



CONSOLIDATED INTERIM REPORT OF LIETUVOS ENERGIJA, UAB AND THE GROUP

1 January to 31 December 2013



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About the Company and the Group

Lietuvos Energija, UAB group (hereinafter Lietuvos Energija group or the Group) is a state-controlled company group operating in power and heat generation and supply, electricity import, export, trade and distribution, trade and supply of natural gas, as well as maintenance and development of electricity sector.

The Group companies own and operate key Lithuanian power plants ensuring security of energy supply, nation-wide distribution network and implement development projects of strategic importance, pursue objectives of the National Energy Strategy.

Lietuvos Energija group is comprised of the following companies: Lietuvos Energijos Gamyba, AB, electricity and heat generation, electricity import, export and trade company (hereinafter Lietuvos Energijos Gamyba), AB LESTO, electricity distribution network operator (hereinafter LESTO) and their subsidiaries, as well as UAB LITGAS and UAB VAE SPB.¹

The Group companies provide services to more than 1.5 million customers across Lithuania and offer electricity supply services abroad. In twelve months of 2013, the Group generated 1.96 TWh (down by 10.9% from 2012) and distributed to customers 8.2 TWh (up by 1.2% from 2012) of electricity.

The total value of assets managed by Lietuvos Energija group stands above LTL 9.740 billion. In 2013, consolidated revenue made up LTL 2.907 billion and grew by 3.9% compared to 2012. The Group's EBITDA went up by 29% to LTL 678 million. Net profit of 2013 stood at LTL 117.4 billion compared to a net loss of LTL 33.7 million incurred in 2012.

Parent company Lietuvos Energija, UAB (hereinafter Lietuvos Energija or the Company) is responsible for transparent management and coordination of activities of the Group, improving efficiency in order to provide customers with competitive services and to ensure increasing of the long-term value for the shareholders in a socially responsible way.

The Company analyses the activities of the Group, represents the Group, exercises rights and duties of the shareholder, sets operating guidelines and rules, and coordinates the activities in the fields of power generation, commerce, finance, law, strategy and development, human resources, risk management, audit, technologies, communication etc.

¹ Detailed list of Lietuvos Energija Group companies is provided on page 26 of this report.

Changes within the Group

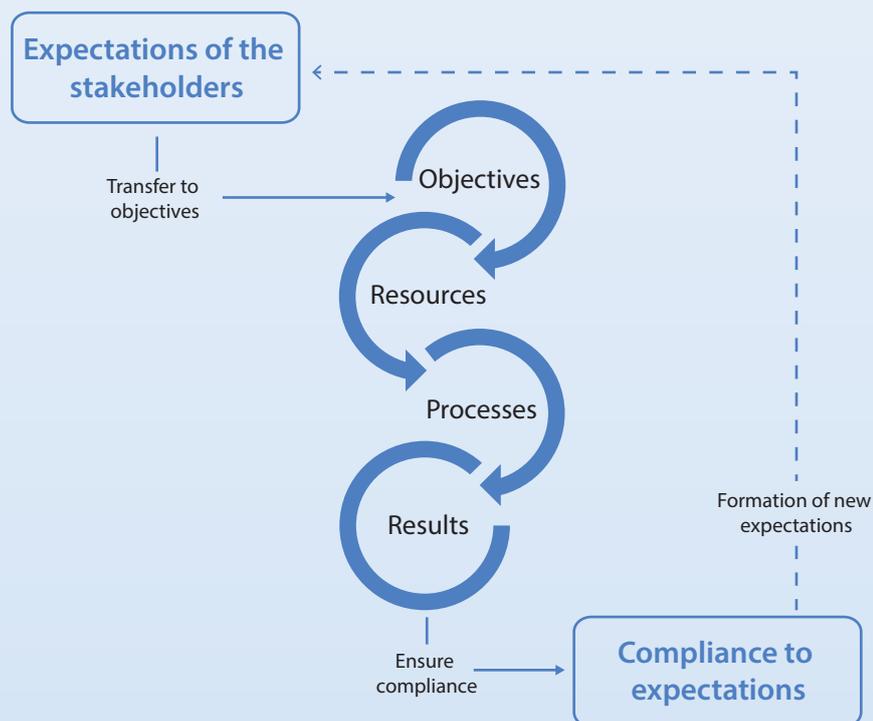
Governance reorganisation

Under the initiative of the Ministry of Finance, Lietuvos Energija group shareholder, the reorganisation of the Group's corporate governance was started in the first half of 2013 in order to improve efficiency and transparency of activities of the Group and the reform in fact was completed by 31 December.

The essence of the reorganisation is to streamline responsibilities of management and supervisory bodies by electing supervisory boards and boards and to enhance corporate governance by establishing management and control system ensuring efficient implementation of objectives of the shareholder and a socially responsible enhancement in the long-term value.

Principles of the corporate governance of the Group are as follows:

- ▶ **Prerequisites for effective corporate governance are provided.** The environment in which the Group of companies or individual companies operate encourages transparent market activities, legal compliance, and ensures separation of management, supervision and regulatory functions.
- ▶ **Exercise of rights of shareholders.** Opportunities to exercise both property and non-property rights granted by shares are ensured simultaneously ensuring interests of minority shareholders.
- ▶ **Role of the stakeholders.** Expectations and rights of the stakeholders emerging from agreements or legal regulation are recognised and the active cooperation in creation of added value is also encouraged.
- ▶ **Openness and transparency.** It is ensured the information about the Group is disclosed in time and in exact manner.
- ▶ **Responsibility and accountability of management and supervisory bodies.** It is ensured the management and supervisory bodies of the Group or individual companies carry out their functions adequately and are accountable to the shareholders.



The corporate governance model of the Group is based on an integrated management and control system, interrelated and completely including all key components of activities – from cyclic operational planning by defining operating targets, performance of activities, to the achievement of indicators and assessment of performance. It is also ensured the process is continuous and results of one cycle become starting data of another cycle.

The new governance structure and model of the energy group was designed on the basis of most progressive national and international practices, recommendations of the Organisation for Economic Cooperation and Development and other international institutions, Corporate Governance Code for Companies Listed on NASDAQ OMX Vilnius, governance guidelines for state-run companies recommended by the Baltic Institute of Corporate Governance (BICG).

The corporate governance model of the energy group was put in place in line with the governance guidelines approved by the Ministry of Finance on 7 June 2013 (the guidelines are available on www.le.lt).

Based on the new management model, Lietuvos Energija and the subordinate subsidiaries of the Group, listed on NASDAQ OMX Vilnius stock exchange, including LESTO and Lietuvos Energijos Gamyba have both formed Supervisory Boards, and Boards. The Supervisory Boards has elected five-member Boards of companies for a four-year term, and each Board has elected its chairman from within its members.

The Supervisory Board of Lietuvos Energija, elected by the general meeting of shareholders has seven members, including three independent members, while the other four represent the Ministries of Finance, Energy and Economy, and the Office of the Government. Lietuvos Energija also has the following committees of the Supervisory Board: Audit, Risk Management Supervision, Appointment and Salary.

The Supervisory Boards of LESTO and Lietuvos Energijos Gamyba have three members, including one independent member.

A detailed list of supervisory and governing bodies of LESTO and Lietuvos Energijos Gamyba as well as their members is provided on page 27-28.

No Supervisory Boards shall be formed in other companies of the Group in charge of maintenance activities. These companies shall be managed by the Boards, including both independent members and those representing the interests of the shareholder. By 31 December, board members of six Lietuvos Energija Group subsidiary companies were elected.

The reorganisation at parent company Lietuvos Energija and other Group companies included the analysis of alternatives and taking and implementation of decisions on key corporate finance, legal, strategic, risk management, audit, communication, project and process management, procurement and other areas of activity throughout Group companies. The process also includes the establishment of policies, i.e. common provisions and rules to apply throughout the Group companies in individual areas of activity.

Key reorganisation-related events

- ▶ The Minister of Finance of the Republic of Lithuania approved guidelines of corporate governance of UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) companies group controlled by the Ministry of Finance and comprising of power generation, distribution and maintenance companies (7 June 2013).
- ▶ Based on decision of the Ministry of Finance, articles of association of the state-controlled UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) were amended and a seven-member Supervisory Board was elected for a four-year term (16 July 2013).
- ▶ Šarūnas Kliokys was elected as the chairman of the Supervisory Board of the Group's parent company UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) and Appointment and Salary Committee was established in the meeting of the Supervisory Board (17 July 2013).
- ▶ The Supervisory Board elected the Board of the parent company UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) for a four-year term.
- ▶ The Board members elected dr. Dalius Misiūnas as the Board chairman and CEO of the Company (22 July 2013).
- ▶ 2 members of the Supervisory Board were elected at the extraordinary general meeting of AB LESTO (26 July 2013).
- ▶ Shareholders of Lietuvos energija, AB approved the change of the company name to Lietuvos Energijos Gamyba, AB and elected a Supervisory Board with 3 members, where 1 independent member is Pranas Vilkas. (29 July 2013).
- ▶ Lietuvos Energija, AB was renamed to Lietuvos Energijos Gamyba, AB. New name and articles of association were registered with the Register of Legal Entities (5 August 2013).
- ▶ The selection to the Board members of Lietuvos Energijos Gamyba, AB and AB LESTO was announced (8 August 2013).
- ▶ UAB Visagino Atominė Elektrinė became Lietuvos Energija, UAB (30 August 2013).
- ▶ The Board of Lietuvos Energijos Gamyba, AB was elected and Juozas Bartlingas was appointed its chairman and chief executive officer of the company (17 September 2013).
- ▶ The Board of AB LESTO was elected and Aidas Ignatavičius was appointed its chairman and chief executive officer of the company (17 September 2013).
- ▶ Petras Povilas Čėsna was elected as an independent member of the Supervisory Board of AB LESTO (30 September 2013).
- ▶ Board members of the following subsidiaries of Lietuvos Energija Group were elected: NT Valdos, UAB, UAB Kauno Energetikos Remontas, UAB Technologijų ir Inovacijų Centras, UAB LITGAS, UAB ELEKTROS TINKLO PASLAUGOS, Energijos Tiekimas UAB (November to December 2013).

Changes of company names

On 5 August 2013, Lietuvos Energija, AB, a power generation and supply, electricity import, export, and trade company changed its name to Lietuvos Energijos Gamyba, AB.

On 30 August 2013, the Group's parent company UAB Visagino Atominė Elektrinė has changed its name to Lietuvos Energija, UAB.

Company names relevant on the publication date of this report are used in the report hereafter.

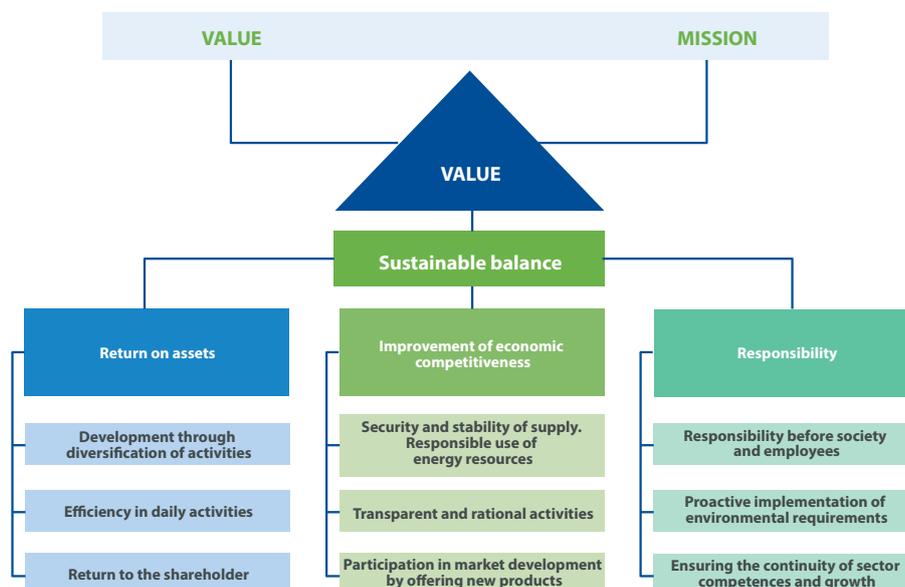
Corporate strategy of the Group for 2014–2020

In the fourth quarter of 2013, after the analysis of the internal environment and external factors of the Group (political, economic, social, legal, environmental and technological), Corporate Strategy of the Group for 2014–2020 (available online at www.le.lt) was drawn up outlining the strategic directions, programmes designed to achieve the objectives of these directions and stipulating the key objective of doubling the value of the Group by 2020.

One of the key objectives laid down in the strategy – sustainable increase in the Group's value – will be pursued by keeping a balance between the return on assets, contribution to the improvement of competitiveness of the national economy, and responsible and transparent activities. It is expected that efficient performance of the Group, promotion of sustainable use of resources, development and organisational culture oriented towards value building will help implement the vision of Lietuvos Energija, which is to become the most valuable energy company in the Baltic States. The Group will try to achieve higher efficiency by streamlining or centralising its auxiliary functions as well, deploying innovation and constantly improving its business processes. Putting in place common values such as responsibility, cooperation and result orientation, targeted formation of competences and increasing the maturity of the entire organisation will also be critically important for the achievement of strategic objectives.

Strategic directions of Lietuvos Energija Group for 2014–2020:

Provision of quality services to customers ("Services") – a reliable provision of quality services at the agreed time. This means guaranteed customer satisfaction. Actions undertaken under this direction will be aimed at increasing the value of the services and choices available to customers.



Diversification of operations ("Diversification") – implementation of projects that increase the competitiveness of the Lietuvos Energija Group and the entire national economy as well as the country's energy independence. These objectives will be pursued by using the available resources and infrastructure, investing in the development and efficient management of a new infrastructure, and acquisitions.

Increase in operational efficiency ("Efficiency") – the increase in the efficiency of the Lietuvos Energija Group companies is perceived as a continued process throughout the whole value chain for services. Efficiency is sought in the core activities as well as in the performance of support functions, management of assets or other resources in all the companies of the Group.

Formation of new organisational culture ("Human Resources") – is related to the development of the Lietuvos Energija Group as a united organisation: the aim is to create a modern, effective and dynamic organisation. The target organisation is the one where activities are based on common values, required competences and key personnel succession is built in a consistent and purposeful manner, and the internal environment is conducive to employee engagement.

The strategic directions and objectives of the Group were set using the Balanced Scorecard, a universally accepted good practice of strategy preparation.

Other changes within the Group

A new company in Lietuvos Energija Group

On 15 October 2013, Lietuvos Energija became the major shareholder of UAB LITGAS, a company engaged in the supply of natural gas through the liquefied natural gas terminal and trade in natural gas. Lietuvos Energija, UAB controls a 67% stake in UAB LITGAS. The remaining ownership interest belongs to AB Klaipėdos Nafta, the founder of UAB LITGAS, which plays no role in the management of the company in accordance with the EU Third Energy Package. UAB LITGAS will ensure the efficient operation of the LNG terminal by supplying the minimum volume of liquefied natural gas required. The company also seeks to play a competitive role on the regional commercial market of natural gas and LNG supply.

Separation of TIC activities

On 25 October 2013, the general meeting of shareholders of UAB Technologijų ir Inovacijų Centras (TIC) decided to change the company name to UAB Duomenų Logistikos Centras (DLC). Non-commercial activities such as support and maintenance of IT facilities of major energy companies will be separated from DLC and transferred to UAB Technologijų ir Inovacijų Centras, a new company established in November 2013 whose shareholders are Lietuvos Energija, UAB and its subsidiaries Lietuvos Energijos Gamyba, AB and AB LESTO, LITGRID AB. After this separation, DLC is focused on commercial data transmission and data centre lease services.

Management

Supervisory Board of Lietuvos Energija

(Active since 16 July 2013)

Supervisory Board is elected by the general meeting of shareholders; it consists of 7 members, including 3 independent ones, and 4 members representing the Ministries of Finance, Energy, Economy and the Office of the Government.

CHAIRMAN (independent member)



**Šarūnas
Kliokys**

Director and chairman of the Board of UAB Avestis,
Chairman of the Board of UAB Šiaulių Plento Grupė,
Chairman of the Board of UAB Kilimai

INDEPENDENT MEMBERS



Antanas Danys

Board member of Lietuvos Junior Achievement, public organisation, former chairman of the Board and head of administration of Swedbank, AB



Dr. Virginijus Lepeška

Founder and chairman of the Board of UAB Organizacijų Vystymo Centras

REPRESENTATIVES OF THE GOVERNMENT



Aloyzas Vitkauskas

Ministry of Finance,
vice-minister



Žydrūnė Juodkienė

Ministry of Energy,
vice-minister



Rasa Noreikienė

Ministry of Economy,
vice-minister



Tomas Garasimavičius

Office of the Government,
advisor to the Prime Minister

Board of Lietuvos Energija

(Active since 22 July 2013)

The Board of the Company includes 5 members, elected by the Supervisory Board for a four-year term; the Board elects its chairman from within its members.

CHAIRMAN



**Dr. Dalius
Misiūnas**

Chief Executive Officer

MEMBERS



Ilona Daugėlaitė

Director for Organisational
Development



Darius Kašauskas

Finance and Treasury Director



Mindaugas Keizeris

Strategy and Development
Director



Liudas Liutkevičius

Generation and Services
Director

Activities

Business development and innovations

Stronger market position. We have been strengthening our leading position in the free electricity market and have embarked on expansion into foreign markets; we have also increased the number of customers of green electricity. In 2013, Energijos Tiekimas, an electricity supply company controlled by the Group company Lietuvos Energijos Gamyba, increased the number of customers to over 5,500. The number of users of the certified green Lithuanian energy, generated by Kaunas Hydroelectric Power Plant was also on the increase. In July, Energijos Tiekimas entered Latvian and Estonian markets; its first customers - Lithuanian embassies in Riga and Tallinn chose Energijos Tiekimas offer based on the best price criterion.

Developments in the heat generation sector. We have expanded our activities in the heat generation sector, as Lietuvos Energijos Gamyba elected a contractor for a new heat generation complex in Elektrėnai town. The 40 MW biofuel and 50 MW steam boilers will be constructed by two-company – Filter and Vapor and UAB Kauno Energetikos Remontas consortium; Lietuvos Energijos Gamyba has secured maximum, LTL 6 million, European Union support for the same project. According to plans, the heat supply shall start in 2014-2015 and the price of heat will be amongst the lowest in whole country. The new boilers shall meet the heat and steam needs of Elektrėnai town, Kietaviškiu Gausa company, as well as those of the stand-by power plant owned and operated by Lietuvos Energijos Gamyba; this will also help to reduce the need for funding of Public Service Obligation (PSO) fee.

Stepping into the gas supply business. Energijos Tiekimas, a Group company representing the largest Lithuanian capital based independent electricity supplier, has received a natural gas supply licence. The company expects to offer its customers both electricity and natural gas in the future. In October 2013, the Group was joined by a new company LITGAS whose objective is to ensure the efficient operation of the LNG terminal by supplying the minimum volume of liquefied natural gas required and to expand operations on the regional commercial market of LNG supply and natural gas trade. The company was issued a natural gas supply licence in December 2013 by the National Commission for Energy Control and Prices and was approved as the designated supplier in February 2014.

Exploring future opportunities. We started studying practical electric car usage potential in Lithuania. By being one of the initiators of electric cars and the required infrastructure development in Lithuania, the Group company LESTO has analysed electric cars available on the market. The public is informed about opportunities of such green transport on www.lesto.lt/elektromobiliai website. LESTO also plans to install the first fast-charging station for electric cars.

We examine opportunities for energy saving in illumination systems. Together with its partners, LESTO has modernised lighting systems of stairwells and entrances in 4 multi-apartment buildings across the country, by replacing lamps with incandescent bulbs with lamps using LED bulbs, external motion sensors and/or volume sensors. The first few days have demonstrated a saving of 26-32% in terms of power saving in stairwells; as in the premises for general use, power is consumed not only by lighting, but also by circulation pumps, and other equipment installed. It was calculated that the payback period for replacing lamps with

incandescent bulbs with lamps using LED bulbs was 8 months. LESTO also began conducting tests on efficient street lighting. Together with its partners, the company installed 14 lamps using LED bulbs in a street of Birštonas. Technical characteristics of LED lamps indicate that the modernisation of street lighting in towns could help municipal councils reduce electricity consumption by up to 50–60%.

Studying the natural gas storage facility potential. Studies in boreholes in Telšiai region, Syderiai geological structure were completed. The objective of those studies is to determine whether it is possible to install the first Lithuanian storage facility for natural gas. Based on four boreholes of over 1.5 kilometre depth with horizontal sections. Lietuvos Energijos Gamyba carries out research of the storage facility and analyses data collected. Based on arranged and assessed data gathered in 2010-2013 concerning composition and parameters of Syderiai geological structure, a model of a reservoir shall be designed allowing for assessment of characteristics of the storage facility. The model shall serve as a basis for calculation and estimation of potential gas quantity to be stored in the reservoir and any available scenarios of gas in and out pumping. The Company shall also assess the number and type of storage facility boreholes to be installed, any financial resources for implementation of the project.

Expansion of Kruonis Pumped Storage Hydroelectric Plant. We continued preparatory works of Kruonis Pumped Storage Hydroelectric Plant (PSHP) development project, that once implemented shall allow the power plant to operate more flexibly, increase the system reserve and get economic benefits. Apart from four currently existing units, Lietuvos Energijos Gamyba shall install a fifth unit of 225 MW to be both more efficient and flexible compared to the old units. Its technical characteristics will allow using Kruonis PSHP for regulation of imbalances of power generated by wind farms, which will increase as countries in the region will expand electricity generation from renewable energy sources. This unit shall also allow for efficient use of opportunities provided by NordBalt and LitPol Link connections to import cheaper night electricity from surrounding markets and to transform it into peak day time electricity. Once expanded, Kruonis PSHP will help to meet the reserve needs. The project was included in the list of top 250 key energy projects, compiled by the European Commission, and as such, it shall be eligible to the European Union support.

Preparation for the new nuclear power plant. Preparatory works for the new nuclear power plant project were carried on. The company in charge of the project together with the regional partners and strategic investor, continues with the assessment of economic viability of the project, seeks opportunities to ensure maximum funding for the project by lowest costs using international financial institutions and export credit agencies. Negotiations with regional partners are carried regarding contractual framework for the project involvement, in order to ensure sharing of project implementation costs, responsibility and risk. We have also completed project geological geotechnical studies of a new site soil and have agreed the report with the state authorities. The new nuclear power plant site safety analysis and its substantiation were completed, and the State Nuclear Power Safety Inspectorate (VATESI) was provided with a report in order to collect its conclusion.

Cooperation in nuclear energy science and research. We expanded cooperation in the field of science and research of nuclear energy. UAB Visagino Atominė Elektrinė and Vilnius, Latvia, Tartu and Tallinn technical universities, Centre for Physical and Technological Science (Lithuania), National Nuclear Research Centre (Poland) and Hitachi and GE-Hitachi Nuclear Energy have signed a memorandum of cooperation. It provides that the universities involved in the project shall develop scientific, educational and research programmes related to nuclear energy, develop a platform for training of specialists in nuclear energy. Both Hitachi and GE-Hitachi Nuclear Energy shall act as engineers of the programme and technical advisers, while scientific and research centres shall contribute with their knowledge and provide for both the premises and human resources for experimental works under the regional nuclear energy research programme. Lietuvos Energija

was authorised to draft, and completed and presented to the Government, the view taken by all potential investors (including Lithuanian, Latvian, and Estonian energy companies, and Hitachi, Japanese company) on the viability of Visaginas Nuclear Power Plant.

We have signed a memorandum of understanding with Hitachi, Japanese company, as regards cooperation seeking points of interest in fields of efficient power and heat generation, systems of building energy management, power storage, smart networks, electric vehicles and their infrastructure as well as other innovative energy technologies.

Security of supply

We have secured stability of the Lithuanian electricity system, when import opportunities from the third countries dropped and there was an electricity shortage in the country. The key task was carried out and continuous electricity supply was secured as well as contribution to the stability of energy prices on the exchange was made by the combined-cycle gas turbine unit, managed by Lietuvos Energijos Gamyba as well as units of the stand-by power plant.

Enhancement of operating efficiency

The way for further improvement in efficiency of the Group activities was paved by reorganisation of corporate governance of Lietuvos Energija Group based on a new model. The parent company Lietuvos Energija shall concentrate the coordination of activities of the Group companies. Election of the supervisory boards and boards shall now separate responsibilities of management and supervisory bodies. A unified management and control system will be introduced. Once reorganisation is completed successfully, there will be an opportunity for efficient management of the Group, accomplishment of its objectives and higher value.

More efficient customer service – innovations were implemented and activities were optimised. LESTO successfully completed the project aimed at improving the functionality of its customer service website www.manoelektra.lt ensuring the provision of over 30 services to private and corporate customers. In 2013, the number of website visitors rose from 1.711 million to 2.462, the number of unique website visitors from 0.891 million to 1.098 million. At the end of 2013, there were 385,000 registered users of the system, including 334,000 household customers. In order to reduce the load on the customer service centre, LESTO put in place a notification system which sends messages on power shortages and troubleshooting duration by short messages (SMS) and e-mail. Following the implementation of the more functional self-service online and 1802 telephone line and based on the analysis of customer service trends, a decision was taken to optimise the customer service network by moving the centres from ten smallest towns to larger cities.

In order to reduce losses, improve service quality and to ensure a more reliable electricity supply, we upgraded the distribution network and related equipment. In 2013, LESTO built or upgraded 877 10/0.4 Kv transformer stations and built 1,326.27 kilometres of 10/6/0.4 Kv underground cable lines in order to avoid the exposure of overhead electricity lines and environmental damages caused by natural disasters. By constantly upgrading electricity meters used by the company, LESTO managed to reduce the number of breakdowns of electricity meters by 20% in 2013 compared to the previous year. In addition, 113,608 old electricity meters were replaced and 2,294 electricity meters were connected to the automated data reading system in 2013. In December 2013, LESTO launched a project co-financed by EU Structural Funds to replace 724 worn-out transformer assemblies with modern pole transformer stations. This will enable the company to handle increasing loads, meet the requirements of electricity supply reliability and quality and reduce losses.

Growth of customer satisfaction with services. An annual survey conducted in January 2014 showed that customer satisfaction with the services provided by LESTO improved during the year. Electricity consumers in Lithuania feel more satisfied compared to the users of similar services elsewhere in Europe. Average ratings of LESTO were higher than electricity customer satisfaction indicators of Finland, Norway, United Kingdom, Czech Republic and other countries.

Social responsibility

Lietuvos Energija group particularly focusses on a social responsibility and seeks to ensure the Group operates based on principles of responsible activities enshrined in the Global Compact, initiated by the United Nations. The Global Compact includes implementation of 10 principles of responsible activity and encourages companies to avoid damage to the environment, community, other businesses and to join their effort with the United Nations, public authorities and non-governmental organisations in dealing with social and environmental issues, thereby contributing to the development of the society and economic growth. The Global Compact is based on the principles of human rights, rights of workers, environment, and fight against corruption.

In 2013, LESTO, part of Lietuvos Energija group, was invited to chair the National Network of Companies of Responsible Business (NAVJT). NAVJT unites socially responsible Lithuanian businesses. The key mission of the network is to encourage ideas of responsible business, and their development, as a key prerequisite for sustainable development in Lithuania.

The activities of social responsibility of Lietuvos Energija Group in 12 months of 2013 included the following:

- ▶ We have enhanced our role in terms of a socially responsible and active member of the public. LESTO has examined opportunities to improve services provided for customers with special needs. This is to say services to people with both temporary and permanent disability, to the elderly, to people with age-related disability, as well as people with temporary mobility impairment, e.g. using walking aids, mothers with baby carriages etc. Analysis was carried out and assessments and recommendations received; these are now implemented in customer care centres. Memos were prepared for the use by employees to improve service of customers with special needs.
- ▶ We have engaged in educational activities and encouraged rational and responsible use of electricity. LESTO has run a third conference for rational use of electricity in business, thereby supporting and expanding its own "Tiek kiek reikia" (www.tiekkiekreikia.lt) ("Insofar as it is needed") initiative of responsible consumption. During the initiative, the company, together with its partners, has installed model and power-saving lighting systems of premises for general use in four multi-apartment buildings.
- ▶ We have actively contributed to the event during traditional Days of Energy Professionals run by the National Lithuanian Electricity Association (NLEA). Representatives of our Group companies have presented pupils, students and other members of the public with lectures on electricity generation, activities of distribution network operator, smart and nuclear energy.
- ▶ Lietuvos Energijos Gamyba became a member of an educational initiative "Kam to reikia?!" ("What is it needed for?!"), and accommodated highest number (160) of schoolchildren from the entire Lithuania. Pupils were invited to visit the power plants managed by the Company, including the stand-by power plant in Elektrėnai, Kruonis Pumped Storage Hydroelectric Plant and Kaunas Hydroelectric Power Plant and to witness first hand

as to where and how electricity is generated and to learn everything on the profession of energy professional themselves.

- ▶ LESTO completed a project for protection of storks, started in 2009, and involving the Lithuanian Society of Ornithologists, Institute of ecology at the Centre for Natural Studies, and other partners, with co-financing by the EU structural funds. The project involved installation of safe platforms for stork nests on supports of electricity lines.
- ▶ Lietuvos Energijos Gamyba was actively involved in the activities of the local community of Elektrėnai. The company continued a cycle of events, "Lietuvos Energijos Gamyba presents", where Elektrėnai residents have had an opportunity to meet famous people of culture, art, sports, and business, as invited by the company, and to discuss relevant topics. The team of Lietuvos Energijos Gamyba also contributed to the traditional campaign "Darom" ("Let's do it"); they cleaned the territory of Elektrėnai, installed sports gear on the town beach, renovated a sports field and planted trees.
- ▶ At Kaunas University of Technology Career Days 2013, Lietuvos Energijos Gamyba, part of the Group, presented positions of various specialists at the company, and provided the students with interest in energy sector with an opportunity to grasp what it means and what it takes to work for Lietuvos Energijos Gamyba in original and innovative manner.
- ▶ Divisions of Lietuvos Energijos Gamyba have actively contributed to a campaign "Meski į konteinerį" ("Dispose it in a container") run by the Ministry of Environment of the Republic of Lithuania and UAB EMP. The site of the company was used to place special containers for depositing electronic waste, where employees can dispose domestic electronic waste.
- ▶ When strengthening cooperation with the academic community, LESTO contributes to preparation of a new module of Energy economics, taught at ISM Executive School Manager master programme and also appoints qualified lecturers. Modern educational programme of ISM master qualification level shall provide opportunity to gain system view on organisation of the sector in question and develop strategic approach to energy issues.
- ▶ On 6 November 2013, LESTO was awarded a prize of National Responsible Business, as the company was recognised as most community-friendly company 2012, in the category of large Lithuanian companies. The award was presented in recognition of various partnership and dissemination of best practises abroad. LESTO has now received a third consecutive award of national responsible business.
- ▶ Lietuvos Energija Group, transmission system operator Litgrid and the Police Department signed a cooperation agreement and agreed to work closely and constructively in order to ensure the security of strategically important energy facilities.
- ▶ Green Protocol and Energy Efficiency Conference for Business, the projects launched by LESTO continued for the third consecutive year. Businesses in Lithuania are invited to join the Green Protocol acknowledging that they are aware of environmentally friendly ideas promoting rational use of electricity, support these ideas and pledge to apply them in practice. In 2013, LESTO and business daily Verslo Žinios hosted a conference for business on rational energy use which was attended by more than 300 delegates from over 160 companies from Lithuania.
- ▶ On 23 January 2014, LESTO was recognised for its corporate responsibility activities. It was awarded the title of the Social Responsibility Fox 2013 in a PR Foxes competition organised by graduate public relations students of Vilnius University. The company was recognised for its corporate responsibility and sustainable development project "Tiek, kiek reikia daugiabučiui" (As Much as an Apartment Building Needs").

Personnel

In order to accomplish the objectives set by the shareholder and to engage in a socially responsible business, the Group seeks to attract and retain highly-qualified employees and together create a long-term partnership relations and a common successful future based on the principle of mutual value-creation.

As part of the Group's corporate governance model implementation, the Group's human resource management policy was drawn up and approved in the fourth quarter of 2013 outlining a systemic approach towards human resource management and defining common key principles of management in this area. A top and middle management remuneration policy was also drawn up stipulating the principles of remuneration.

Lietuvos Energija Group values the opinion of its employees and conducted a traditional employee opinion survey in 2013. Both the managers and employees of the Group were presented with the results of the survey, and a plan of measures was formed that, when implemented, shall resolve issues identified during the survey.

At the beginning of 2014, the Group conducted a 360° assessment of competences of managers (top and middle level) of all Group companies and of all employees of Lietuvos Energija, Lietuvos Energijos Gamyba and Technologijų ir Inovacijų Centras. This assessment was aimed at obtaining a comprehensive assessment of competences provided by colleagues, direct managers and subordinates define the directions for improvement based on the results and set targets for the next year.

Companies of the Group regularly seek to improve skills of employees and provide its employees with all certificates required for work by law. In 2013, employees of Lietuvos Energija Group attended 212 training courses which included 80 technical and 132 management sessions. In 2013, 1,313 LESTO employees took part in mandatory technical training and 1,640 employees participated in training focused on the development of general competences. For the third year in a row, LESTO successfully used the programme of in-house lecturers providing training by more than 25 company employees to their colleagues. In 2013, in-house training was attended by 1,391 employees. In addition, LESTO takes special care of its best employees and implements a multi-year talent management system. In 2013, employees included in the approved LESTO talent list participated in a number of educational programmes provided by competence development and training centres.

In order to attract young highly-qualified specialists to the Group, Lietuvos Energija Group is actively collaborating with educational establishments and provides students of higher education and vocational schools with an opportunity to apply their knowledge and gain practical skills. In 2013, Lietuvos Energijos Gamyba and LESTO recruited 92 students on internship. After completion of internship, 12 students were hired under a fixed-term or open-ended employment contract.

On 31 December 2013, the Group had 4,379 employees. The total salary fund of the Company in the period of January to December 2013 amounted to LTL 182.297 million.

Category of employees	Average monthly salary, LTL
Key management personnel	13,062
Specialists and middle-ranking managers, blue-collar workers	3,388

Average salary of the Group employees in January to December 2013.

There were no marked changes in the number of employees at Lietuvos Energija Group and the Company, compared to 31 December 2012.

	Total number of employees	Change, %*
Lietuvos Energija, UAB	53	4
AB LESTO	2,420	-5
Lietuvos Energijos Gamyba, AB	503	-2
UAB Technologijų ir Inovacijų Centras and UAB Duomenų logistikos centras	191	-23
Energijos Tiekimas, UAB	18	13
UAB Kauno Energetikos Remontas	224	-10
UAB ELEKTROS TINKLO PASLAUGOS	559	-4
NT Valdos, UAB	233	-6
VšĮ Respublikinis energetikų mokymo centras	168	6
UAB LITGAS	10	
Total	4,379	-5

* change was assessed excluding employees of LITGRID AB Group in comparison to 2012

On 31 December 2013, the parent company had 53 employees. All senior and middle level managers of the Company are university graduates holding a higher education degree. The total salary fund of the Company in the period of January to December 2013 amounted to LTL 5,419 million.

Average salary of the Company employees in January to December 2013.

Category of employees	Average monthly salary, LTL
Key management personnel	12,818
Specialists and middle-ranking managers	8,371

Average salary of the Company employees in January to September 2013.

In line with the guidelines approved following the reorganisation of corporate governance of Lietuvos Energija group, more focus will be placed on the coordinated development of the organisation, management of human resources, formation of a new organisational culture, efficiency of business organisation, improvement and maintenance of competences. This will ensure an efficient use of competencies available at the Group and identification of the necessary ones, as well as improve the satisfaction of employees.

Environmental protection

Lietuvos Energija group promotes both cost-saving and anti-pollution measures at work, and encourages the sparing use of natural resources. The Group seeks to introduce advanced, efficient and environmentally friendly technologies, comply with the environmental laws and regulations, and implement preventive measures to reduce adverse impact upon the environment in a professional manner.

LESTO continuously encourages its customers to switch from printed invoices and payment books to remote service channels and payment for services using the direct debit option. Over 90% of LESTO business customers have already switched to electronic invoicing. LESTO also carries out a waste management initiative aimed at sorting waste plastic and paper and, in cooperation with electronic waste association EEPA, collects waste energy-saving bulbs, small electronic devices and batteries from employees at customer service centres.

Lietuvos Energijos Gamyba regularly carries out calculations of pollution from stationary and mobile pollution sources, accounting of chemicals, carries out internal audit of chemical and preparations, treatment of waste and waste water originating.

No. 1 and 2 energy units of Lietuvos Elektrinė now include new automatic monitoring systems for regular emissions of pollutants.

In 2013, the treatment facilities for waste water with oil products from Lietuvos Elektrinė were launched following reconstruction. Once restored, the treatment facilities now allow for 50% cut in waste water treatment.

In 2013, administration and production divisions of Lietuvos Energijos Gamyba, introduced environmental protection management system, in compliance with ISO 14001:2005 international standard. The company has set its priorities and approved policy of health and safety at work, as well as in the field of environmental protection.

After a comprehensive accredited audit, Lietuvos Energijos Gamyba was issued an international environmental management certificate ISO 14001:2004 which will expire at the end of 2016. The certificate is applicable to products and services provided by power plants in Elektrėnai, Kruonis and Kaunas which are operated by Lietuvos Energijos Gamyba. This means that all activities carried out at power plants such as electricity and heat generation, operation of electricity, heat, turbine, natural gas, oil and petroleum product equipment at the Elektrėnai plant, electricity generation, supply, operation of equipment and power reservation at the Kruonis Pumped Storage Plant as well as electricity generation, supply and operation of installations at the Kaunas Hydroelectric Power Plant meet tight international environmental requirements.

According to international practice, a certified environmental management system improves the management of operating costs, reduces the likelihood of incidents with environmental consequences, improves chances to obtain various permits and licences.

By way of projects on environmental protection, the Group seeks to reduce the adverse effect of energy objects on humans and the environment and to encourage public involvement in various initiatives related to the protection of environment.

Analysis of the Group's performance

Key operational and financial indicators

In 2013, Lietuvos Energija group generated 1.96 TWh of electricity (-10.9% and -0.24 TWh from 2012). The lower volume of electricity resulted from the reduced quota for subsidised electricity generation at the Elektrėnai backup power plant. The actual reduction during the period was partially offset by higher electricity generation volumes at Kruonis Pumped Storage Plant and Kaunas Hydroelectric Power Plant.

The Group distributed 8.21 TWh of electricity to customers via medium- and low-voltage lines (+1.2%, +0.1 TWh). The increased electricity distribution volume reflected the continuing growth of the Lithuanian economy.

During the reference period, Lietuvos Energija group public and guaranteed electricity supply made up 3.06 TWh (-15.2%, -0.55 TWh). The reduction in this volume was caused by further active liberalisation of the Lithuanian electricity market. Electricity sales on the free market stood at 1.16 TWh (-38.9%, -0.74 TWh). The volume of electricity sold by Energijos tiekimas decreased as the company focused on improving its profitability.

Excluding the effects of force majeure, the System Average Interruption Duration Index (SAIDI) per customer stood at 72.51 minutes and the System Average Interruption Frequency Index (SAIFI) at 0.97 times in 2013. Compared to 2012, LESTO electricity supply qualitative indicators improved significantly during the year (SAIDI was 76.50 minutes and SAIFI 1.06 times in 2012).

Key indicators of Lietuvos Energija group

LTL thousands, unless specified otherwise		12M of 2013	12M of 2012 (restated)	Change	
				+/-	%
Business indicators					
Produced electricity	TWh	1.96	2.20	-0.24	-10.9
Distributed electric energy via medium- and low- voltage grids	TWh	8.21	8.11	0.10	1.2
Public and guaranteed supply	TWh	3.06	3.61	-0.55	-15.2
Sales of electricity in the market	TWh	1.16	1.90	-0.74	-38.9
Electricity supply quality indicators					
SAIDI (incl. force majeure)	min	153.43	287.70		
SAIFI (incl. force majeure)	units	1.43	1.82		
Financial indicators					
Revenue		2,907,162	2,799,090	108,072	3.9
Costs of purchase of electricity, fuel and related services		(1,777,269)	(1,840,234)	62,965	-3.4
Operating expenses ¹		(457,453)	(433,178)	-24,275	5.6
EBITDA ²		678,027	525,457	152,571	29.0
EBITDA margin³	%	23.3	18.8		
Net profit		117,377	-33,716	151,093	-

In 2013, assets and equity capital of the Group changed by -1.0% (LTL -102.7 million) and 1.4% (LTL 89.5 million) respectively. A negative change in the value of assets was mostly caused by changes in tangible assets which reflected a higher level of financial depreciation compared to investments in non-current tangible assets made in the same period as well as the impairment of non-current assets and amounts receivable recorded at the end of the year. The Group's equity capital increased as a result of profitable operations in 2013.

Key indicators of Lietuvos Energija group (continued)

LTL thousands, unless specified otherwise		31/12/2013	31/12/2012	Change	
				+/-	%
Financial indicators (continued)					
Total assets		9,740,460	9,843,200	-102,740	-1.0
Equity		6,264,495	6,175,014	89,481	1.4
Financial debt		1,180,088	1,255,991	-75,903	-6.0
Net Financial Debt ⁴		441,998	832,361	-390,363	-46.9
Return on Equity (ROE) ⁵	%	1.9	-0.5		
Net Financial Debt / last 12 months EBITDA	%	65.2	158.4		
Net Financial Debt / Equity	%	7.1	13.5		

¹ Operating expenses (OPEX) = operating costs net of the costs of procurement of electricity and related services, depreciation and amortisation, impairment and non-current tangible asset write-off costs;

² EBITDA (earnings before interest, taxes, depreciation and amortisation) = profit (loss) before taxes + interest costs - interest revenue - dividends received + depreciation and amortisation costs + impairment costs + non-current tangible asset write-offs;

³ EBITDA margin = EBITDA / Revenue;

⁴ Net financial debt = financial debt - cash and cash equivalents - current investments and term deposits - other non-current financial assets;

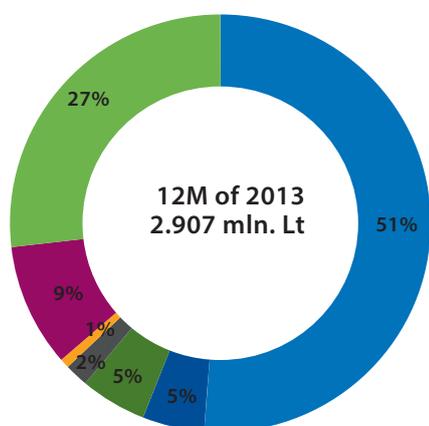
⁵ Return on equity (ROE) = net profit (loss) expressed as an annual percentage/equity capital at the end of period.

In November 2013, Lietuvos Energijos Gamyba, a subsidiary of Lietuvos Energija, conducted the recalculation of non-current tangible assets of Lietuvos Elektrinė. This was carried out to eliminate any discrepancies related to the disclosure of the value of tangible assets of Lietuvos Elektrinė in financial statements and arising out of the revaluation of assets of Lietuvos Elektrinė in the accounts of 2002.

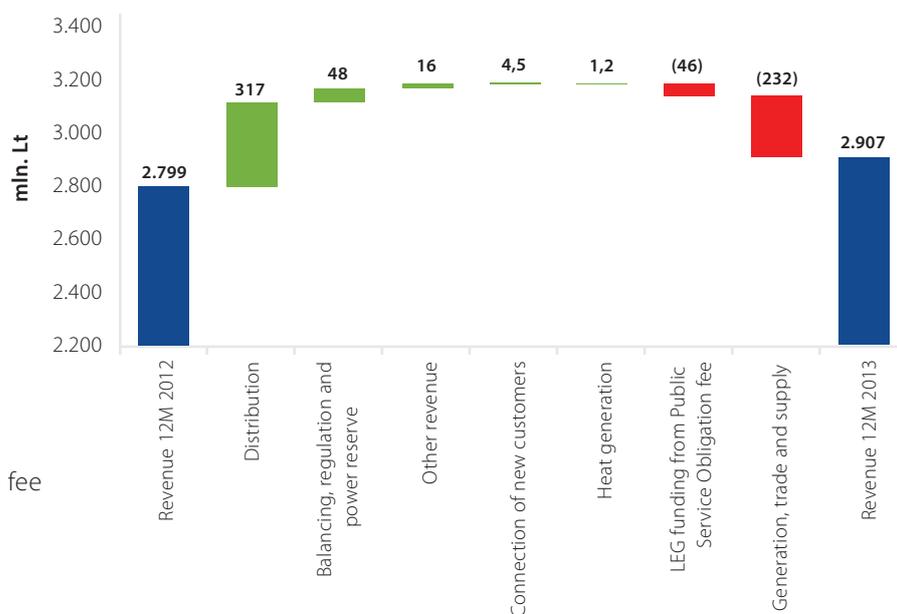
LTL thousands	31.12.2013	31.12.2012	Change	
	After revaluation of Lietuvos Elektrinė assets	Before revaluation of Lietuvos Elektrinė assets	+/-	%
Total assets	9,843,200	10,295,821	-452,621	-4,4

Revenue

In 2013, revenue of Lietuvos Energija group stood at LTL 2,907.2 million (+3.9% and LTL +108.1 million from 2012). The main reasons behind the increase in revenue were the higher volume of distributed electricity (1.2%), increase of the PSO component in the transport service tariff from 7.04 ct/kWh to 9.38 ct/kWh and increase in the average transmission price from 3.09 ct/kWh to 3.45 ct/kWh. Due to the discrepancy between the supply and consumption chart of the Lithuanian grid in the third quarter, LITGRID reserved more backup capacities which resulted in higher revenue for Lietuvos Energija from balancing, regulation and power reservation services. The overall growth of revenue was slowed down by lower revenue from trade and supply caused by a fall in supply and generation volumes. Another negative factor affecting revenue was the reduced electricity generation quota for 2013 and PSO payments to the backup power plant in Elektrėnai.



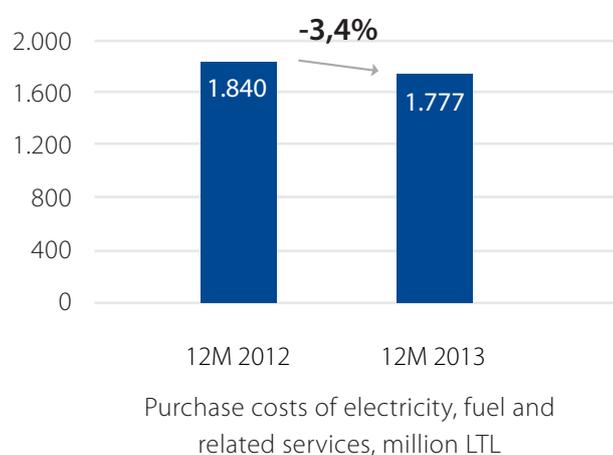
- Distribution
- Generation, trade and supply
- LEG funding from Public Service Obligation fee
- Heat generation
- Connection of new customers
- Other revenue
- Balancing, regulation and power reserve



Operating and purchase costs

Operating costs stood at LTL 457.5 million and increased by 5.6% during the year (LTL 24.3 million) mainly as a result of higher annual repair and maintenance costs. Several complementary causes had a downward effect on the annual cost basis: better efficiency of regulated activities and lower costs of the new Visaginas nuclear power plant project.

The lower annual volume of electricity supply and electricity generation by units of Lietuvos Elektrinė resulted in a 3.4% drop (LTL 63 million) of purchase costs of electricity, fuel and related services compared to 2012.

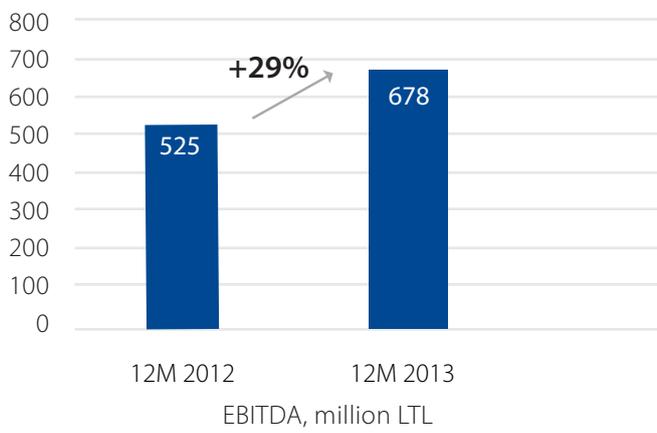


EBITDA and the net profit

In 2013, the Group's EBITDA stood at LTL 678 million (+29%, LTL +152.6 million). The major factor affecting the growth of Lietuvos Energija group EBITDA was higher net distribution revenue, higher revenue from non-core activities and higher gross profit from electricity trade and supply, balancing, regulation and power reservation. An increase in the annual operating costs had a negative effect on EBITDA. In 2013, the EBITDA margin stood at 23.3% (EBITDA margin was 18.8% in 2012).

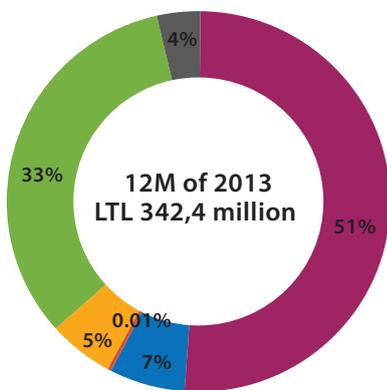
Net profit stood at LTL 117.4 million and increased by LTL 151.1 million compared to the result of 2012 (loss of LTL 33.7 million)*. The growth of the Group's net profit effectively reflected the growth of EBITDA. The increase of net profit was marginally lower because of the valuation and accounting of impairment of carbon permits caused by changes in the value of carbon permits on the market.

* continuing operations

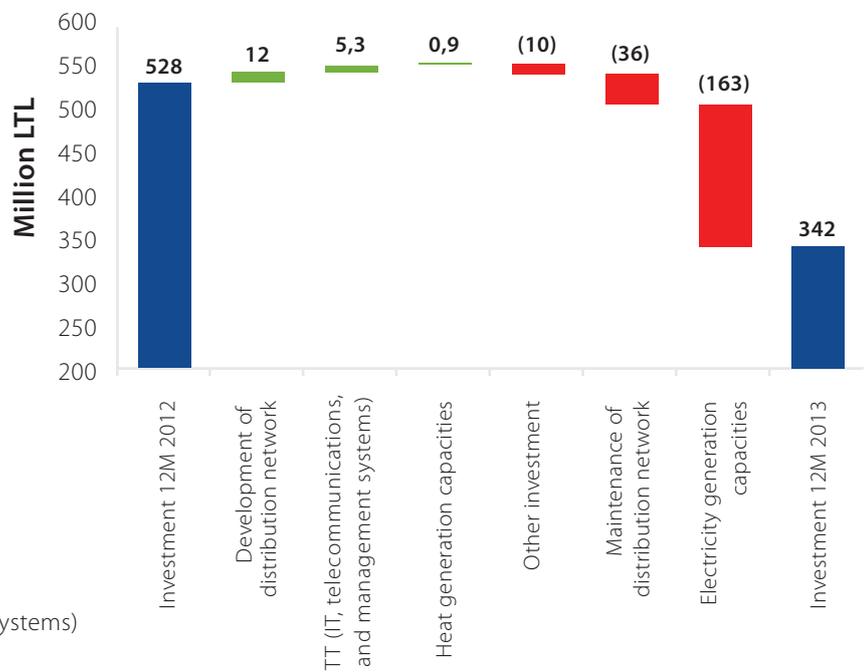


Investment

In 2013, the Group invested LTL 342 million (-35.7%, LTL -190.1 million). Investments in the development of the distribution network stood at LTL 175.5 million and increased by 7.5% compared to the investments in the electricity network made in 2012 (LTL 163.2 million). In 2013, LESTO connected 20,649 new customer facilities, up by 26.7% from the relevant period in 2012 when 16,302 new customer facilities were connected. The completion of construction of the new combined-cycle unit of Lietuvos Elektrinė in 2012 meant that investments in electricity generation capacities in 2013 fell to the level of investments necessary to support the existing generation capacities.

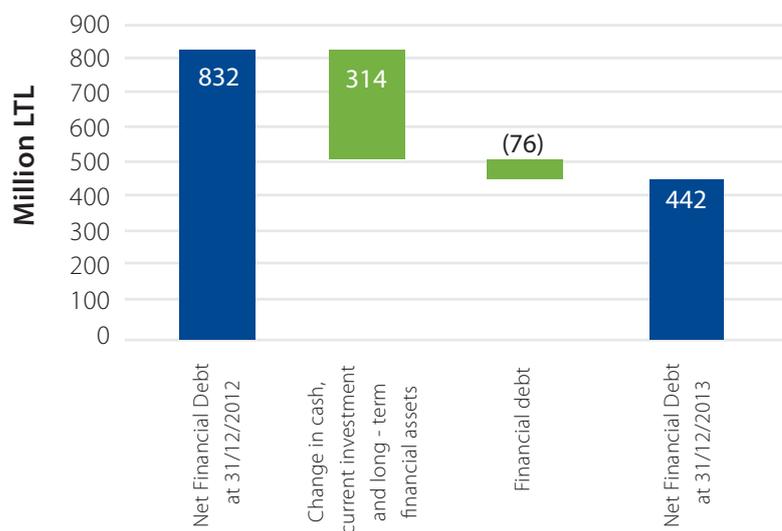


- Development of distribution network
- Maintenance of distribution network
- Other investment
- ITT (IT, telecommunications, and management systems)
- Electricity generation capacities
- Heat generation capacities

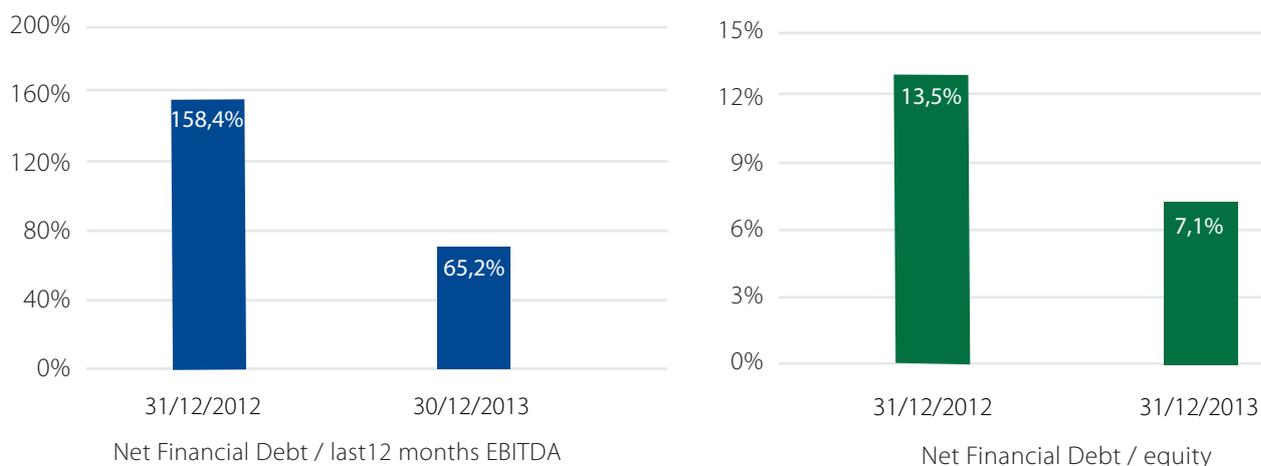


Financial debt

At the end of 2013, the Group's net financial debt stood at LTL 442 million (-46.9% and LTL -390.4 million compared to the beginning of 2013). During the year, the level of borrowings of the Group did not change much but a large increase in cash and current investment assets resulted in a 47% reduction of the Group's net financial debt. In 2013, the Group retained and strengthened its financial capacity.



The current debt level remains low in terms of both revenue generated and capital structure. Compared to the average debt level of European energy companies, the Group's financial debt level reflects a strong financial standing of the Group.



Key information on the Company

Interim reports of Lietuvos Energija and its subsidiaries are prepared in accordance with Resolution No. 1052 of the Government of the Republic of Lithuania of 14 July 2010 Concerning the Approval of the Description of the Guidelines on Assurance of State-Owned Enterprise Activity Transparency and Appointment of a Coordinating Authority, and are publicised on the Company's website at: www.le.lt.

Name	Lietuvos Energija, UAB
Company code	301844044
Authorised share capital	LTL 4,067,163,632
Paid-up authorised share capital	LTL 4,067,163,632
Address	Žvejų g. 14, LT-09310, Vilnius, Lithuania
Telephone	(8 5) 278 2998
Fax	(8 5) 278 2115
E-mail	biuras@le.lt
Website	www.le.lt
Legal form	Private limited liability company
Registration date and place	28 August 2008, Register of Legal Entities
Register gathering and storing data on the company	Register of Legal Entities, state enterprise the Centre of Registers

On 13 February 2013, the shares of the Company were transferred to the Ministry of Finance.

As at 31 December 2013, the Company's authorised share capital totalled LTL 4,067,163,632. As at 30 June 2013, the authorised share capital was divided into ordinary registered shares with a nominal value of LTL 1 each. All the shares are fully paid.

Company's shareholder	Authorised share capital (LTL thousand)	%
Republic of Lithuania represented by the Ministry of Finance	4,067,164	100

Information on the subsidiaries, branches and representative offices

Lietuvos Energija, UAB controls, directly or indirectly, the following companies:

Group company	Registered office address	Effective ownership interest 31/12/2013, %	Share capital (LTL thousands) 31/12/2013	Core activities
Lietuvos Energijos Gamyba, AB	Elektrinės str. 21, Elektrėnai	96,1	635 084	Electricity generation, supply, electricity import and export and trading in electricity
AB LESTO	Žvejų str. 14, Vilnius	82,6	603 945	Electricity supply and distribution for customers
NT Valdosa, UAB	Geologų str. 16, Vilnius	87,9	314 001	Real estate operations, other related activities and services
UAB Duomenų logistikos centras	A.Juozapavičiaus str. 13, Vilnius	73,2	58 907	Support services for information and communication technologies
UAB Technologijų ir inovacijų centras ²	A.Juozapavičiaus str. 13, Vilnius	85,8	10	Provision of information and communication technologies and other services
Respublikinis Energetikų Mokymo Centras	Jeruzalės str. 21, Vilnius	73,2	294	Professional education and continuing vocational training for energy sector specialists
UAB ELEKTROS TINKLO PASLAUGOS	Motorų str. 2, Vilnius	82,6	18 904	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks
UAB Kauno Energetikos Remontas	Chemijos str. 17, Kaunas	96,1	14 245	Repair of energy equipment, manufacture of metal structures
Gotlitas UAB (controlled through UAB Kauno Energetikos Remontas)	R. Kalantos str. 119, Kaunas	96,1	1 450	Accommodation services, trade
Energijos tiekimas UAB	Jeruzalės str. 21, Vilnius	96,1	750	Supply of electricity and natural gas
Energijos tiekimas OÜ	Narva mnt 5, 10117 Tallinn	96,1	121	Supply of electricity
Energijos tiekimas SIA	Elizabetes iela 45/47, LV-1010 Rīga	96,1	99	Supply of electricity
UAB „VAE SPB“	Žvejų str. 14, Vilnius	100	10	Business consulting and other management activities
UAB LITGAS ¹	Gedimino pr. 33-2, LT-01104 Vilnius	66,7	3000	Supply of liquefied natural gas through the terminal and trade in natural gas

¹ Since 15 October 2013

² Since 4 December 2013

Supervisory bodies

On 31 December 2013, Lietuvos Energija, UAB had the Supervisory Board comprised of the following members:

Full name	Position	Interest in the Company and the Group companies, %	Employer
Šarūnas Kliokys	Chairman, independent member	-	Director and chairman of the Board of UAB Avestis, Chairman of the Board of UAB Šiaulių Plento Grupe, Chairman of the Board of UAB Kilimai
Antanas Danys	Independent member	-	Board member of Lietuvos Junior Achievement, public organisation
Dr. Virginijus Lepeška	Independent member	-	Chairman of the Board of UAB Organizacijų Vystymo Centras
Aloyzas Vitkauskas	Member	-	Ministry of Finance of the Republic of Lithuania, vice-minister
Žydrūnė Juodkienė	Member	-	Ministry of Energy of the Republic of Lithuania, vice-minister
Rasa Noreikienė	Member	-	Ministry of Economy of the Republic of Lithuania, vice-minister
Tomas Garasimavičius	Member	-	Advisor to the Prime Minister of the Republic of Lithuania on energy

On 31 December 2013, Lietuvos Energijos Gamyba, AB had the Supervisory Board comprised of the following members:

Full name	Position	Interest in the Company and the Group companies, %	Employer
Dr. Dalius Misiūnas	Chairman	-	Chief Executive Officer of Lietuvos Energija, UAB
Liudas Liutkevičius	Member	-	Director for Production and Services of Lietuvos Energija, UAB
Pranas Vilkas	Independent member	-	-

On 31 December 2013, AB LESTO had the Supervisory Board comprised of the following members:

Full name	Position	Interest in the Company and the Group companies, %	Employer
Petras Povilas Čėsna	Independent member	-	Board chairman of LITEXPO
Ilona Daugėlaitė	Member	-	Director for Organisational Development of Lietuvos Energija, UAB
Darius Kašauskas	Member	-	Director for Finance and Treasury of Lietuvos Energija, UAB

Management bodies

In accordance with the articles of association as of 31 December 2013, the management bodies of the Company were as follows: the Board of the Company and Chief Executive Officer of the Company.

In accordance with the articles of association as of 31 December 2013, the Board, as a collegial body of the Company, included 5 members.

At the end of the reporting period (31 December 2013), the Board of the Company included the following:

Full name	Position	Interest in the Company and the Group companies, %	Employer
Board			
Dr. Dalius Misiūnas	Chairman	-	Chief Executive Officer of Lietuvos Energija, UAB
Ilona Daugėlaitė	Member	-	Director for Organisational Development of Lietuvos Energija, UAB
Darius Kašauskas	Member	-	Director for Finance and Treasury of Lietuvos Energija, UAB
Mindaugas Keizeris	Member	-	Director for Strategy and Development of Lietuvos Energija, UAB
Liudas Liutkevičius	Member	-	Director for Production and Services of Lietuvos Energija, UAB

Manager: Dr. Dalius Misiūnas, Chief Executive Officer of Lietuvos Energija, UAB

On 31 December 2013, Lietuvos Energijos Gamyba, AB had a Board as follows:

Full name	Position	Interest in the Company and the Group companies, %	Employer
Board			
Juozas Bartlingas	Chairman	-	Chief Executive Officer of Lietuvos Energija Gamyba, AB
Adomas Birulis	Member	-	Director for Business Development Department of Lietuvos Energijos Gamyba, AB
Eglė Čiužaitė	Member	-	Director for Finance and Legal Department of Lietuvos Energijos Gamyba, AB
Darius Kucinas	Member	-	Director for Production Department of Lietuvos Energijos Gamyba, AB
Vidmantas Saliotis	Member	-	Director for Wholesale Electricity Department of Lietuvos Energijos Gamyba, AB

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

On 31 December, AB LESTO had the Board as follows:

Full name	Position	Interest in the Company and the Group companies, %	Employer
Board			
Aidas Ignatavičius	Chairman	-	Chief Executive Officer of AB LESTO
Andrius Bendikas	Member	-	Director for Finance and Administration Service of AB LESTO
Dalia Andrulionienė	Member	-	Director for Human Resources and Communications Service of AB LESTO
Sergejus Ignatjevas	Member	-	Director for Customer Care Service of AB LESTO
Virgilijus Žukauskas	Member	-	Director for Electricity Grid Service of AB LESTO

Manager: Aidas Ignatavičius, Chief Executive Officer of AB LESTO

Committees of the Supervisory Board

On 31 December 2013, the Company, as the parent company of the Group, had the following committees of the Supervisory Board: Audit, Risk Management Supervision, Appointment and Salary Committees.

Audit Committee

On 31 December 2013, the Company had the Audit Committee of the Supervisory Board which also functions as the Audit Committee of companies of the Group pursuant to the provisions of the Law on Audit.

Information on the members of the committee:

Member of the committee	Number of shares of the Company and the Group held	Employer
Rasa Noreikienė (chairperson of the committee)	-	Ministry of Economy of the Republic of Lithuania, vice-minister
Aušra Vičkačkienė	-	Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department
Danielius Merkinas (independent member)	-	Finance Director at Nordnet UAB
Gintaras Adžgauskas	-	Director of the Lithuanian Member Committee, World Energy Council

Main functions of the committee:

- ▶ supervising the preparation process for financial statements of the Company and Group companies, with a special focus on adequacy and consistency of accounting methods employed;
- ▶ supervising the efficiency of the internal control and risk management systems of the Company and Group companies, in order to analyse the need for and suitability of these systems and monitor review of existing internal control systems;
- ▶ supervising how a certified auditor and audit company follow the principles of independence and impartiality, in order to provide them with relevant recommendations, as well as recommendations on an audit company to be selected;
- ▶ supervising the audit processes of the Company and Group companies, in order to evaluate the efficiency of an audit and the administration's reaction to recommendations submitted by an audit company to the management;
- ▶ supervising the efficiency of the internal audit process of the Company and Group companies, in order to analyse the need for and suitability of this function, submit related recommendations on the need and efficiency as well as on other internal audit-related issues;
- ▶ submitting proposals concerning internal audit plans of the Company and Group companies, submitting recommendations concerning regulations of internal audit divisions of the Company and Group companies, appointment and dismissal of manager of a structural division in charge of internal audit function, approval of respective job description, incentives and penalties;
- ▶ supervising whether the activities of the Company and the Group companies complies with the laws, other regulations of the Republic of Lithuania, articles of association and operational strategy;
- ▶ assessment and analysis of other issues, attributed to the committee based on decision of the Supervisory Board;
- ▶ carrying out other functions provided by the laws of the Republic of Lithuania and corporate governance code of companies listed on NASDAQ OMX Vilnius stock exchange, as related to the functions of the committee.

Supervisory Risk Management Committee

Information on the members of the committee:

Member of the committee	Number of shares of the Company and the Group held	Employer
Antanas Danys (chairman of the committee)	-	Board member of Lietuvos Junior Achievement, public organisation
Žydrūnė Juodkienė	-	Ministry of Energy of the Republic of Lithuania, vice-minister
Tomas Garasimavičius	-	Advisor to the Prime Minister of the Republic of Lithuania on energy
Raimundas Petrauskas (independent member)	-	Chief Executive Officer of Schmitz Cargobull Baltic, UAB
Donatas Kaubrys ¹ (independent member)	-	Director of Dovirma, UAB

¹ appointed on 15 October 2013

Main functions of the committee

- ▶ supervising identification, assessment and management of risks relevant for accomplishment of tasks set to the Company and Group companies;
- ▶ assessing adequacy of internal control procedures and risk management measures with respect to the risks identified;
- ▶ assessing implementation state of risk management measures;
- ▶ supervising implementation of risk management process;
- ▶ analysis of financial opportunities for introduction of risk management measures;
- ▶ assessing risks and risk management plan concerning the Company and Group companies;
- ▶ assessing regular risk determination and assessment cycle;
- ▶ controlling establishment of risk registers, analysis of their data and submitting proposals;
- ▶ supervising drafting of internal documents, related to risk management;
- ▶ performing other functions, attributed to the committee based on decision of the Supervisory Board.

Appointment and Salary Committee

Information on the members of the committee:

Member of the committee	Number of shares of the Company and the Group held	Employer
Aloyzas Vitkauskas (chairman of the committee)	-	Ministry of Finance of the Republic of Lithuania, vice-minister
Tomas Garasimavičius	-	Advisor to the Prime Minister of the Republic of Lithuania on energy
Virginijus Lepeška (independent member)	-	Chairman of the Board of UAB Organizacijų Vystymo Centras

Main functions of the committee

- ▶ assessing and making proposals as regards principles of the long term remuneration policy of the Company and Group companies (including basic salary, salary depending on performance, pension insurance, other forms of guarantees and remuneration, compensations, severance payments and other components of salary package), as well as principles of reimbursement of costs related to personal activity;
- ▶ assessing and making proposals as regards bonus policy of the Company and Group companies;
- ▶ supervising conformity of salary and bonus policy applied by the Company and the Group companies to the international practise and recommendations of best governance practice as well as providing respective proposals concerning improvement of salary and bonus policy;
- ▶ submitting proposals concerning allocation of distributable profit/loss of the Company and the Group companies in respective financial year;

- ▶ assessing terms and conditions in contracts with the Company and the Group companies and members of the management bodies of the Company and the Group companies;
- ▶ assessing procedures for search and selection of candidates for the members of bodies and senior management of the Company and the Group companies as well as establishment of qualification requirements;
- ▶ ensuring regular assessment of structure, size, composition and activity of management and supervisory bodies of the Company and the Group companies;
- ▶ supervising the way members of management bodies and employees of the Company and the Group companies are informed of opportunities available for professional improvement and the way they regularly improve their skills;
- ▶ supervising and assessing implementation of measures for continuity of management and supervisory body and Group companies;
- ▶ performing other functions, attributed to the committee based on decision of the Supervisory Board.

Information about contracts between the issuer and securities' public offering agents

Lietuvos Energija has not concluded any contracts with securities' public offering agents as its securities are not traded on the stock exchange.

Companies of the Group:

Lietuvos Energijos Gamyba, AB

Lietuvos Energijos Gamyba has concluded a contract for handling the accounting of securities issued by the issuer and handling of personal securities accounts with Swedbank, AB.

AB LESTO

Swedbank, AB is the authorised processor of security accounts of LESTO.

Trade in securities of the Group on the regulated markets

Lietuvos Energijos Gamyba, AB

At 1 September 2011, the shares of Lietuvos Energijos Gamyba were listed in the official trading list of NASDAQ OMX Vilnius. The company shares are traded on NASDAQ OMX Vilnius stock exchange (hereinafter Vilnius stock exchange).

On 31 December 2013 the company had issued 635,083,615 ordinary registered shares with a nominal value of LTL 1 each.

Emission ISIN code LT0000128571.

AB LESTO

Since 17 January 2011 the ordinary registered shares of AB LESTO were listed in the official trading list of NASDAQ OMX Vilnius.

On 31 December 2013 the company had issued 603,944,593 ordinary registered shares with a nominal value of LTL 1 each.

Emission ISIN code LT0000128449.

Chief Executive Officer
28 February 2014



Dalius Misiūnas



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Žvejų str.14, Vilnius
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