



“LIETUVOS ENERGIJOS GAMYBA”, AB

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

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KEY INDICATORS OF "LIETUVOS ENERGIJOS GAMYBA" GROUP

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

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

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

³ EBITDA margin = EBITDA / Revenues.

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

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

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

COMMENT FROM CEO

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

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

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

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

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

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

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

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

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

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

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

Juozas Bartlingas
CEO

"Lietuvos energijos gamyba", AB

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Information about the Company and its contact details

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

Core activities of the Company

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

Information about branches and representative offices of the Company

The Company has no branches or representative offices.

Divisions and organizational structure of the Company

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

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

Information about the Group

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

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

Energijos Tiekimas UAB is the largest independent Lithuanian capital electricity supplier. The main fields of activities of Energijos Tiekimas UAB include independent electricity supply, including electricity planning, forecasting, balancing, purchasing, trading, import, export, and all other activities related with this field of business. The key activity of the company is electricity trading on the free market. The company boasts the largest portfolio of clients in Lithuania, amounting to over 6 thousand clients, and it is the only certified supplier of electricity generated in Lithuania from the renewable resources – Green Lithuanian energy.

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

Apart from these subsidiaries, the Company takes part in the management of the following companies: NT Valdosa, UAB (41.73% of shares), UAB Geoterma (23.44% of shares), and UAB Technologijų ir Inovacijų Centras (22.22% of shares), UAB Verslo aptarnavimo centras (20% of shares) and AS Nordic Energy Link under liquidation (25% of shares).

MOST-SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Business Strategy Approved

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

Joint venture agreement signed

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

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

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

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

Shareholders of the Company decide to pay dividend

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

ANALYSIS OF FINANCIAL INDICATORS OF THE COMPANY AND THE GROUP

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

¹ Refinanced loans have not been included in the calculations of the indicator.

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

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

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

Statement of Financial Position

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

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

Comprehensive Income Statement

Income

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

Costs

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

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

Profit

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

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

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

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

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

Cash Flow Statement

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

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

Investments in Non-Current Assets

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

ANALYSIS OF OPERATING INDICATORS

Performance and Prospects





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

The Company generates the required amounts of electricity at its three power plants (the Elektrėnai complex consisting

of a reserve power plant and a combined-cycle unit, the Kruonis PSHP and the Kaunas HPP), purchases electricity from other suppliers and power generating companies under contracts, imports electricity and buys it on an electricity exchange.

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

Figure 1
Operations of the Company (generation and trading)

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

Key Performance Indicators

Electricity generation indicators for January - September 2014

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

The most significant year-to-year decrease in electricity

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

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

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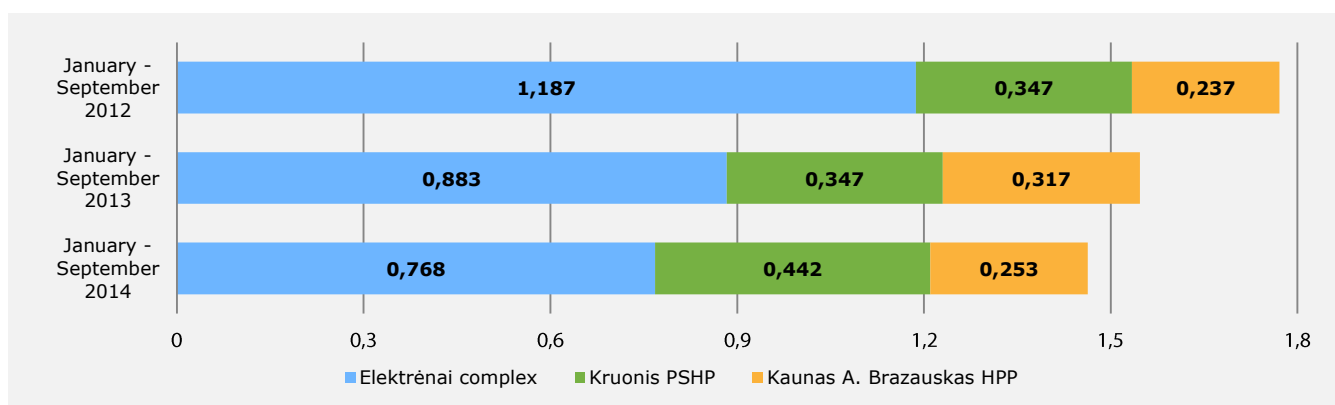
order to ensure reliable operations of the power system as a shortage of electricity is experienced in the warm season, resulting in a price rise. This occurs due to repairs of other electricity generating sources and limited capacities. Focussing of generation at the Elektrėnai complex on the warm season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

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

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

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

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



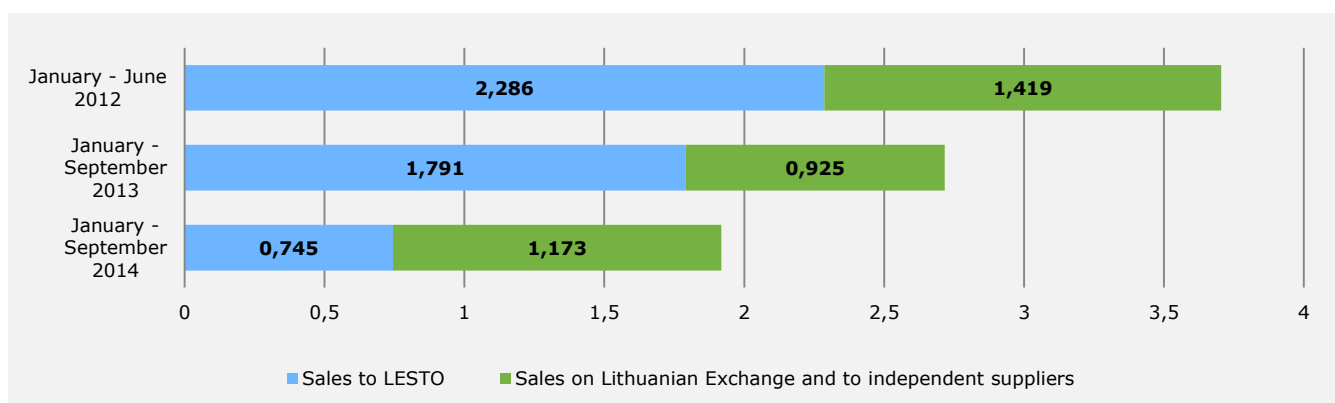
Trading in electricity in January – September 2014

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

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

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

Figure 3
Company's electricity sales on the domestic market (TWh)



System services

System services are aimed at ensuring stability and reliability of the energy system, prevention of and response to system emergencies, and the requisite power reserve in

accordance with the established requirements for the supply quality and reliability. The system services include power reserving, trade in regulation power and balancing

power, reactive power management, and system recovery services.

Power reserving service is a means to ensure the reliable operations of the energy system when, in emergency situations, power generation volumes drop or consumption increases suddenly. In such cases the power generating company provides the service of securing the power reserve and the maintaining of reserve power in the standby production facilities, i. e. the secondary and/or tertiary reserves are used. Secondary power reserve is the power of the installations or hydroelectric units in operation; such power can be activated within 15 minutes. Tertiary (cold) reserve is the power of the generating sources maintaining by the generating company that can be activated within 12 hours. All the three power plants managed by the Company provide the secondary and tertiary power reserve services. The secondary power reserve is ensured by the Kaunas A. Brazauskas HPP, Kruonis PSHP and the Elektrėnai complex, and the tertiary power reserve is ensured by the Elektrėnai complex. In January – September 2014, the Company sold 1.30 TWh of electricity as secondary power reserve and 1.77 TWh of electricity as tertiary power reserve (in January – September 2013: 1.35 TWh and 1.77 TWh respectively).

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

sells the requisite amount of regulation power to the TSO. In case of surplus of power in the energy system, the TSO instructs the Company to reduce the volumes and the Company purchases the surplus regulation power from the TSO. In January – September 2014, the Company sold 0.02 TWh and purchased 0.02 TWh of regulation power (in January – September 2013: 0.07 TWh and 0.03 TWh respectively).

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

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

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

OTHER FACTORS DETERMINING FINANCIAL INDICATORS

Business Strategy of the Company

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

Strategic Directions

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

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

The Strategy envisages that in 2014–2020:

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

- **Increase operational efficiency:** By reviewing and optimising the business principles through the use of LEAN principles and tools; improving project management; developing the employees' competences; optimising the production capacities under the Company's control and abandoning those units which are not used in full.
- **Create an organisational culture based on corporate values:** By increasing the employees' involvement and developing the leadership competences; ensuring continuity of business by planning future competence requirements and organising timely employee training and/or requalification; attracting and retaining human resources, reducing the scope of key employees' turnover, implementing and consistently applying the system of providing replacement/substitute personnel; and effecting a cultural change in the health and safety at work area.

Figure 4
Strategic Directions of the Company 2014–2020



Innovation

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

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

Research and Development Projects

The Company uses long-term strategic planning to identify the lines of development of the Company and to estimate the required investments in the replacement or rehabilitation of production facilities. This forms the basis for a sound investment policy of the Company.

Earmarked and approved investments exceeding LTL 3 million:

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

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

Investigations into Syderiai geological structure

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

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

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

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

make a cost and benefit analysis of the project. The analysis has shown that only the regional option of a storage facility with the volume 500 million m³ is viable financially, with part of the storage capacity used to meet the demand in the Poland's market, however, the Lithuanian – Polish gas pipeline (GIPL) project has to be completed first. The study concludes that it is expedient to raise the EU financial assistance from the Connecting Europe Facility (CEF) for the implementation of the project. The results of the investigations carried out in this project are being presented to the Ministry of Energy and the Government in October – November, for further decision making.

Project on the development of heat generation capacities in Elektrėnai

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

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

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

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

Photos from construction:



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

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

Under the project, approx. 5 km of roads had to be reconstructed in addition to the installation of the engineering infrastructure including a water supply system with water wells and a stormwater discharge system. At the end of December 2013, the road reconstruction and the stormwater

collector installation works were completed; in February 2014, the wellfield installation works – the last part of the project – were finished. A second phase of the project is being planned.

Assessing the wind energy potential at Kruonis HPSP

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

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

The Key Risk and Uncertainties Factors

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

- To avoid break downs and accidents of the equipment, the Company is preparing repair plans and technical maintenance schedules, monitors the implementation of the measures specified therein, invests into upgrading of the existing and procurement of new equipment. To ensure continuity of the Company's operations continuity plans are drawn, updated and tested on an ongoing basis.
- The Company has been certified in accordance with the ISO 14001:2004 standard, the maintenance of the certification ensures that the Company complies with the environmental requirements and mitigation of damage to the environment; to ensure occupational safety and health the Company maintains the OHSAS 18001:2007 certificate, is periodically checking working places and the quality of work organisation, while its employees receive instructions and are provided with personal protective equipment.
- For the purpose of recruitment and maintenance of skilled employees the Company has launched remuneration and motivation system, is drawing staff training plans, has adopted a programme for rotation of positions.
- To manage the risks resulting from the external factors the Company takes the initiative to be represented in decision making bodies, issues comments, proposals with regard to draft legislation, takes part in open consultations and negotiations.
- For the purposes of mitigation of financial risks the Company maintains a more than sufficient credit limit in its bank account, draws cash flow forecasts, monitors borrowing prices, enters into refinancing agreements; for safeguarding of cash flows of the Company and managing of credit risk the Company verifies qualification and solvency of suppliers as part of its public procurement procedures and strictly monitors payment schedules.

INFORMATION ABOUT AUTHORIZED CAPITAL AND SECURITIES OF THE COMPANY

Structure of Authorized Capital and Securities

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

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

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

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

On 1 September 2011, shares of the Company were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange ("VSE").

ISIN code LT0000128571.

Abbreviation of securities – LNR1L.

Shares of the Company have not been traded in other regulated markets.

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

More information about the trading of the shares during the reporting period – in the table below and in Figure 5.

Dynamics and Turnover of Shares of the Company

Statistics January – September 2014

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

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



As of 30 September 2014, market capitalisation of the Company was LTL 1,789.3 million (EUR 518.2 million) compared with LTL 874.9 million (EUR 253.4 million) as of the same date in 2013 and LTL 864 million (EUR 250.2 million) as of the end of 2013.

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Information about Shareholders of The Company

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

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

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

Shareholders having special control rights and description of such rights

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

Restrictions on voting rights

There were no restrictions on voting rights in the Group.

Agreements between shareholders on restrictions of the transfer of securities

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

Information on agreements with intermediary of public trading in securities

On 21 December 2010 the Company has concluded an agreement on keeping of accounting for the Company's securities and on management of personal securities accounts with Swedbank, AB. The agreement expires on 31 December 2014.

Dividends

The ordinary general meeting of the Company's shareholders held on **4 April 2014** approved the distribution of the Company's profit of 2013 and decided to allocate LTL 150 million to payment of dividends (approximately LTL 0.24 dividend per share). Dividends were paid to the persons who at the end of the tenth business day following the day of the general meeting of shareholders that approved payment of dividends, i.e. at the end of the business day of 18 April 2014 were the shareholders.

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

CORPORATE SOCIAL RESPONSIBILITY

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

Promotion of the sense of community

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

Cleaning of the environment initiative

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

Primary school kits

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

Educational activities

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

Environmental Protection

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

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

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

During the nine months of 2014, the Elektrėnai Complex transferred 68 t of railway ties, 1354 t of wastewater sludge (hazardous waste), 1092 t of liquid fuel ash and 1120 t of construction waste for processing and sold 533 t of electric engineering scrap and 3348 t of ferrous metal scrap. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 130 m³ of domestic waste was generated during January – September 2014.

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

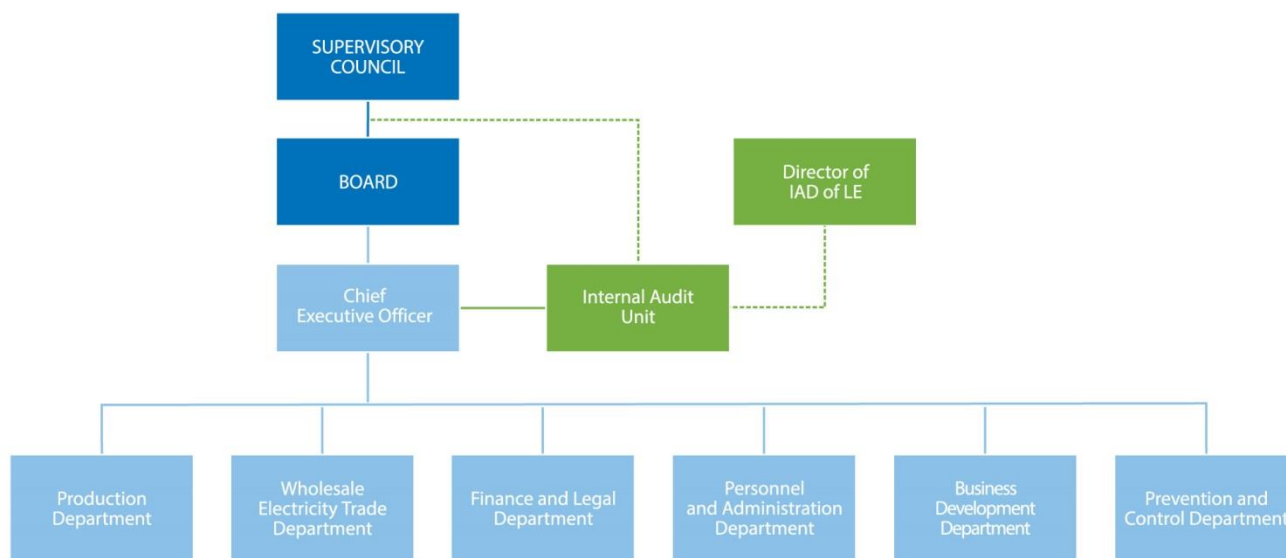
During the nine months of 2014, Kaunas A. Brazauskas HPP transferred 0.476 t of hazardous waste and 0.565 t of non-hazardous waste for processing. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 4.86 t of domestic waste was generated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

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

THE COMPANY AND ITS MANAGEMENT BODIES

Organizational Structure

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



Information about Management Bodies of the Company

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

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

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

General Meeting of Shareholders

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

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

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

1. The ordinary general meeting of shareholders held on 4 April adopted the resolutions on the approval of the consolidated annual report 2013 of the Company and its subsidiaries, on the approval of the audited consolidated financial statements and the Company's annual financial statements of 2013, and on the distribution of the Company's profit of 2013. By the latter resolution, the funds of LTL 150 million were allocated for payment of dividends.

2. The extraordinary general meeting of shareholders held on 25 June adopted the resolutions on auditor's selection and establishment of remuneration for auditing services. PricewaterhouseCoopers UAB was selected to carry out auditing of the Company's financial statements 2014, the ceiling remuneration of LTL 80,000, excluding VAT, was established for the above-mentioned auditing services.
3. The extraordinary meeting of shareholders of the Company held on 30 September resolved to approve the Company's interim financial statements for the six-month period ended on 30 June 2014 ad to declare dividend for the Company's shareholders for a period shorter than the financial year. It has been resolved to pay dividend totalling LTL 69.86 million.

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

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

Supervisory Council

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

The person that puts up a candidate for the position of the member of the Supervisory Council must submit to the general meeting of shareholders a written statement about the candidate's qualifications, experience in managing positions, and fitness for the position of the member of the Supervisory Council. The following persons may not be elected as Members of the Supervisory Council: the Chief Executive Officer, a member of the Board, a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the electricity or gas transmission operations, and any person who is not entitled to occupy such position on other grounds established in legal acts.

In case if a member of the Supervisory Council is recalled, resigns or ceases to occupy this position for any other reason but the shareholders of the Company holding more than 1/10 of total voting rights oppose elections of individual members of the Supervisory Council, then the Supervisory Council forfeits its powers and must be elected anew. In case of election of individual members of the Supervisory Council, such members may only be elected for the period remaining until the end of the term of the current Supervisory Council.

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

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

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

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

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Dalius Misiūnas Chairman	5 August 2013 – to date	–	Lietuvos Energija, UAB – Chief Executive Officer and Chairman of the Board. National Electricity Association – President. EURELECTRIC – Member of Council of Directors. Association of KTU Alumni – President.	–
Liudas Liutkevičius¹ Member	5 August 2013 – to date	–	Lietuvos Energija, UAB – Director for Production and Services, Member of the Board. NT Valdov, UAB - Member of the Board. Energijos Tiekimas UAB -Member of the Board. UAB Kauno Energetikos Remontas – Member of the Board. UAB LITGAS - Member of the Board.	–
Pranas Vilkas Independent members	5 August 2013 – to date	–	–	–

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

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

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

Information on amounts paid to Members of the Supervisory Board

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

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

Audit Committee

As of 30 September 2014, the Supervisory Council of Lietuvos Energija, UAB, had an Audit Committee which also performed the functions of the Group's Audit Committee in accordance with the Law on Audit.

Main functions of the Audit Committee:

- oversee the process of drawing up of the financial statements of the Company and the Group's companies, with a focus on the appropriateness and consistency of accounting policies applied;
- oversee the effectiveness of the internal control system and risk management systems in place at the Company and the Group's companies; perform analyses and reviews of the need for and appropriateness of such systems; conduct reviews of existing internal control systems;
- oversee the adherence to the principles of independence and objectivity by the certified auditor and the audit firm and make relevant recommendations; make recommendations for the selection of auditor;
- oversee the conduct of audits of the Company and the Group's companies, evaluate the effectiveness of the audits and management's response to the

recommendations made by the auditors in the management letter;

- oversee the effectiveness of the internal audit function of the Company and the Group's companies, analyse the need for and appropriateness of such function, make recommendations on matters related to the internal audit and take action as required;
- make proposals for the internal audit plans of the Company and the Group's companies, make recommendations for the regulations of internal audit units of the Company and the Group's companies, for the appointment and dismissal of the head of the internal audit unit, approval of his/her job regulations, and incentives/sanctions upon him/her;
- monitor compliance of the activities of the Company and the Group's companies with the Lithuanian laws and regulations and the Articles of Association and operating strategies;
- assess and analyse other matters falling within the scope of the Audit Committee as decided by the Supervisory Council;
- perform other relevant functions identified in the, Lithuanian laws and regulations and the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius.

Members of the Audit Committee (as of 30 September 2014)

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

CONSOLIDATED INTERIM REPORT

For the nine-month period ended 30 September 2014

The Board

The Board is a collegiate management body of the Company. The scope of competence and the procedure for the adoption of decisions and election and replacement of members are established by the laws, other legal acts, the Articles of Association, and Work Regulations of the Board.

The Board consisting of 5 (five) members is elected by the Supervisory Council for 4 (four) years according to the procedure established by the Articles of Association of the Company and the legal acts. The Board reports to the Supervisory Council and the general meeting of shareholders. The Board elects its Chairman from among its members.

The person that puts up a candidate for the position of the Member of the Board must submit to the Supervisory Council a written statement about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Member of the Board. The following persons may not be elected as Members of the Board: a person occupying a position of a member of a supervisory body, management body or the administration in an energy company engaged in the electricity or gas transmission operations, member of the Supervisory Council of the Board, and any person who is not entitled to occupy such position on other grounds established in legal acts.

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

The Board has the right to adopt decisions on:

- the Company's acting as a founder or a member of a legal person;
- any transfer to third parties or encumbrance of the shares/interests held by the Company, or of rights attached thereto;
- formation or termination of branches and representatives offices of the Company;
- bond emissions;
- disposal of facilities which are owned by the Company and which are specified in the Republic of Lithuania Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security;
- transactions the value of which exceeds 10,000,000 (ten million Lit);
- other decisions provided for in the Articles of Association of the Company.

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

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

Members of the Board (during the reporting period)

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

No changes took place in the composition of the Company's Board during the reporting period. The expected end of the term of office of the current Board of the Company is 17 September 2017. Further information on the members of the Company's Board is available on the Company's website, under the section [Company Management](#).

In the period January – September 2014, the Board met for 34 times. All members of the Board attended 32 of them, while two meetings were attended by four out of five Board members (80%).

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Information on amounts paid to Members of the Board

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

Management Bodies

The Chief Executive Officer is a one-man management body of the Company. The Chief Executive Officer organises and directs operations of the Company, acts on its behalf, and has the right to conclude transactions single-handedly except for cases established in these Articles of Association and the laws. The scope of competence of the Chief Executive Officer and the election and recalling procedures are established by the laws, other legal acts and the Articles of Association of the Company.

Information on amounts paid to CEO and Chief Financier

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

Employees of the Company

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

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

Number of Employees of the Company

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

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

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

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

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

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

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

	CEO	Top management	Line management	Experts, specialist, blue-collar workers
Distribution of employees by position levels	1	6 ¹	38	457
Average pay, LTL	20 000	12 810	7 207	3 741

¹ Chief Financier is added to top management.

Collective agreement

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

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

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.

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

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

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

ings, participants discussed the Company's operating results for 2013, ongoing and planned projects news and changes in performance appraisal system. Company executives responded to the employees' concerns.

Drawing on the framework of competences the Company pursues targeted training and qualification enhancement of its staff, therefore the staff is encouraged to participate in training for the enhancement of their qualification and development of the required skills. Vocational training allows the staff to update their technical skills that are mandatory for their work and to obtain the required qualification certificates and attestations. By participating in seminars and conferences the staff gets familiar with energy related innovations and good practices. In nine months of 2014 technical training was attended by 175 employees of the Company, management training – by 111 employees. Visits of the staff into other manufacturing companies are also arranged to allow the staff to get familiar with the organisation of work at production units, deployed innovations, production equipment, problem solutions, etc.

To attract young skilled specialists the Company is actively cooperating with education institutions, provides opportunities for the students of higher and vocational education institutions to apply their theoretical knowledge and to gain practical skills. In March 2014 the Company participated in Career Days launched by Kaunas Technology University, Vilnius Gediminas Technical University, ISM Management and Economics University. Over the nine months of 2014, the Company hosted 12 students for their practicum purposes. Students performing practicum at the Company come from the leading universities of Lithuania as well as from abroad. The Company hosted a student from a Stockholm School of Economics based in Latvia and a student from Sheffield University of England.

Information on other Committees

Risk Management Supervision Committee

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant to the attainment of objectives of the Company and the Group;
- assess appropriateness of internal control procedures and risk management measures with respect to the risks identified;
- assess progress in the implementation of risk management measures;
- monitor the risk management process;

- analyse availability of funding for the implementation of risk management measures;
 - assess the periodic risk identification and assessment cycle;
 - exercise control over risk registers, analyse data therein and make proposals;
 - monitor the drawing up of internal risk management documentation;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Council.

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For the nine-month period ended 30 September 2014

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

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

Appointments and Remuneration Committee

Main functions of the Committee:

- make assessments and proposals for the longterm remuneration policy of the Company and the Group's companies (fixed pay, performance-based pay, pension insurance, other guarantees and remuneration forms, compensations, severance pay, etc.) as well as the principles of compensation for expenses related to the person's activities;
- make assessments and proposals for tantieme policy of the Company and the Group's companies;
- monitor compliance of the remuneration and tantieme policies of the Company and the Group's companies with international practice and good governance guidelines, make proposals for the improvement of such policies;
- make proposals for tantiemes in the process of allocation of profit of the Company and the Group's companies for a financial year;
- assess terms and conditions of agreements between the Company/the Group's companies and members of their management bodies;
- assess the procedures for recruitment and hiring of candidates to positions in management bodies and top management of the Company and the Group's companies as well as the setting of qualifications requirements therefor;
- assess, on a continuous basis, the structure, size, composition and activities of management and supervisory bodies of the Company and the Group's companies;
- oversee the process of informing members of management bodies and employees of the Company and the Group's companies about opportunities for skills improvement;
- oversee and assess the implementation of measures ensuring continuity of activities of management and supervisory bodies of the Company and the Group's companies;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Council.

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

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

MATERIAL EVENTS IN THE COMPANY'S ACTIVITIES

Significant agreements

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

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

Information on related party transactions

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

Guarantees provided

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

Detrimental transactions

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

Material events during the reporting period

A strategy of Lietuvos Energija Group approved

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

Loan agreement concluded

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

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

Gross bidding arrangement

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

transparency and increasing its efficiency.

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

Nordic Energy Link AS under liquidation

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

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

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

Sale of shares in UAB Duomenų Logistikos Centras

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

Under this agreement the Company sold to Lietuvos Energija, UAB 31,835,166 (thirty one million eight hundred thirty-five thousand one hundred and sixty-six) ordinary

registered shares in Duomenų Logistikos Centras UAB. These shares account for 54.04% of the authorised capital of Duomenų Logistikos Centras UAB.

Pledged share of the Company's assets

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

The Company has obtained OHSAS occupational safety and health certificate

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

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

The Company's activities were presented to the investors

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

Optimal operation scenario of Elektrėnai complex has been established

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

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

the power station would be 1055 MW.

Auditor Elected

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

Business Strategy Adopted

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

Increase in the authorised capital of Technologijų ir Inovacijų Centras UAB

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

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

Joint venture agreement signed

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

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

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

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

The Company became a member of NASDAQ OMX Commodities

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

CONSOLIDATED INTERIM REPORT

For the nine-month period ended 30 September 2014

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

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

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

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

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

Shareholders of the Company decide to pay dividend

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

Material events after the end of the reporting period

20/10/2014

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

29/10/2014

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

31/10/2014

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

19/11/2014

[On adopted Resolution of the Court](#)

20/11/2014

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

20/11/2014

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

OTHER IMPORTANT INFORMATION

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

The Group's consolidated financial statements are drawn up in accordance with the International Financial Accounting Standards (IFAS) approved by EU.

The Company collects and analyses financial statements from its subsidiary companies on a monthly basis. The Company consolidated the financial statements of its subsidiary companies. The chief financial officer of the


Company safeguards the financial statements are properly consolidated and drawn up and makes sure the data of the Group's companies is collected in a timely and accurate manner. The drawing up of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the consolidated financial statements are controlled and managed.

2014-11-28 No. SD-2402

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 nine months period of the financial year 2014 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of "Lietuvos Energijos gamyba", AB and its consolidated group assets, liabilities, financial position, period profit or loss and cash flows, the Consolidated semi - annual Report includes a fair review of the development and performance of the business and the position of the Lietuvos Energija, AB and consolidated position of group.

Chief Executive Officer



Juozas Bartlingas

Director of Finance and Legal Department



Eglė Čiužaitė

Chief Financier



Giedruolė Guobienė



„LIETUVOS ENERGIJOS GAMYBA“, AB

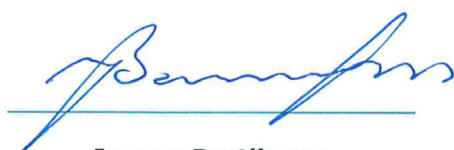
**CONSOLIDATED AND COMPANY'S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2014
(unaudited)**

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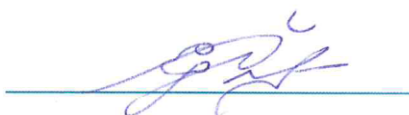
This condensed interim financial information has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of condensed interim financial information takes precedence over the English language version.

Condensed interim financial information	
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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 28 November 2014.



Juozas Bartlingas
General Director



Eglė Čiužaitė
Director of Finance and Law
Department



Giedrūolė Guobienė
Chief Financier

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

At 30 September 2014

All amounts in LTL thousands unless otherwise stated

ASSETS	Note	Group at 30 September 2014	Company at 30 September 2014	Group at 31 December 2013	Company at 31 December 2013
Non-current assets					
Intangible assets	5	25,420	24,929	29,542	28,968
Property, plant and equipment	6	2,590,710	2,569,384	2,636,706	2,597,392
Prepayments for property, plant, equipment		4,430	4,430	384	10,479
Investments in subsidiaries	13	-	11,050	-	52,397
Investments in associates and joint ventures	13	158,426	156,229	154,833	153,884
Deferred income tax assets		721	-	988	-
Other non-current assets		21,100	21,100	20,949	17,850
Amounts receivable		6,353	6,353	17,850	20,949
Total non-current assets		2,807,160	2,793,475	2,861,252	2,881,919
Current assets					
Inventories		21,462	18,606	24,032	23,113
Prepayments		15,562	15,833	15,725	5,659
Trade receivables		185,115	174,300	169,973	133,274
Other receivables		21,386	6,857	10,513	9,242
Prepaid income tax		7,608	7,602	10,147	10,073
Other financial assets		2	-	86	-
Cash and cash equivalents		253,801	243,630	219,746	178,087
		504,936	466,828	450,222	359,448
Non-current assets classified as held for sale		126	-	131	-
Total current assets		505,062	466,828	450,353	359,448
TOTAL ASSETS		3,312,222	3,260,303	3,311,605	3,241,367

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

At 30 September 2014

All amounts in LTL thousands unless otherwise stated

EQUITY AND LIABILITIES	Note	Group at 30 September 2014	Company at 30 September 2014	Group at 31 December 2013	Company at 31 December 2013
Capital and reserves					
Share capital	7	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		37,896	3,842	37,852	4,015
Legal reserve		7,496	37,540	7,928	37,540
Other reserves	8	-	-	677,775	677,775
Retained earnings	9	290,460	277,093	(284,805)	(277,529)
Total equity attributable to owners of the Company		1,266,703	1,249,326	1,369,601	1,372,652
Non-controlling interest		-	-	43,896	-
Total equity		1,266,703	1,249,326	1,413,497	1,372,652
Non-current liabilities					
Borrowings	10	511,030	503,430	506,761	498,261
Finance lease liabilities		131	-	36	-
Grants	11	1,041,809	1,041,809	1,062,730	1,062,730
Other non-current accounts payable and liabilities		68,957	68,861	77,879	75,631
Deferred income tax liabilities		52,564	52,539	39,688	39,688
Total non-current liabilities		1,674,491	1,666,639	1,687,094	1,676,310
Current liabilities					
Borrowings	10	61,681	60,481	57,729	57,129
Finance lease liabilities		76	-	8	-
Trade payables		76,523	66,226	85,428	76,753
Advance amounts received		71,250	63,545	29,489	27,564
Income tax payable		-	-	1,222	-
Provisions for emission allowances	12	7,162	7,162	9,745	9,745
Other accounts payable and liabilities		154,336	146,924	27,393	21,214
Total current liabilities		371,028	344,338	211,014	192,405
Total liabilities		2,045,519	2,010,977	1,898,108	1,868,715
TOTAL EQUITY AND LIABILITIES		3,312,222	3,260,303	3,311,605	3,241,367

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For nine months period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

	Note	Group 1 January – 30 September 2014	Company 1 January – 30 September 2014	Group 1 January – 30 September 2013 <i>(restated)</i>	Company 1 January – 30 September 2013 <i>(restated)</i>
Revenue					
Sales revenue		631,537	625,478	853,148	846,916
Other operating income		41,110	5,703	30,428	4,539
		672,647	631,181	883,576	851,455
Operating expenses					
Purchase of electricity and related services		(168,365)	(166,762)	(282,970)	(282,970)
Gas and heavy fuel expenses		(232,943)	(232,943)	(312,305)	(312,305)
Depreciation and amortisation	5,6,11	(59,377)	(57,690)	(60,073)	(58,490)
Wages and salaries and related expenses		(32,562)	(23,386)	(32,732)	(24,688)
Repair and maintenance expenses		5,585	(19,276)	(21,641)	(23,283)
Income/(expenses) on revaluation of emission allowances		(3,195)	(3,195)	(18,130)	(18,130)
Increase/(decrease) in value of other non-current assets		3,299	3,299	(5,511)	(5,511)
Inventory write-down (expenses)/reversal		187	187	(722)	(722)
Other expenses		(70,186)	(15,083)	(38,045)	(19,410)
Total operating expenses		(557,557)	(514,849)	(772,129)	(745,509)
OPERATING PROFIT		115,090	116,332	111,447	105,946
Finance income:					
Share of result of operations of associates and joint ventures		2,971	-	(102)	-
Other finance income		6,996	11,901	1,038	2,629
Other finance (costs)		(13,921)	(13,717)	(15,788)	(15,537)
		(3,954)	(1,816)	(14,852)	(12,908)
PROFIT BEFORE INCOME TAX		111,136	114,516	96,595	93,038
Current year income tax expense		(5,491)	(5,132)	(3,870)	(3,234)
Deferred income tax expense		(12,836)	(12,851)	(4,267)	(4,290)
		(18,327)	(17,983)	(8,137)	(7,524)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		92,809	96,533	88,458	85,514
DISCONTINUED OPERATIONS					
Profit (loss) for the period from discontinued operations, net of income tax		524	-	2,317	-
PROFIT (LOSS) FOR THE PERIOD		93,333	96,533	90,775	85,514

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For nine months period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

	Note	Group 1 January – 30 September 2014	Company 1 January – 30 September 2014	Group 1 January – 30 September 2013 <i>(restated)</i>	Company 1 January – 30 September 2013 <i>(restated)</i>
Other comprehensive income (loss)					
Other comprehensive income less deferred income tax		-	-	-	-
COMPREHENSIVE INCOME		93,333	96,533	90,775	85,514
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		93,092	96,533	89,710	85,514
Non-controlling interest		241	-	1,065	-
		93,333	96,533	90,775	85,514
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		93,092	96,533	89,710	85,514
Non-controlling interest		241	-	1,065	-
		93,333	96,533	90,775	85,514
Basic and diluted earnings per share (in LTL)		0.15		0.14	

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

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

All amounts in LTL thousands unless otherwise stated

	Note	Group 1 July – 30 September 2014	Company 1 July – 30 September 2014	Group 1 July – 30 September 2013 (restated)	Company 1 July – 30 September 2013 (restated)
Revenue					
Sales revenue		309,836	306,879	370,589	368,837
Other operating income		(4,844)	1,826	14,998	713
		304,992	308,705	385,587	369,550
Operating expenses					
Purchase of electricity and related services		(58,955)	(57,538)	(70,203)	(70,196)
Gas and heavy fuel expenses		(173,779)	(173,779)	(215,913)	(215,913)
Depreciation and amortisation		(19,795)	(19,215)	(20,021)	(19,477)
Wages and salaries and related expenses		(10,458)	(7,302)	(10,626)	(7,796)
Repair and maintenance expenses		6,677	(11,264)	(11,730)	(12,383)
Income/(expenses) on revaluation of emission allowances		(5,231)	(5,231)	(846)	(846)
Increase/(decrease) in value of other non-current assets		36	36	3,118	3,118
Inventory write-down (expenses)/reversal		32	32	(451)	(451)
Other expenses		(18,395)	(6,050)	(16,817)	(5,943)
Total operating expenses		(279,868)	(280,311)	(343,489)	(329,887)
OPERATING PROFIT		25,124	28,394	42,098	39,663
Finance income:					
Share of result of operations of associates and joint ventures		1,462	-	(1,327)	-
Other finance income		176	127	254	156
Other finance (costs)		(2,303)	(2,233)	(5,705)	(5,623)
		(665)	(2,106)	(6,778)	(5,467)
PROFIT BEFORE INCOME TAX		24,459	26,288	35,320	34,196
Current year income tax expense		(2,171)	(2,050)	(471)	(302)
Deferred income tax expense		(4,999)	(5,010)	(3,513)	(3,498)
		(7,170)	(7,060)	(3,984)	(3,800)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		17,289	19,228	31,336	30,396
DISCONTINUED OPERATIONS					
Profit (loss) for the period from discontinued operations, net of income tax		-	-	(371)	-
PROFIT (LOSS) FOR THE PERIOD		17,289	19,228	30,965	30,396

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For three months period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

	Note	Group 1 July – 30 September 2014	Company 1 July – 30 September 2014	Group 1 July – 30 September 2013 <i>(restated)</i>	Company 1 July – 30 September 2013 <i>(restated)</i>
Other comprehensive income (loss)					
Other comprehensive income less deferred income tax		-	-	-	-
COMPREHENSIVE INCOME		17,289	19,228	30,965	30,396
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		17,289	19,228	31,135	30,396
Non-controlling interest		-	-	(170)	-
		17,289	19,228	30,965	30,396
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		17,289	19,228	31,135	30,396
Non-controlling interest		-	-	(170)	-
		17,289	19,228	30,965	30,396
Basic and diluted earnings per share (in LTL)		0.03		0.05	

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

		Equity attributable to shareholders of the Company								
Group	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance at 1 January 2013		635,084	295,767	12,055	36,145	717,775	(30,037)	1,666,789	41,498	1,708,287
Revaluation of property, plant and equipment	2.3	-	-	-	-	-	(374,769)	(374,769)	-	(374,769)
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		-	-	(669)	-	-	669	-	-	-
Transfer to reserves		-	-	-	1,707	-	(1,707)	-	-	-
Other adjustments		-	-	(65)	-	-	-	(65)	-	(65)
Transfer to retained earnings		-	-	-	-	(40,000)	40,000	-	-	-
Dividends paid		-	-	-	-	-	(25,403)	(25,403)	-	(25,403)
Comprehensive income		-	-	-	-	-	89,710	89,710	1,065	90,775
Balance at 30 September 2013		635,084	295,767	11,321	37,852	677,775	(301,537)	1,356,262	42,563	1,398,825
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		-	-	(432)	-	-	432	-	-	-
Transfer to reserves		-	-	-	44	-	(44)	-	-	-
Transfer to retained earnings	8	-	-	-	-	(677,775)	677,775	-	-	-
Dividends paid	9	-	-	-	-	-	(219,859)	(219,859)	-	(219,859)
Sale of subsidiaries		-	-	-	-	-	23,869	23,869	(44,137)	(20,268)
Comprehensive income		-	-	-	-	-	93,092	93,092	241	93,333
Balance at 30 September 2014		635,084	295,767	7,496	37,896	-	290,460	1,266,703	-	1,266,703

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

Company		Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 1 January 2013		635,084	295,767	7,774	35,867	717,775	(10,572)	1,681,695
Revaluation of property, plant and equipment	2.3	-	-	-	-	-	(374,769)	(374,769)
Balance at 1 January 2013		635,084	295,767	7,774	35,867	717,775	(385,341)	1,306,926
Depreciation of revaluation reserve		-	-	(400)	-	-	400	-
Transfer to reserves		-	-	-	1,673	-	(1,673)	-
Transfer to retained earnings		-	-	-	-	(40,000)	40,000	-
Dividends paid		-	-	-	-	-	(25,403)	(25,403)
Comprehensive income		-	-	-	-	-	85,514	85,514
Balance at 30 September 2013		635,084	295,767	7,374	37,540	677,775	(286,503)	1,367,037
Balance at 1 January 2014		635,084	295,767	4,015	37,540	677,775	(277,529)	1,372,652
Depreciation of revaluation reserve		-	-	(173)	-	-	173	-
Transfer to retained earnings	8	-	-	-	-	(677,775)	677,775	-
Dividends paid	9	-	-	-	-	-	(219,859)	(219,859)
Comprehensive income		-	-	-	-	-	96,533	96,533
Balance at 30 September 2014		635,084	295,767	3,842	37,540	-	277,093	1,249,326

(end)

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

	Group 1 January – 30 September 2014	Company 1 January– 30 September 2014	Group 1 January– 30 September 2013	Company 1 January– 30 September 2013
Profit for the period	93,333	96,533	90,775	85,514
Adjustments for non-cash items and other adjustments:				
Depreciation and amortisation expenses	88,517	86,830	97,728	87,867
Inventory write-down (expenses) / reversal	(187)	(187)	5,242	5,232
(Gain) on disposal of investments in subsidiaries and associates	219	219	-	-
Expenses/(income) on revaluation of emission allowances	(3,639)	(3,639)	9,803	9,803
Other impairments/reversal of impairment	(9,198)	(7,038)	-	-
Share of (profit) of associates and joint ventures	(2,971)	-	102	-
Income tax expense	5,491	5,132	4,426	3,234
Change in deferred income tax liability	12,856	12,851	4,120	4,290
(Income) from grants	(29,140)	(29,140)	(29,377)	(29,377)
Increase/(decrease) in provisions	7,459	7,459	8,379	8,379
Profit/(loss) on disposal/write-off of non-current assets (other than financial assets)	516	479	102	17
Elimination of results of financing and investing activities:				
- Interest (income)	(291)	(254)	(12)	(7)
- Interest expense	12,854	12,659	17,504	17,361
- Other finance (income)	(5,638)	(10,589)	(2,798)	(4,446)
Changes in working capital				
Decrease in trade receivables and other amounts receivable	(31,819)	(20,257)	8,361	8,401
(Increase) decrease in inventories and prepayments	2,122	(6,157)	23,176	30,529
Decrease in amounts payable and advance amounts received	72,442	56,202	111,574	105,307
Income tax (paid)	(3,383)	(3,383)	(9,833)	(8,380)
Net cash generated from operating activities	209,543	197,720	339,272	323,724
Cash flows from investing activities				
(Acquisition) of property, plant and equipment and intangible assets	(41,666)	(29,957)	(94,119)	(95,152)
Disposal of property, plant and equipment and intangible assets	-	-	411	165
Sale of subsidiaries	14,801	41,347	-	-
Acquisition of investments in associates	(4,462)	(4,462)	-	-
Disposal of investments in associates	1,898	1,898	-	-
Dividends received	6,643	11,643	-	2,000
Interest received	291	254	12	7
Net cash (used in) investing activities	(22,495)	20,723	(93,696)	(92,980)
Cash flows from financing activities				
Proceeds from borrowings	567,244	567,244	11,893	10,465
Repayments of borrowings	(558,198)	(557,898)	(47,536)	(44,381)
Finance lease payments	207	-	(267)	-
Interest (paid)	(12,870)	(12,870)	(14,760)	(14,617)
Dividends (paid out)	(149,376)	(149,376)	(25,403)	(25,403)
Net cash (used in) financing activities	(152,993)	(152,900)	(76,073)	(73,936)
Net increase in cash and cash equivalents	34,055	65,543	169,503	156,808
Cash and cash equivalents at the beginning of the period	219,746	178,087	(29,546)	(49,271)
Cash and cash equivalents at the end of the period	253,801	243,630	139,957	107,537

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

1 General information

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

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

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

The authorised share capital of Lietuvos Energijos Gamyba AB amounts to LTL 635,083,615 and it is divided into 635,083,615 ordinary registered shares with par value of LTL 1 each. There were no changes in the Company's authorised share capital during 2014 and 2013. All the shares issued are fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 30 September 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 complex of Elektrėnai), Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the complex of Elektrėnai and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Control Commission for Prices and Energy, Lietuvos Energijos Gamyba AB obtained a licence of an independent electricity supplier. The Company's subsidiary Energijos Tiekimas UAB also holds a licence of an independent electricity supplier, as well as a licence of natural gas supplier. The subsidiary was not engaged in any purchase/sale activities of natural gas throughout 2014.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

1 General information (continued)

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

Company	Address of the company's registered office	The Group's shareholding at 30 September 2014	The Group's shareholding at 31 December 2013	Profit (loss) for 1 January – 30 September 2014	Equity at 30 September 2014	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 proc.	100 proc.	(3,930)	16,674	Repair of energy equipment, production of metal constructions
Gotlitas UAB	R.Kalantos g. 119, Kaunas, Lithuania	100 proc.	100 proc.	114	1,466	Accommodation services, trade
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 proc.	100 proc.	2,250	9,599	Independent electricity supply
Geton Energy OU	Narva mnt 5, 10117 Tallinn	100 proc.	100 proc.	(6)	102	Independent electricity supply
Geton Energy SIA	Elizabetes iela 45/47, Riga, LV-1010	100 proc.	100 proc.	(9)	75	Independent electricity supply
Duomenų Logistikos Centras UAB*	Juozapavičiaus g. 13, Vilnius, Lithuania	- proc.	54.04 proc.	474	15,772	IT services
Respublikinis Energetikų Mokyimo Centras VŠĮ *	Jeruzalės g. 21, Vilnius, Lithuania	- proc.	54.04 proc.	247	(911)	Professional development of energy specialists and continual professional training

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

Company	Address of the company's registered office	The Group's shareholding at 30 September 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 Valdosa“	Geologų g. 16, LT-02190 Vilnius, Lietuva	41.74 proc.	42.32 proc.	Asset management services
UAB Technologijų ir inovacijų centras	Juozapavičiaus g. 13, Vilnius, Lietuva	22.22 proc.	20.00 proc.	IT services
AS Nordic Energy Link	Laki 24, Tallinn 12915	25.00 proc.	25.00 proc.	Management of electricity transmission line between Finland and Estonia
UAB Verslo aptarnavimo centras	P.Lukšio g. 5B, LT-08221 Vilnius	20.00 proc.	- proc.	Business Administration and accountant services

As at 30 September 2014, the number of labor contract of the Group was 775 (31 December 2013 the number of employees – 1,104). As at 30 September 2014, the number of labor contract of the Company was 502 (31 December 2013 the number of employees - 503).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

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

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

2.2 Accounting policies

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

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

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

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

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

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

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

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

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

	At 30 September 2013	Correction of error	At 30 September 2013 (restated)
Operating expenses			
Depreciation expenses	(72,033)	3,682	(68,351)
Operating profit	111,009	3,682	114,691
Deferred tax expense	(3,357)	(763)	(4,120)
NET PROFIT	87,856	2,919	90,775

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

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

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

	At 30 September 2013	Correction of error	At 30 September 2013 (restated)
Operating expenses			
Depreciation expenses	(62,172)	3,682	(58,490)
Operating profit	102,264	3,682	105,946
Deferred tax expense	(3,527)	(763)	(4,290)
NET PROFIT	82,595	2,919	85,514

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

	At 30 September 2013	Correction of error	At 30 September 2013 (restated)
Net profit attributable to owners	86,791	2,919	89,710
Weighted average number of shares (units)	635,083,615	-	635,083,615
Basic and diluted earnings per share (LTL)	0.14		0.14

3 Critical accounting estimates and uncertainties

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

Tax audits

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

Depreciation rates of property, plant and equipment

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

Revaluation of property, plant and equipment

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the nine-month period ended 30 September 2014

All amounts in LTL thousands unless otherwise stated

3 Critical accounting estimates and uncertainties (continued)

Impairment of property, plant and equipment

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

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

As of 30 September 2014 and 31 December 2013, impairment test was carried out and the estimated recoverable amount of property, plant and equipment of the Hydro Power Plant, Pumped Storage Power Plant, Reserve Power Plant and Combined Cycle Block exceeded the carrying amount of LTL 2,080 million (as of 31 December 2013: LTL 2,090 million), hence no impairment charge was recognised.

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

Write-down of inventory to net realisable value

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

Provisions for emission allowances

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

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurization. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. As of 30 September 2014, the amount of variable costs incurred by the Company was lower than the amount allocated for compensation of PSO service costs, therefore the Company accounted for refundable PSO amount of LTL 44,224 thousand as of 30 September 2014, which will be compensated during 2016 (As of 31 December 2013: LTL 56,955 thousand, which will be compensated during 2015).

4 Financial risk management

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

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

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

Fair value of financial assets and liabilities

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

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

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

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4 Financial risk management (continued)

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

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

5 Intangible assets

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

Group	Computer software	Emission allowances	Other intangible assets	Total
At 30 September 2014				
Opening net book amount	755	28,704	48	29,507
Additions	89	-	-	89
Grant received	-	1,358	-	1,358
Emission allowances utilised	-	(10,042)	-	(10,042)
Revaluation costs of emission allowances	-	3,639	-	3,639
Reclassification from property, plant and equipment	1,253	-	-	1,253
Amortisation	(371)	-	(13)	(384)
Net book amount at 30 September 2014	1,726	23,659	35	25,420

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

Company	Computer software	Emission allowances	Other intangible assets	Total
At 30 September 2014				
Opening net book amount	216	28,704	48	28,968
Grant received	-	1,358	-	1,358
Emission allowances utilised	-	(10,042)	-	(10,042)
Revaluation costs of emission allowances	-	3,639	-	3,639
Reclassification from property, plant and equipment	1,253	-	-	1,253
Amortisation	(234)	-	(13)	(247)
Net book amount at 30 September 2014	1,235	23,659	35	24,929

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

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6 Property, plant and equipment

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

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
At 30 September 2014										
Opening net book amount	6,490	17,961	8,457	484,307	814,106	1,268,690	854	707	17,578	2,619,149
Additions	-	221	663	113	481	52	17	68	59,171	60,786
Write-offs	-	-	(6)	-	(2)	-	-	(9)	-	(17)
Disposals	-	-	-	-	(477)	-	(22)	-	-	(499)
Reclassifications between groups	-	82	6,859	800	3,366	-	-	241	(11,348)	-
Reclassification to intangible assets	-	-	-	-	-	-	-	-	(1,253)	(1,253)
Reclassification from/to inventories	-	-	-	212	(65)	530	-	-	-	677
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(380)	(1,256)	(20,457)	(27,719)	(37,916)	(255)	(150)	-	(88,133)
Net book amount at 30 September 2014	6,490	17,884	14,717	464,975	789,608	1,231,356	594	857	64,230	2,590,710

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6 Property, plant and equipment (continued)

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

	Level 1 Quoted prices in active markets for identical assets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total:
Land	-	6,490	-	6,490
Structures and equipment	-	10,008	-	10,008
Buildings	-	2,232	-	2,232
Motor vehicles	-	306	-	306
Other PP&E	-	394	-	394
Fair value as of 30 September 2014	-	19,430	-	19,430

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

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

The Group's property, plant and equipment amounting to LTL 1,237,836 thousand was pledged to the bank as collateral (31 December 2013: LTL 1,347,271 thousand).

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For the nine-month period ended 30 September 2014

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6 Property, plant and equipment (continued)

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

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-Cycle Block	Motor vehicles	Other PP&E	Construction in progress	Total
At 30 September 2014										
Opening net book amount	6,490	2,186	3,381	484,307	814,106	1,268,690	461	194	17,578	2,597,392
Additions	-	-	-	113	481	52	17	10	58,957	59,630
Write-offs	-	-	-	-	(2)	-	-	-	-	(2)
Disposals	-	-	-	-	(477)	-	-	-	-	(477)
Reclassifications between groups	-	82	6,859	800	3,366	-	-	241	(11,348)	-
Reclassification to intangible assets	-	-	-	-	-	-	-	-	(1,253)	(1,253)
Reclassification from/to inventories	-	-	-	212	(65)	530	-	-	-	677
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(36)	(232)	(20,457)	(27,719)	(37,916)	(172)	(51)	-	(86,583)
Net book amount at 30 September 2014	6,490	2,232	10,008	464,975	789,608	1,231,356	306	394	64,016	2,569,384

In 2014, the Company capitalised expenses of LTL 51,259 thousand related to Biofuel boiler project.

As of 30 September 2014, the Company's contractual commitments to acquire or construct property, plant and equipment amounted to LTL 37 m (As of 31 December 2013-LTL 86m).

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6 Property, plant and equipment (continued)

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

	Level 1 Quoted prices in active markets for identical assets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total:
Land	-	6,490	-	6,490
Structures and equipment	-	10,008	-	10,008
Buildings	-	2,232	-	2,232
Motor vehicles	-	306	-	306
Other PP&E	-	394	-	394
Fair value as of 30 September 2014	-	19,430	-	19,430

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

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

The Company's property, plant and equipment amounting to LTL 1,237,836 thousand was pledged to the bank as collateral (31 December 2013: LTL 1,347,271 thousand).

7 Share capital

As at 30 September 2014 and 31 December 2013, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange trading session in 2014 was LTL 2.949 per share (2013: LTL 1.419), and the lowest share price was LTL 1.364 per share (2013: LTL 1.243). The total number of shareholders as at 30 September 2014 was 6,241 (31 December 2013: 6,153).

The shareholders' structure of the Company is as follows;

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

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

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For the nine-month period ended 30 September 2014

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8 Other reserves

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

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

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

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

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

9 Dividends per share

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

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

	At 30 September 2014
Weighted average number of shares (units)	635,083,615
Amount of dividends (LTL'000)	150,000
Dividends per share (LTL)	0.24
Amount of dividends (LTL'000)	69,859
Dividends per share (LTL)	0.11

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

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

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10 Borrowings

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

	Group at 30 September 2014	Company at 31 September 2014	Group at 31 December 2013	Company at 31 December 2013
Non-current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB) to be repaid by 1 April 2018	-	-	45,687	45,687
Loan from the European Bank for Reconstruction and Development, to be repaid by 18 February 2025	-	-	204,291	204,291
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB Bank, Danske Bank A/S) to be repaid by 3 June 2016	-	-	237,818	237,818
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	7,600	-	8,500	-
Syndicated loan (Nordea Bank Finland Plc, Lithuania Branch, AB BNB bankas) in EUR, to be repaid by 31 March 2027	34,265	34,265	10,465	10,465
Loan from SEB Bankas AB (refinancing), in EUR, to be repaid by 23 February 2024	469,165	469,165	-	-
Total non-current borrowings:	511,030	503,430	506,761	498,261
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bank AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB) to be repaid by 1 April 2018	-	-	14,253	14,253
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	1,200	-	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
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	-	-	20,429	20,429
Loan from the European Bank for Reconstruction and Development, accrued interest	-	-	827	827
Syndicated loan (Nordea Bank Finland Plc, Lithuania Branch, AB BNB bankas) in EUR, to be repaid by 31 March 2027	5,285	5,285	-	-
Loan from SEB Bankas AB (refinancing), in EUR, to be repaid by 23 February 2024	55,196	55,196	-	-
Total current borrowings:	61,681	60,481	57,729	57,129

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

As of 30 September 2014, the Group's undrawn balances of loans and overdrafts under the above-listed agreements amounted to LTL 241,770 thousand (31 December 2013: LTL 272,855 thousand). As of 30 September 2014, the Company's undrawn balances of loans and overdrafts amounted to LTL 236,770 thousand (31 December 2013: LTL 265,855 thousand).

As of 30 September 2014, the fair value of Group's borrowings was equal to LTL 540,378 thousand (31 December 2013: LTL 618,404 thousand). As of 30 September 2014, the fair value of Company's borrowings was equal to LTL 531,927 thousand (31 December 2013: LTL 609,920 thousand). The fair value was estimated using a 2.55% discount rate. The fair value of borrowings is attributed to Level 3 in the fair value hierarchy.

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

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11 Grants

The grants balance consists of grants to finance acquisition of assets. Movements in grants during the nine-month periods ended 30 September 2014 and 30 September 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		
Balance at 1 January 2013	91,729	1,008,732	-	1,100,461
Grants received	(1,116)	(18,489)	-	(19,605)
Depreciation of property, plant and equipment	-	-	1,040	1,040
Repayable grants	(23)	-	-	(23)
Utilisation of grant for emission allowances	-	-	(1,040)	(1,040)
Balance at 30 September 2013	90,590	990,243	-	1,080,833
Balance at 1 January 2014	88,842	973,888	-	1,062,730
Grants received	8,014	-	1,358	9,372
Depreciation of property, plant and equipment	(1,395)	(27,745)	-	(29,140)
Utilisation of grant for emission allowances	-	-	(1,153)	(1,153)
Balance at 30 September 2014	95,461	946,143	205	1,041,809

During 2014, Company's assets-related grants decreased by LTL 29,140 thousand, i.e. by the amount of depreciation of property, plant and equipment (nine-month period ended 30 September 2013: LTL 29,377 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

In 2014 the Company received a LTL 8,014 thousand grant for the construction of engineering infrastructure in Kruonis industrial park.

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

12 Provisions for emission allowances

Provisions for emission allowances were accounted for as follows:

	Group	Company
Balance at 31 December 2013	9,745	9,745
Emission allowances utilised	(9,745)	(9,745)
Provisions for emissions*	7,162	7,162
Balance at 30 September 2014	7,162	7,162

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

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13 Investments

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

Subsidiary

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

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

Subsidiary

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

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

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

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

Group At 30 September 2014	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdos UAB	130,720	41.74	(3,466)	127,254
Nordic Energy Link AS	19,058	25.00	7,423	26,481
Geoterma UAB	7,396	23.44	(7,396)	-
Verslo ir aptarnavimo centras UAB	20	20.00	(3)	17
Technologijų ir Inovacijų Centras UAB	4,444	22.22	230	4,674
Total	161,638		(3,212)	158,426

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

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13 Investments (continued)

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

Company At 30 September 2014	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdov UAB	130,720	41.74		130,720
Nordic Energy Link AS	19,058	25.00		19,058
Geoterma UAB	7,396	23.44	(5,409)	1,987
Verslo ir aptarnavimo centras UAB	20	20.00		20
Technologijų ir Inovacijų Centras UAB	4,444	22.22		4,444
Total	161,638		(5,409)	156,229

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

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

	Grupė 2014 m.	Įmonė 2014 m.
Carrying amount at 1 January	154,833	153,884
Acquisition of associates	4,462	4,462
Disposal of investments in associates	(3,840)	(2,117)
Share of result of operations of associates and joint ventures, (loss)/profit	2,971	-
Carrying amount at 30 September	158,426	156,229

Disposal of Nordic Energy Link AS

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

Increase in share capital of Technologijų ir Inovacijų Centras UAB

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

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

Establishment of Verslo aptarnavimo centras UAB

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

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14 Segment information

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

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

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

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

2014	Electricity production and trade (including export/import)			Other activities	Total Regulated activities Regulated activities Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	379,093	252,088	162,704	86,021	879,906
Inter-segment revenue	-	-	(156,645)	(50,614)	(207,259)
Revenue from external clients	379,093	252,088	6,059	35,407	672,647
Expenses after elimination of turnover among the Group companies	(327,227)	(187,622)	(3,713)	(38,995)	(557,557)
including depreciation and amortisation expenses	(41,381)	(16,309)	(78)	(1,609)	(59,377)
Operating profit	51,866	64,466	2,346	(3,588)	115,090
Finance income	4	6,897	12	83	6,996
Finance costs	(12,459)	(1,258)	(2)	(202)	(13,921)
Share of result of associates and joint ventures				2,971	2,971
Profit before income tax	39,411	70,105	2,356	(736)	111,136
Income tax					(18,327)
Profit for the period from continuing operations					92,809

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14 Segment information (continued)

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

2014	Electricity production and trade (including export/import)			Other activities	Total Regulated activities Regulated activities Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	478,638	372,817	136,795	44,839	1,018,024
Inter-segment revenue			(130,563)	(3,885)	(134,448)
Revenue from external clients	478,638	372,817	6,232	40,954	883,576
Expenses after elimination of turnover among the Group companies	(436,742)	(308,767)	(2,166)	(24,454)	(772,129)
including depreciation and amortisation expenses	(44,208)	(14,282)	(31)	(1,552)	(60,073)
Operating profit	41,896	64,050	4,066	16,500	111,447
Finance income	491	138	405	4	1,038
Finance costs	(15,050)	(487)	(20)	(231)	(15,788)
Share of result of associates and joint ventures				(102)	(102)
Profit before income tax	27,337	63,701	4,451	16,171	96,595
Income tax					(8,137)
Profit for the period from continuing operations					88,458

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

The Group's revenue received from a single external client during the nine-month period ended 30 September 2014 amounted to LTL 366,441 thousand (the nine-month period ended 30 September 2013- LTL 302,707 thousand).

15 Related-party transactions

Purchase and sale of goods and services:

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Group	609	123	3,332	9,966
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	36	45,721	314	367,465
Litgrid AB group	2,377	77,162	24,931	360,550
Lietuvos dujos AB	9	-	147	-
Lietuvos Energija UAB	67,157	40	23	254
Total	70,188	123,046	28,747	738,235

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15 Related-party transactions (continued)

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	12,410	28,711	50,710	161,601
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	13	45,443	106	366,441
Litgrid AB group	2,377	74,199	24,931	350,283
Lietuvos dujos AB	4	-	43	-
Lietuvos Energija UAB	67,157	40	23	254
Associates of the Company	445	2	2,448	8,544
Total	82,406	148,395	78,261	887,123

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Group	1,351	400	9,228	1,507
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	75	35,879	228	323,941
Litgrid AB group	7,031	59,745	76,858	322,749
Lietuvos Energija UAB	-	124	18	410
Total	8,457	96,148	86,332	648,607

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

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	1,652	34,428	3,425	132,489
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	143	-	4,740	-
Litgrid AB group	10	31,463	71	302,707
Lietuvos Energija UAB	6,415	57,406	72,224	580,892
Associates of the Company	-	-	18	-
Total	8,220	123,297	80,478	1,016,088

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

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16 Payments to key management personnel

	Group 1 January – 30 September 2014	Company 1 January – 30 September 2014	Group 1 January – 30 September 2013	Company 1 January – 30 September 2013
Employment-related payments	2,008	1,195	3,338	1,168
Termination benefits	40	40	288	-
Number of key management personnel	16	7	27	10

Key management personnel in the table above are heads of administration and their deputies, and the chief financier.

17 Events subsequent to the end of the reporting period

Regarding the decommissioning of the units 1 and 2 of Lithuanian power plant owned by "Lietuvos energijos gamyba", AB

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

Increase in share capital of Verslo Aptarnavimo Centras UAB

During the Ordinary General Meeting of Shareholders of Verslo Aptarnavimo Centras UAB held on 28 October 2014, the decision was made to increase its authorised share capital to LTL 1,400,000, by way of issuing 1,400,000 new ordinary registered shares. On 29 October 2014, the Company and Verslo Aptarnavimo Centras UAB signed an Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 280,000 newly issued ordinary registered shares of Verslo Aptarnavimo Centras UAB with par value of LTL 1 each. The total issue price was paid in cash.
