### Costs

Costs incurred during the first 3 months of 2014 amount to: the Company LTL 110.4 million, the Group 128.6 million. The majority of the Company's costs (66.2%, or LTL 73.1 million) and of the Group's costs (56.9%, or LTL 73.1 million) are the costs of purchase of electricity or related services and of the fuel for the generation of electricity. Depreciation and amortisation costs in January – March 2014 amount to LTL 19.3 m and LTL 19.8 m for the Company and the Group respectively.

The operating costs of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, pollution permits' revaluation costs and impairment losses amounted to LTL 32.2 million in January – March 2014, which is an increase compared with the same period of 2013 (LTL 21.5 million). Increased operating costs of subsidiaries is the main reason for this change.

#### Profit

In January – March 2014, gross profit of the Group amounted to LTL 37.6 million and net profit on continued operations to LTL 33.0 million as determined according to the International Financial Reporting Standards (IFRS). The net profit margin of the Group increased several times in Q1 of 2014 compared with the same period of 2013: from 3.13 % (Q1 2013) to 19.97% (Q1 2014).

The Company earned a net profit of LTL 32.1 million from continued operations. Its net profit margin has increased significantly in Q1 of 2014 compared with Q1 of 2013, from 3.26 % (Q1 2013) to 22.01 % (Q1 2014).

During the 3 months of 2014, the group of Kauno Energetikos Remontas UAB earned a net profit of LTL 0.44 million and



## REPORT ON THE ACTIVITIES OF LIETUVOS ENERGIJOS GAMYBA, AB DURING THE THREE-MONTH PERIOD ENDED ON 31 MARCH 2014

Energijos Tiekimas UAB LTL 0.78 million. The shares in Duomenų Logistikos Centras UAB were sold on 31 March 2014.

### Cash Flow Statement

In January – March 2014, net cash flows from operations of the Company amounted to LTL 69.1 million and those of the Group to LTL 67.6 million, compared with LTL 12.2 million for the Company and LTL 30.8 million for the Group in the same period of 2013.

Net cash flows from investments of the Group were negative in the first quarter of 2014 and were LTL -23.4 million (QI 2013: LTL -4.5 m). The Group's cash flows from financial activities were negative in the same period and were LTL -6.4 million (QI 2013: LTL -6.8 m).

## KEY PERFORMANCE INDICATORS AND PROSPECTS

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

The Company generates the required amounts of electricity at its three power plants (the Elektrėnai complex consisting of a reserve power plant and a combined-cycle unit, the Kruonis PSHP and the Kaunas HPP), purchases electricity from other suppliers and power generating companies under contracts, imports electricity and buys it on an electricity exchange.

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

### Generation and trade of electricity in January– March 2014

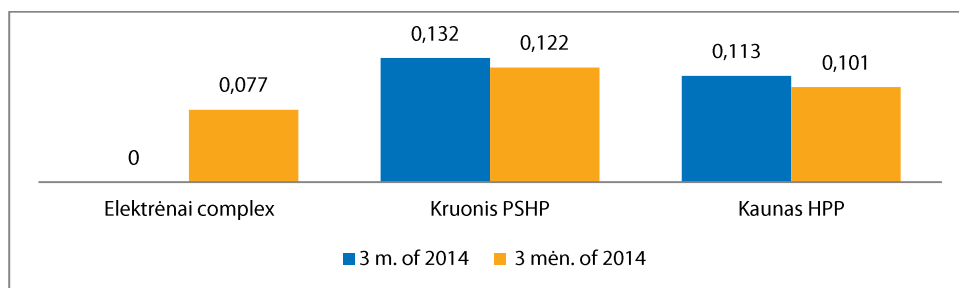
The Company holds electricity generation permits with unlimited term of validity. During the 3 months of 2014, electricity sales of the Company totalled 0.245 TWh. In the same period of last year, 0.3 TWh of electricity was generated and sold (i. e. 22.4% more).

No electricity was generated at the Elektrėnai complex in January-March 2014. According to the Company's plans, the units of the Elektrėnai complex will operate from 1 April to 15 October 2014 according to the schedule agreed with the TSO, in order to secure a reliable operation of the power system and to use the PIS funds efficiently.

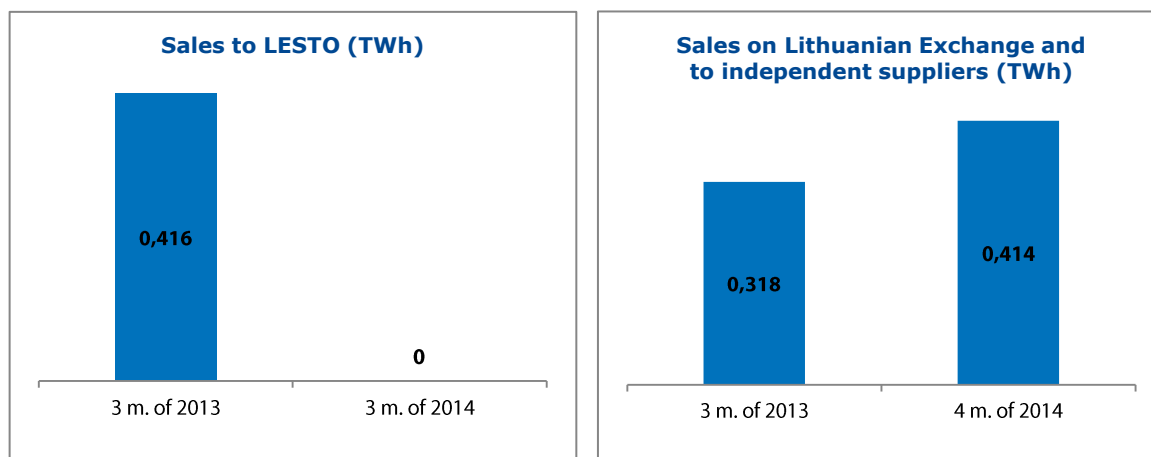
During the 3 months of 2014, Kaunas HPP generated and sold 0.113 TWh of electricity, which is 12% more than in the same period of 2013. The average flow rate in the River Nemunas was higher in January and February, and close to the average multi-annual flow rate in March.

Production volumes of Kruonis PSHP increased 8% during the 3 months of this year compared with the same period of last year: the power plant produced and sold 0.132 TWh of electricity.





### Amounts of electricity produced and sold by the power plants of Lietuvos Energijos Gamyba (TWh):



In January-March 2014, the Company sold electricity to the domestic market (public suppliers and other independent suppliers). Since the beginning of 2014 *Lietuvos Energijos Gamyba* is providing only the portfolio formation service to LESTO by purchasing electricity on the exchange. Therefore, there are no more bilateral contracts for the meeting of demand. This is reflected in the graphs provided below.



## Operations and prospects

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

## **DEVELOPMENT PROJECTS OF THE COMPANY**

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

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

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

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

In January-March 2014, implementation of the project on the development of new heat generation capacities at the Elektrėnai complex, started in 2011, was continued. In February, the project contractor – a consortium formed of Filter and Vapor and Kauno Energetikos Remontas UAB – was issued a document permitting construction and started construction of the biofuel boiler house.

The first facilities designed for the recovery of heat from biofuel should start operating before the 2014-2015 heating season, with the completion of the biofuel boiler house construction planned for the end of 2014. A new 50 MW steam boiler house will also be constructed.

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

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

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

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

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

## **OTHER MATERIAL EVENTS IN THE REPORTING PERIOD**

### **A strategy of *Lietuvos Energija* Group approved**

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

### **Loan agreement concluded**

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

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

### **Gross bidding arrangement**

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

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

### **Nordic Energy Link AS under liquidation**

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

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

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

### **Sale of shares in Duomenų Logistikos Centras UAB**

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

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

## **PROTECTION OF THE ENVIRONMENT**

The Company seeks to protect the environment in its operations, sparingly use the natural resources, introduce advanced, efficient and environmentally friendly technologies, comply with the environmental laws and regulations, and implement preventive measures to reduce adverse impact upon the environment in a professional manner. The most relevant environmental protection issues include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that the water level fluctuations in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPPP are within the permissible limits etc.

The Environmental Management System compliant with LST EN ISO 14001:2005 is in place at the Company's facilities. The Company complies with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection as stated in the Integrated Pollution Prevention and Control (IPPC) Permits.

In QI of 2014, Elektrėnai Complex transferred 350 t of wastewater sludge (hazardous waste), 168.7 of liquid fuel ash and 1,180 t of construction waste for recovery and sold 163.8 t of electrical engineering scrap, 691.7 t of ferrous metal scrap, 2.8 t of copper waste and 7.7 t of aluminium waste. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 60 m<sup>3</sup> of domestic waste was generated in QI.

In QI of 2014, Kruonis PSHP transferred 4.018 t of hazardous waste and 0.574 t of non-hazardous waste for recovery and sold 5.12 t of ferrous metal scrap. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 8.32 t of domestic waste was generated in QI.

In QI of 2014, Kaunas HPP transferred 0.02 t of hazardous waste for recovery. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 1.62 t of domestic waste was generated in QI.

Paper and cardboard waste generated at the power plants is transferred to recycling companies.

## **HUMAN RESOURCES POLICY**

The main purpose of the human resources (HR) policy of the Company is to attract and retain highly-qualified employees and to create, together with them, a long-term partnership relationship and a common successful future of the Company. In the first quarter of 2014, the Company continued the process of formation of new organisational culture. At the end of 2013, the Human Resources Management Policy of the Lietuvos Energija Group was approved. It establishes the general principles of human resources management and defines the underlying provisions for the HR management and implementation of strategic objectives.

## REPORT ON THE ACTIVITIES OF LIETUVOS ENERGIJOS GAMYBA, AB DURING THE THREE-MONTH PERIOD ENDED ON 31 MARCH 2014

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

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

### Employees of the Company

As of 31 March 2014, the Company employed 502 people (including employees on child care leave) including specialists and line managers 58%, blue-collar workers 40%, and top management 2%. The distribution of employees by position levels and the information on average pay is provided below. The pay amounts include the fixed pay, the variable pay, and the extra pay for extraordinary performance.

#### Number of employees of Lietuvos Energijos Gamyba, AB as of 31 March 2014 and average pay:

	CEO	Top management	Line management	Experts, specialist, blue-collar workers
Distribution of employees by position levels	1	7	36	458
Average pay, LTL	15,333	11,667	6,568	3,544

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

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

### Employees of the Group

There have been no significant changes in the number of employees of *Lietuvos Energijos Gamyba* and its subsidiaries compared with the situation as of 31 December 2013.

#### Number of employees of Lietuvos Energijos Gamyba, AB and its subsidiaries:

	Total number of employees as of 31 December 2013	Total number of employees as of 31 December 2014	Change, %
Lietuvos Energijos Gamyba, AB	503	502	-0.2
Energijos Tiekimas UAB	18	18	0
Kauno Energetikos Remontas, UAB	224	230	+2.7
<b>Total</b>	<b>745</b>	<b>750</b>	<b>+0.7</b>

### Employee Development and Recruitment

Based on its competence framework, the Company is aiming at focused development of its employees and improvement of their skills, so employees are encouraged to participate in trainings to improve their skills and required qualifications. During trainings, employees renew their technical knowledge and acquire adequate qualification certificates. During seminars and conferences, employees learn about innovations and best practices in the field of energetics. Within three months of 2014, 67 employees of the Company took part in technical training and 35 employees – in management training.

In order to attract young skilled professionals, the company actively cooperates with educational institutions and creates conditions for higher and vocational education students to apply their theoretical knowledge and gain practical skills. In 1<sup>st</sup> quarter of 2014, the Company participated in Career Days events organized by Kaunas University of Technology, Vilnius Gediminas Technical University and International School of Management and Economics. During three months of 2014, 6 students went through practical training in the Company.

### Collective agreement

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

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

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

### **Organisational Culture Development**

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

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

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

## **SOCIAL RESPONSIBILITY**

Social responsibility activities of Lietuvos Energijos Gamyba are based on the Company's values and define the Company's approach to its business, social, environmental and transparent business principles inclusion of the Company's internal processes and relationships with interested parties.

The Company complies with the ten Global Compact principles in the light of the general human rights of employees, environmental protection and transparency. These commonly adopted and declared responsible behaviour guidelines are clear and strong reference for the Company in the development of socially responsible business activities.

The Company chooses and implements its social responsibility activities taking into account the nature of the activity, the strategic goals and target audiences. Company focuses its social activities on the economic, ethical and environmental responsibility:

- The Company is constantly and actively participate in the electricity market in order to ensure quality of service to customers. To achieve these goals, the role of a team of professionals is very important.
- The ethical responsibilities of the Company include employees, their families and members of community. The goal is for employees to feel safe, have timely access to relevant information and themselves actively contribute to the implementation of social initiatives.
- The Company applies highest standards in all its divisions: a responsible view on the environment, prudent use of natural resources, continuous introduction of new environmentally friendly technologies in its industrial activities, adherence to the environmental legislation and regulatory requirements and professional application of various preventive measures to minimize the negative impact on the environment.

### **Promoting a community spirit**

In order to strengthen ties with the Elektrėnai region community where its main activities are concentrated, the Company organizes traditional events called "Lietuvos Energijos Gamyba presents". The meeting with singing actors, father and son, Saulius and Jokubas Bareikis in March of 2014 was the sixth in the series of events. The Company organizes these events in cooperation with Elektrėnai library. The Company aims to bring together the city and regional community, as well as employees of the Company and offer them unique opportunities to meet famous, interesting and special people.

### **Educational activities**

The Company welcomes free of charge guided tours of its facilities: the combined-cycle unit, Kruonis Pumped Storage Power Plant and Kaunas Hydroelectric Power Plant. In this way, the Company also aims to contribute to society, and especially to the education of the younger generation on the energy system. During the first quarter, 15 trips were organized; altogether, over 250 students, pupils and representatives of different organizations and educational institutions visited the power plants.

## **MATERIAL EVENTS AFTER THE REPORTING PERIOD**

- Energijos Tiekimas UAB subsidiaries in Latvia and Estonia have started operating under a new name Geton Energy. In Lithuania the company has retained the name Energijos Tiekimas.
- On 4 April 2014, the general meeting of shareholders of Lietuvos Energijos Gamyba, AB (business ID 302648707, registered office address Elektrinės g. 21, Elektrėnai) approved the profit allocation for 2013 and decided to allot LTL 150 million for dividend (approx. LTL 0.24 per share).