

THE REPORT ON THE ACTIVITY AND SOCIAL RESPONSIBILITY OF 2013



Lietuvos
energija

GAMYBA

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CEO's WORD



DEAR SHAREHOLDERS, CLIENTS, PARTNERS, EMPLOYEES,

The year 2013 was special for our Company: we were increasing, become more flexible, and had enhanced the efficiency. While reading this report you will have a possibility to familiarize with the results of our activity, to learn about generalized information on the basic events and achievements.

We had met the autumn of 2013 with new name – Lietuvos Energijos Gamība. The year was pronounced that we had participated within the reconstruction of the management of the biggest group of the companies of energetics of the state Lietuvos Energija increasing expeditiously. We had responsibly accepted the commitment to be reliable and stable part of the group ensuring power safety of the state, the production of basic electric power and mandatory reserve.

Today I can safely say that Lietuvos Energijos Gamība, as the main producer of state's electric power, had completed year 2013 especially successfully. Three power plants operated by us – in Elektrėnai, Kruonis and Kaunas – had no accidents and serious breakdowns that could create direct danger for the activity of the Company. This is the merit of our professional and experienced employees, the result of responsible work.

Financial results inspire to take not less pride in performed works. The situation in wholesale market of electric power was quite dynamic in 2013. Electric power cost even 10% more than during 2012 in Lithuanian market. Despite large fluctuations of the price of electric power, prices obtained record heights in the autumn of 2013 and limited capacity with neighbor states, our specialists had crossed with the challenges. Trading activity of the Company was successful and the employees made quick and precise reaction to the changes and this had ensured high indexes of profitability. In 2013 Lietuvos Energijos Gamība had gain

the earning of 208 million Litass before taxes, interest, depreciation and amortization (EBITDA). This is 42% more than in 2012.

Lietuvos Energijos Gamyba is the company living not only by important and urgent things of today but also looks to the future with a wide aspect. After the completion of complicated constructional project of new block of composite cycle in Elektrėnai in 2012 we did not stop in 2013 and were in progress. We had further developed expansion project of heat production capacity in Elektrėnai complex, performed investigation works of possible underground storage of natural gas of Syderiai, analyzed the possibilities of the development of Kruonis Pumped Storage Hydroelectric Plant and performed other projects.

I want to indicate successfully completed project of waste water treatment equipment in Elektrėnai complex. This project is significant not only for direct activity of the company but also for the protection of the environment. Lietuvos Energijos Gamyba affords especially great attention for the environment surrounding us and for the responsibility against the society. Probably the major result of the development of environmental indexes of last year is the conferment of international standard ISO 14001:2004 of environment protection management. This evaluation shows that we are going down the right, responsible road and down the road reasoned by rational behavior.

The major capital of the Company is its personnel daily managing complicated equipment of electricity production, responsibly performing trading, financial and administrative activity. One of the major purposes in 2013 was the strengthening of organizational culture. We were seeking and will further seek after our employees would be single, big and harmonious family of the society of the specialists of energetics, knowing its mission and following keystone values.

Being sociably responsible we follow all ten principles of Global Compact, consider general aspects of human and employee's rights, environmental protection and clarity and definitely pronounce that within this report.

I believe that 2014 will also be successful for Lietuvos Energijos Gamyba. We will participate on purpose seeking after the main targets in the sector of energetics, will seek after the contribution to increase the value of the group of Lietuvos Energija companies by persistent work.

Sincerely Yours



Juozas Bartlingas,
Chairman of the Board, CEO of
Lietuvos Energijos Gamyba, AB

ABOUT THE COMPANY

THE OBJECT AND PURPOSE OF THE ACTIVITY

Lietuvos Energijos Gamyba, AB* (hereinafter – Lietuvos Energijos Gamyba or the Company) performs the activity of the production and trading of electric and heat power. The purpose of the activity of the Company is effective power production and supply thus contributing to power security of the state.

Important role falls to Lietuvos Energijos Gamyba in strengthening the effectiveness of electric economy of the state, competitive ability and transparency, also by protecting the interests of the consumers. The Company engages in the trading of electric power in wholesale market (i.e. within communicative environment of the producers and suppliers of electricity): sells electric power and delivers compensation services of electric

power for social and independent suppliers performing their activity in Lithuanian market, deals within electric power market.

In order to perform assigned tasks properly and effectively the Company imposes large importance on the education of the specialists, applies scholarly and technical innovations in its activity.

** The company had started its activity in 1 August 2011 after the junction of two companies – AB Lietuvos Energija and AB Lietuvos Elektrinė. The title of the Company is Lietuvos Energijos Gamyba, AB since 5 August 2013. Theretofore it was named Lietuvos Energija, AB.*

THE MISSION

The mission is to deliver reliable, effective, diversified power solutions corresponding to recent and prospective need of the consumers.

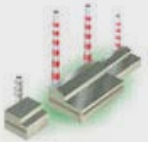


THE VISION

The vision is to be national producer of electric power and perform effectively within integrated European market of electricity.

PRODUCTION OBJECTS

Three production objects belong to the Company: Elektrėnai complex with reserved power plants and the block of composite cycle, Kruonis Pumped Storage

Hydroelectric Plant (hereinafter – Kruonis PSHP) and Kaunas Hydroelectric Power Plant (hereinafter – Kaunas HPP).

 <p>Elektrėnai complex Reserved power plant and the block of composite cycle</p>	 <p>Kruonis Pumped Storage Hydroelectric Plant</p>	 <p>Kaunas Hydroelectric Power Plant</p>
<p>Capacity – 1955 MW</p> <p>The main power plant of Lithuanian energy scheme having major production capacities in the state and maintaining tertiary reserve to secure the safety of electric power supply and the reserves of energy scheme.</p> <p>Constructional project of new equipment of heat energy production is under the realization.</p>	<p>Capacity – 900 MW</p> <p>Kruonis PSHP is intended for the balance of the production and consumption of electricity, also for the prevention of the accidents within energy scheme and liquidation of them. Kruonis PSHP ensures major part of all amount of necessary emergency reserve of Lithuanian energy scheme of electricity.</p> <p>Kruonis PSHP is the only power plant of such type in Baltic States.</p>	<p>Capacity – 101 MW</p> <p>Kaunas HPP is the biggest power plant in Lithuania using renewable resources.</p> <p>Kaunas HPP helps to balance the production and consumption of electricity and stabilizes unevenness of energy scheme. This power plant is one of Lithuanian power plants capable to start working automatically after the occurrence of general accident of the scheme.</p>

STOCK

The shares of Lietuvos Energijos Gamyba were included into Official trading list of NASDAQ OMX Vilnius since 1 September 2011. The dealing with the shares of the Company is performed only within the market of paper currency of NASDAQ OMX Vilnius.

ISIN code LT0000128571

The clipping of paper currency LNR1L

Ordinary registered shares of Lietuvos Energijos Gamyba compose 100% of authorized capital of the Company.

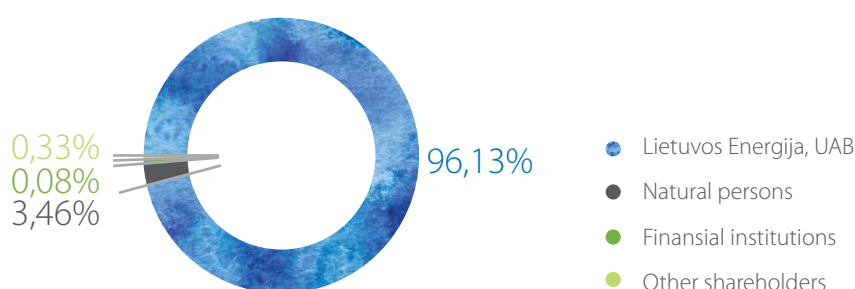
The type of the shares	Ordinary registered
The quantity of the shares, units	635 083 615
Nominal value, in Litas	1
Total nominal value, in Litas	635 083 615
The part in authorized capital, %	100

THE SHAREHOLDERS

In accordance to the information of 31 December 2013 the shares of Lietuvos Energijos Gamyba were owned by 6 153 shareholders.

The major shareholder of the Company having 96.13% of the shares by proprietary rights is Lietuvos Energija, UAB.

The distribution of the shares of the Company in accordance to the groups of shareholders, % (in accordance to the information of 31st December 2013 m)



STOCK TRADING

On the last trading day of 2013 market capitalization of Lietuvos Energijos Gamyba was composed of 863.97 million Litass. The Company had taken the fifth place in accordance to market capitalization between the companies included into Official Baltic trading list.

Average price of Lietuvos Energijos Gamyba shares in 2013 had reached 1.32 Litass and was lower by 7% than average price of 2012 (1.42 Litass). The worst fallen price of the shares of the Company in 2013 was in 28 August (had reached 1.24 Litass). The ultimate price – 1.42 Litass – was reached in 26 March. Overall, 801 754 shares of the Company were sold during 2013, general trading turnover had reached 1.06 million Litass.

More information about the prices of the shares of Lietuvos Energijos Gamyba and dynamics of the turnover at various periods can be found in consolidated annual report of the Company of 2013, also in internet websites of the Company and NASDAQ OMX Baltic.

MEMBERSHIP AND REPRESENTATION

Lietuvos Energijos Gamyba and its representatives actively participate in the activity of national and international organizations. It helps to maintain close association with other participants of electricity market.



The Company was one of the founders of **National Lithuanian Electricity Association (hereinafter – NLEA)** in 2011 and is active member of this association consolidating companies of Lithuanian electricity energetics section.

NLEA forms general position of Lithuanian energetics section and represents it in national institutions, social and international organizations. NLEA is set itself a task to encourage active dialog with the society by developing social initiatives of the section.

attention is imposed on this while Lithuania is under the integration into European energy scheme.

EURELECTRIC consolidates the organizations of electricity production, supplying, trading and distribution, acting in European Union and other states of the Continent. EURELECTRIC represents general interests of electricity industry in Europe, also cooperates with the organization and institutions of other continents. The mission of EURELECTRIC is to contribute to the development of electricity industry and competitive ability, effectively introduce electricity industry in public life and highlight the role of more clear electrical power in order to seek after the advancement of the society. The members of EURELECTRIC represent their states in the name of national associations of energetics section. In 2013 EURELECTRIC had consolidated 35 members from 32 states.



One of the most important functions of the association is to ensure appropriate representation of Lithuanian energetics section in **The Association of the Electricity Industry in Europe – EURELECTRIC**. Special

The members of NLEA participate in international working parties of EURELECTRIC experts and thus contribute to general decisions to Europe extent.



Lietuvos Energijos Gamyba dealing with electric power in Nord Pool Spot (hereinafter – NPS) market has its representative in **Customer Advisory Board of “Nord Pool Spot”**. Vidmantas Salielis, the Director of Wholesale Electricity Trade Department of Lietuvos Energijos Gamyba is the only specialist representing Lithuanian energetics section in this Board.

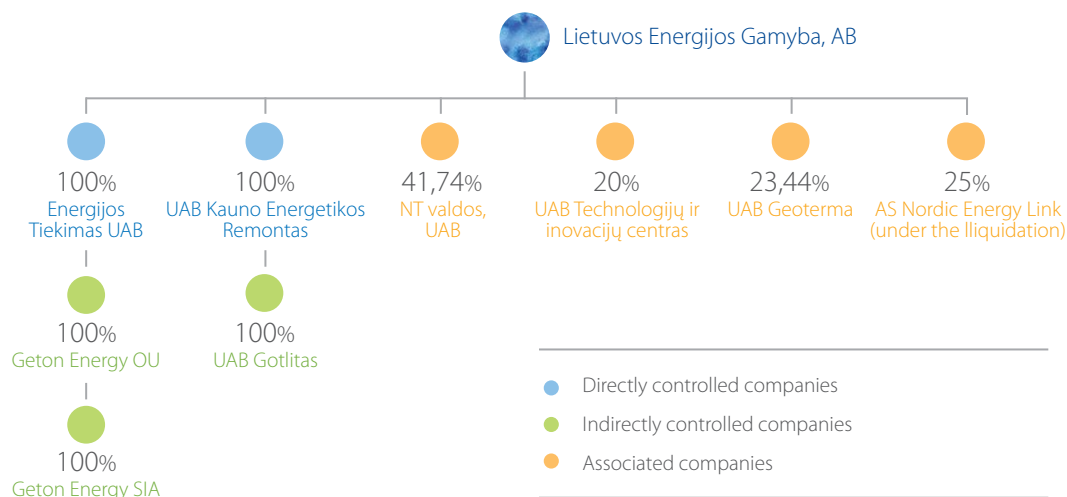
Customer Advisory Board of NPS is directly related with the management of the market and all important decisions with regard to the market. The main purpose of it is to perform active communication between the government of the market and the participants of the market. The Board is

oriented into the solution of any questions arising for the participants of the market, also serves as special platform intended for strategic discussions. Customer Advisory Board is responsible for the composition and consultation of temporary and permanent working parties appointed to solve comprised problems.

Electricity market of NPS at the moment operates in Denmark, Norway, Sweden, Finland, Estonia, Latvia and Lithuania. The participation in the management of electricity market of Northern states provides the states with the right to represent own interests and participate in the process of the acceptance of the decisions. This also allows Baltic States to contribute to the development of the business of NPS to the regional and European extent of electricity market.

ABOUT THE GROUP OF THE COMPANIES

THE STRUCTURE OF THE GROUP OF THE COMPANIES



Remark: proposed structure of the group of Lietuvos Energijos Gamyba companies reflects the situation of publishing day of this report.

In 31 December 2013 the Company had owned 54.04% of the shares of UAB Duomenų Logistikos Centras and its daughter enterprise – State Enterprise Respublikinis energetikų mokymo centras. Sale agreement with Lietuvos Energija of these shares was made by the Company in 31 March 2014.

Geton Energy OU and Geton Energy SIA (daughter enterprises of Energijos Tiekimas in Estonia and Latvia) were named by Energijos tiekimas OU and Energijos tiekimas SIA in 31 December 2013.

The meeting of the shareholders of Nordic Energy Link AS (thereinafter referred to as NEL) happened in 19 March 2014 had included the decision to liquidate NEL. The Company is also the shareholder of it.

DIRECTLY CONTROLLED COMPANIES



Kauno Energetikos Remontas is one of the companies accumulated the biggest experience in the area of the repair of energetics in Lithuania. The main areas of the activity of the company: repair modernization, mounting, diagnostics of power equipment, production of spare parts and various metal structures, construction of the buildings of various complexes. The company delivers services for industrial companies and companies of energetics section in Lithuania, performs the orders of foreign companies.



Energijos Tiekimas UAB is the biggest independent supplier of electric power of Lithuanian capital. The company is also the only company supplying certified electric power produced in Lithuania from renewable resources – "Green Lithuanian Energy". In the beginning of 2013 Energijos Tiekimas had established daughter enterprises in Latvia and Estonia and started to develop into the market of these states. After the reception of the license of natural gas supply in September 2013 the company in the future is planning to offer for the consumers obtaining electric power along with natural gas.

THE STRATEGY OF THE COMPANY

Lietuvos Energijos Gamyba had grounded its activity in 2013 on the strategy of the activity of the Company of 2012–2020 and activity plan prepared in accordance to its basis. This plan includes the measures of the realization of indicated strategy, structured in accordance to the strategic programs précised within the strategy.

STRATEGIC PROGRAMS

During the development of the activity of the Company in accordance to strategic directions indicated within the strategy the Company seeks to increase the return on asset, suitable represent the interests of the shareholders, strengthen the competitive ability of the Company and ensure harmonious development. Raise purposes are planned to be achieved by the realization of such programs:



The program of qualitative security of delivered services.



The program of the diversification of the types of energy resources and their sources.



The program of the implementation of the innovations and increase of the effectiveness of the activity.



The program of the formation of new organizational culture.

Underlying measures of the realization of these programs:

- Development project of the equipment of heat energy production in Elektrėnai is performed proceeding designing and constructional works started in 2013. Target date of the launching of new equipment is December 2014.
- The possibilities to extend the capacities of Kruonis PSHP by installing the fifth hydro-aggregate are under the evaluation.
- The fulfilment of the project of Syderiai geological structure analysis after the performance of the drilling of drilled wells, reinterpretation of the analysis, information and structure designing. The completion of analysis works delivers the assumptions on further decisions concerning possible installation of the storage for natural gas and its tentative price.
- The system of integrated property management of power equipment is under the implementation. The supervision and repair works of the equipment, the planning and optimization of these works would be accounted in accordance to the basis of the system. Target finish of the project – year 2014.
- The project of the preparation of the infrastructure for industrial park in Kruonis PSHP is under the performance. The purpose of this project is to increase the attractiveness of the territory existing along Kruonis PSHP for the investors of high technologies. The first stage of the project was realized in February 2014 and the second stage is under the design at the moment.
- Safety and health management system BS OHSAS 18000:2007 of the personnel is developed under the realization of the recommendations of performed audit and creating new culture of the safety at work.

Continued to page 12

- The model of permanent evaluation and observation model of the risks of the Company is under the implementation.
- Measuring works of wind resources in the territory of Kruonis PSHP in order to evaluate the potential to install there the park of wind power plants are under the performance. Measuring period – till the beginning of 2015.
- Diagnostics and repair works of 7th and 8th blocks of Lithuania power plant are under the accomplishment by continuing their exploitation resource that is going to terminate. Target finish of the project – year 2015.
- LEAN¹ system within production subdivision of Lithuania power plant in under the implementation. The purpose of the project is to increase the effectiveness of the processes of technical supervision. The plan is to finish pilot implementation within one of subdivision at the end of 2014.

¹ LEAN system is intended for the creation of major value for the client and increase of competitive advantage using less resource.

The strategy of the activity of the group of Lietuvos Energija (thereinafter referred to as LE group) companies was prepared in the beginning of 2014. The Company belongs to this group. The Company plans to review and renew its strategy in accordance to the directions and the purposes indicated within the strategy of LE group activity in 2014.

THE STRATEGY OF THE LIETUVOS ENERGIJA GROUP OF COMPANIES



In these latter years LE group had increased the effectiveness and profitability of its activity but available production portfolio of LE group is insufficiently competitive and cannot ensure the increase of income and value within long-term perspective. In accordance to this situation new strategy of the activity of LE group was prepared for the period of 2014–2020 including raised ambitious purpose – to increase the value of LE group by two times and become the most valuable company of energetics in Baltic States till 2020. This value is

understandable as stable balance between three elements: the return on asset, increase of competitive ability and responsibility in respect of the employees, society and environment.

The return on asset of LE group will be grown up by the performance of the development – by diversifying the activity, developing of new economically reasoned projects and activities, acquiring the companies, and also daily performing effectively and seeking after the purposes raised by the shareholder. LE group will contribute to the increase of competitive ability of the economy by ensuring stable supply of electric power and offering new products and services.

The responsibility is the main principle of the intercourse with the society and the employees, proactive realization of environmental requirements, the increase of the expertise of the employees.

The mission of LE group is understandable as stable increase of the value in energetics by encouraging the development of the economy of the state and the society.

During the performance of the activity of LE group and seeking after the purposes, vision and realizing this mission, the values of responsibility, cooperation and orientation into the result are following.



THE MISSION

Stable increase of the value within the energetics stimulating the development of the economy of the state and the society.

THE VISION

To become the most valuable company of energetics in Baltic States.



The Company, as a part of LE group, effectively seeks after the contribution to the realization of the purposes raised by LE group.

The strategy of LE group for the period of 2014–2020 for familiarization can be found in internet website www.le.lt.

COMPANY MANAGEMENT

SUPERVISORY BOARD

Supervisory Board is a collegiate management body supervising the activity of the Company and composed of 3 members – natural persons. The Board is elected by the General meeting of shareholders and it must be composed of not less than one third of independent members. Competences of the Supervisory Board as foreseen in the Company's Articles of Association include supervision of the

activities of the Board and the CEO, and submission of feedback and suggestions concerning the Company's strategy, finances, the activities of corporate bodies and the decisions thereof to the general meeting of shareholders, the Board and the CEO.

The members of Supervisory Board of Lietuvos Energijos Gamyba started the work in 5 August 2013:



Dr. Dalius Misiūnas

Chairman

Education

Lund University, Doctor of Technical Science;
Lund University, Master of Industrial and Electro-technical Automation;
Kaunas University of Technology, Bachelor of Electrical Engineering.

Workplace, position

Chairman of the Board, CEO Lietuvos Energija.



Liudas Liutkevičius

Member

Education

Vilnius University, International Business School, Master of International Business Finance;
Vilnius University, International Business School, Bachelor of International Business.

Workplace, position

Member of the Board, Generation and Service director of Lietuvos Energija.



Pranas Vilkas

Independent member

Education

Kaunas Polytechnic Institute (currently Kaunas University of Technology), Engineer-Mechanic.

Workplace, position

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BOARD

The Board of Lietuvos Energijos Gamyba a collegiate management body of the Company. The Board is composed of 5 members being elected by the Supervisory Board for a term of 4 years. The Board is accountable to the Supervisory Board and General meeting of the shareholders.

The Board elects the Chairman of the Board from its members.

The members of the Board of Lietuvos Energijos Gamyba started the work in 17 September 2013:



Juozas Bartlingas

Chairman

Education

Kaunas Polytechnic, Electrician – technician;
Kaunas University of Technology, Engineer electrician.

Workplace, position

CEO of Lietuvos Energijos Gamyba.



Adomas Birulis

Member

Education

Newcastle University (United Kingdom), Master degree of the Renewable Energetics and Business Management;
Master of Vilnius University, Bachelor of Business information management.

Workplace, position

Director of Business Development Department of Lietuvos Energijos Gamyba.



Eglė Čiužaitė

Member

Education

Aarhus School of Business (Denmark), Master of Science in Finance and International Business;
Bellevue University (USA), Bachelor of Science in Business Administration.

Workplace, position

Chief Financial Officer of Lietuvos Energijos Gamyba.



Darius Kucinas

Member

Education

Kaunas University of Technology, Engineer of Electrical Engineering.

Workplace, position

Director of Department of Power Generation of Lietuvos Energijos Gamyba.



Vidmantas Salietis

Member

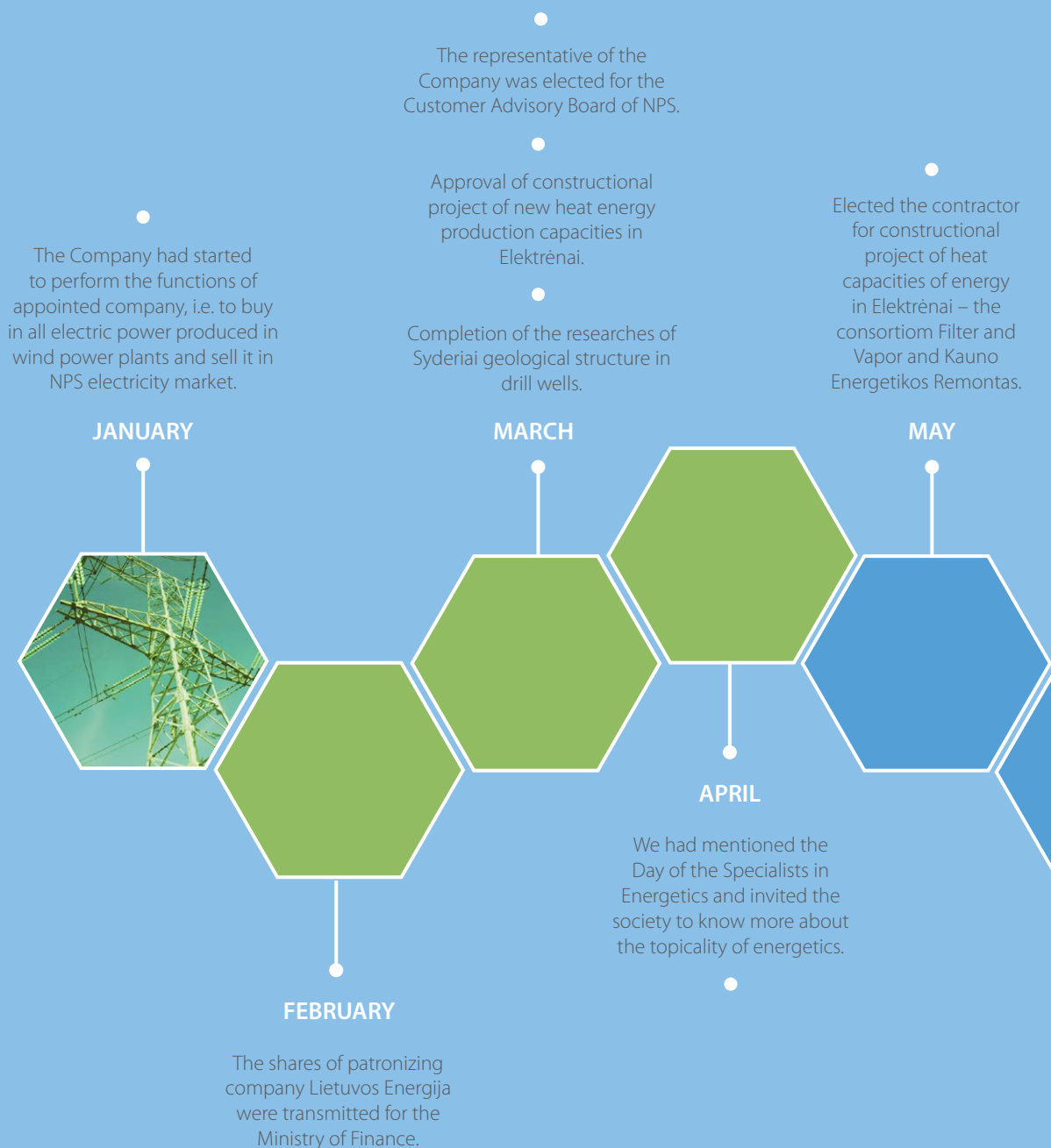
Education

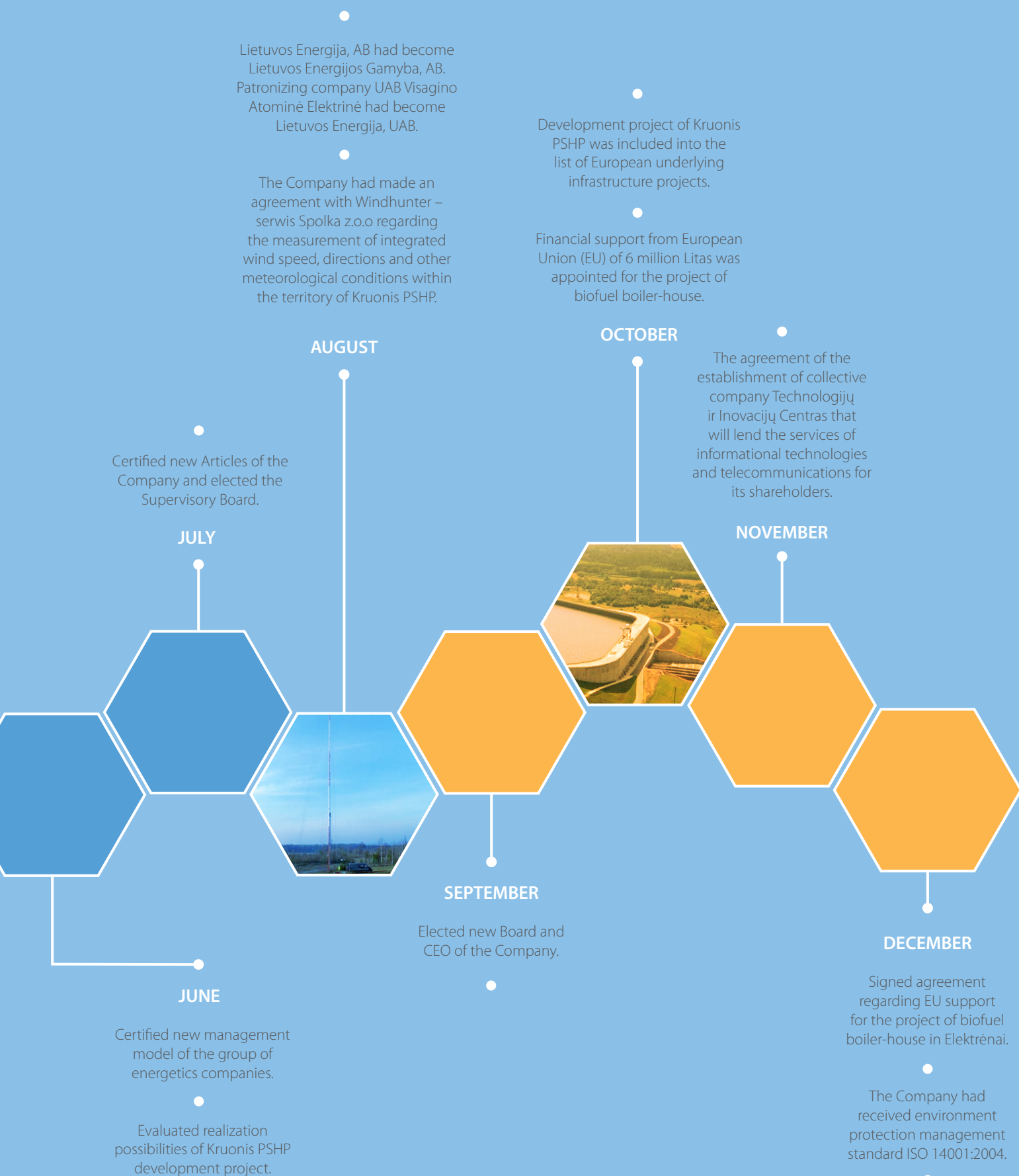
Stockholm School of Economics in Riga (Latvia), Bachelor of Science in Economics and Business

Workplace, position

Director of Wholesale Electricity Trade Department of Lietuvos Energijos Gamyba.

BASIC EVENTS OF 2013





2013

THE REVIEW OF THE ENVIRONMENT

THE RECONSTRUCTION OF CORPORATE MANAGEMENT

Lietuvos Energijos Gamyba belongs to the biggest group of the state of energetics companies - Lietuvos Energija.

It is important to ensure effective and clear activity for LE group which shareholder is the Republic of Lithuania. On purpose seeking after this the reconstruction of the management was started to be performed during the first half-year of 2013 and basically finished till the end of 2013. This reconstruction had included reformed and strengthened corporate management of LE group.

During the preparation of new management structure and model of LE group, modern international and national practice was applied, recommendations announced by Economic cooperation and development organization were used, management codex of the companies listed in NASDAQ OMX

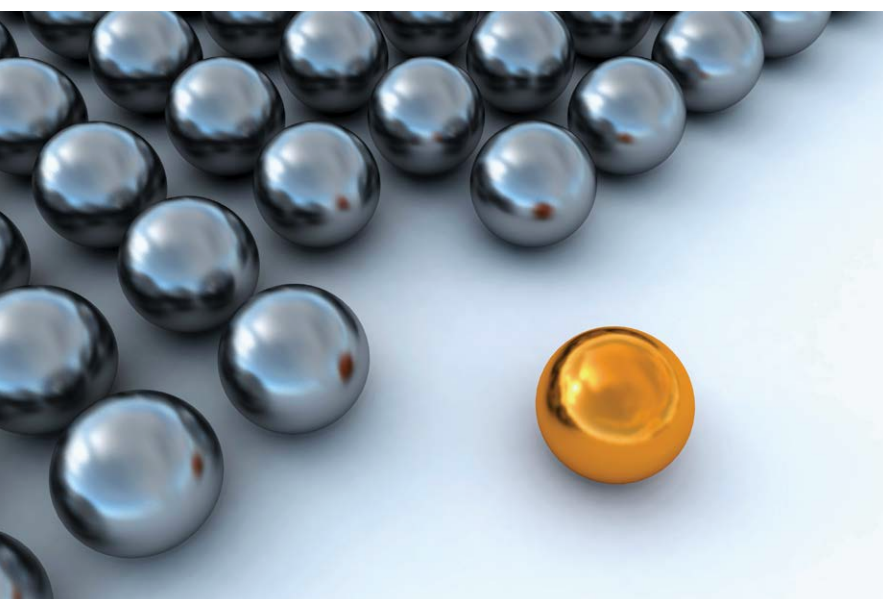
Vilnius market was considered, management guideline recommended by BICG (Baltic Institute of Corporate Governance) for the companies managed by the state were considered too.

The model of corporative management of the Group of energetics companies was realized in accordance to management guideline approved by the Ministry of Finance of the Republic of Lithuania in 7 June 2013.

Management structure of LE group was formed in accordance to the principles of corporative management and contributes to their realization. After the reconstruction of the management of patronizing company of LE group Lietuvos Energija, the coordination of the activity of all companies of the Group was concentrated within the areas of finance, law, strategy and development, human resources, risk management, audit, technologies, communication and other. United management principles of the programs, processes and projects are applicable within LE group.

100% of the shares of Lietuvos Energija belong to the state. The rights and duties of the shareholder are realized by the Ministry of Finance of the Republic of Lithuania accepting the main decisions related with the realization of proprietary rights and duties.

Management guideline, corporative management principles of LE group and management and control system for familiarization can be found in internet website www.le.lt.



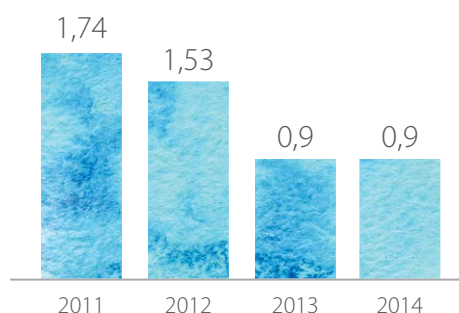
REGULATION

National Commission for Energy Control and Prices regulates the prices of buyable electric power and reserved power from the producers and independent suppliers having significant influence within the market. This is being done following the provisions of electric power law issued by the Republic of Lithuania.

The Company receives the finance for the maintenance of strategical important reserved power of electric energy and the production of electric nergy within Lithuania power plant from the fund of the services corresponding public interests (SCPI). SCPI finance is appointed for Lithuania power plant because the activity of this power plant is necessary for the security of electric power supply safety and sufficient power reserves of the system of energetics.

Procurement price of produced electric power in Elektrėnai complex permissive to cover variable expenditure of electric power production and the price for the maintenance of strategical reserve permissive to cover the part of permanent expenditure of the maintenance of reserved power of electric energy are determined by National Commission for Energy Control and Prices.

The quota of the production in Elektrėnai complex subsidized by SCPI, TWh



The margins of the prices are also determined for the services of power reservation provided by power plants managed by Lietuvos Energijos Gamyba. They are determined in accordance to the appropriate decisions of National Commission for Energy Control and Prices.

The Company seeks to make its activity more effective and reduce the need of SCPI finance.

LIBERALIZATION OF ELECTRICITY MARKET

The liberalization of electric power market of Lithuania is definable by electric power law of the Republic of Lithuania. All consumers of electric power existing in the Republic of Lithuania can choose independent supplier at ease in accordance to the method and conditions determined within this law and its practicable acts.

During the period of liberalization the consumers of electric power chooses

independent suppliers so the number of the regulated consumers of LESTO decreases. Lietuvos Energijos Gamyba seeks after increasing the sales of electric power for independent suppliers and within the market of electric power where anonymous trading of electricity is being performed. This is being done in order to ensure solid level of electric power sales.

WHOLESALE MARKET

Wholesale market of electricity is the environment of the communication between the suppliers and the producers. The principles of the market within this environment are realized through inter-competition between the producers (by selling electricity as much as possible) and the competition of the suppliers (by buying electricity at the best of times).

At the moment the producers wanting to sell electric power generated by them and the suppliers wanting to complete the amount of electric power intended to consume by their clients, buy and sell electric power of two types existing within the wholesale market – contractual electricity or electricity from the market.

Contractual electricity means the amount of electricity buyable in accordance to appointed hourly schedules and prices of electricity supply.

Electricity from the market means the amount of electricity buyable anonymously in the market of electricity. The market of electricity ensures even rules for the participants of the market and equal conditions for the competition and also forms clear price of electricity.

Trading zone in Lithuania of electric power market NPS where Lietuvos Energijos Gamyba is trading was established in 18 June 2012. The producers and suppliers of Lithuanian electricity at that time had become the participants of large and clearly operative electricity market.

NPS trading zone was also established in Latvia in 3 June 2013. Thus was made the



most important step towards the realization of the connection plan of electricity markets of Baltic States and created needed assumptions for further liberalization of the market of electric power.

The market includes dealing with all electric power "importable" to Lithuania and "exportable" from Lithuania. Thus is performing the optimization of the flows of electric power between Lithuanian and adjacent systems of energetics and is ensuring that trading amount with adjacent systems of energetics won't exceed the amount determined by the operator of transmission system and that could physically serve up to Lithuania or flow from Lithuania through electricity lines.

At the moment the market includes dealing with electricity by the principles "day-ahead" ("Elsport") and "intraday" ("Elbas").

The principle "day-ahead" means that dealing with electricity is performed daily for every upcoming hour of the day. The amount and prices of electric power had dealt within the market of electricity changes every hour in accordance to the supply and demand of electric power at that hour. Depending on this principle 7 982 988.4 MWh of electric power was bought and 6 266 804.2 MWh of electric power¹ was sold within NPS Lithuanian trading zone during 2013.

Trading by the principle "intraday" provides the participants of the marker with the possibility to deal with electric power before the hour until the supply of it, not the day. Trading by the principle "intraday" was started to be performed in 10 December 2013 within NPS Lithuanian trading zone. Starting from this date till the end of the year 56 MWh of electric power was bought and 6 MWh of electric power was sold.

¹ Source: www.nordpoolspot.com

RETAIL MARKET

Retail market of electricity is the communication environment of final consumers and the suppliers selling electricity for them. The principles of the market within this environment evidence by the competition of the suppliers when the consumer has the possibility to choose the supplier in accordance to the price of electricity, payment conditions and other parameters.

It is determined that at the particular stages during the period of 2010-2015 the consumers of electric power will choose independent suppliers of electric power. Starting from 1 December 2010 the consumers of electric power exceeding 400 kW of admissible operation capacity of the connection of the object to distributive network of electric power had to choose independent suppliers of electric power. Starting from 1 January 2011 independent suppliers had to be chosen by the consumers exceeding 100 kW of admissible operation capacity. Starting from 1 January 2012 independent suppliers had to be chosen by the consumers exceeding 30 kW

of admissible operation capacity. Starting from 1 January 2013 independent suppliers had to be chosen by all non-domestic consumers.

In accordance to LESTO information² for a date 31 December 2013 independent suppliers had delivered electric power for 108 700 objects. Independent supplier of electric power in 31 December 2013 was chosen by:

- About 86% of the objects having admissible operation capacity of 400 kW and more;
- About 57% of the objects having admissible operation capacity of 100 kW and more;
- About 33% of the objects having admissible operation capacity of 30 kW and more;
- About 47% of the objects less than 30 kW of admissible operation capacity.

The remaining objects are being further feed of electric power secured supplier (LESTO).

ENVIRONMENTAL PROTECTION

Environmental protection activity of the Company is performed following the requirements of the licenses of integrated pollution prevention and control system (IPCC) issued by regional departments of environmental protection of Ministry of Environment of the Republic of Lithuania.

At the end of 2013 the Company was appreciated corresponding environmental protection management standard ISO 14001:2004. This certificate appreciable within the entire world indicated that the Company follows the most important

requirements of identification, observation, management and development of environmental protection aspects.

The information about the production of the objects managed by the Company, the amount of used fuel, comprised pollution and other information is presented within the report of environmental protection and social measures of Lietuvos Energijos Gamyba of 2013. This report can be familiarized with in internet website www.gamyba.le.lt.

² Source: Consolidated annual report of AB LESTO group of 2013.

MAIN FINANCIAL INDEXES OF 2013

Liberalization of the market of electric power had further made the influence for the results of Lietuvos Energijos Gamyba. Intensive competition within free-market reflects by reduced income for the results of 2013. Also this was influenced by reduced production amount of maintained electric power. Realistically, although the income had reduced but successful activity of the Company by dealing with electric power had allowed increasing profitability indexes noticeably.

The remark: the Company points out that the activity results of 2011 described within this report are delivered just for information and cannot be compared with the activity results of subsequent years because they were not adjusted due to performed conversion of long-term deterioration of material capital in financial reports of 2013. This conversion is related with deterioration norms wrongly applied during last reporting cycles.

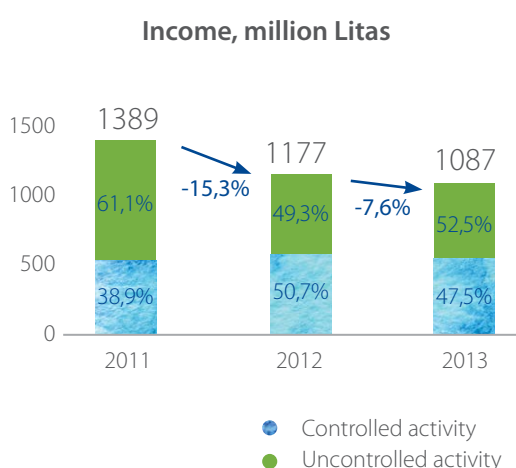
INCOME

The income of 2013 of Lietuvos Energijos Gamyba was 1 087 million Litass (89 million Litass or 7.6% less than in 2012). The main part of the income was composed by the trading and export of electric power, compensation of electric power, reservation of capacity and PIS income. The fall of the income is related with reduced amount of the production of maintained electric power and intensive competition within free-market. The income of adjustable activity in 2013 was 47.5% of all income of the Company.

electric power and related services, fuel for the production of electric power and expenditure of the licenses of environment pollution. Deterioration and amortization expenses of the Company had reached 79 million Litass in 2013.

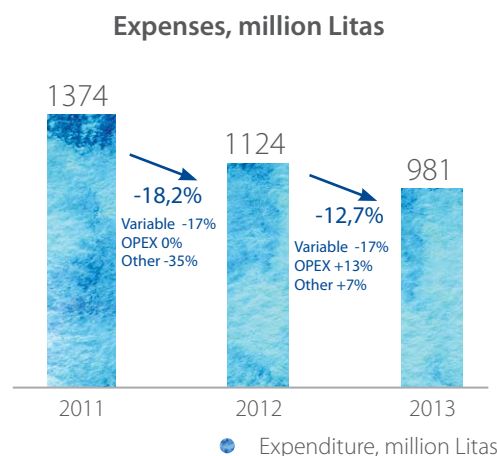
The expenses of Company activity in 2013 had increased by 9 million Litass (till 84 million Litass) mostly due to the influence of repair and supervision expenses. The major part of increased expenses is composed of the sum that was failed to technical supervision of the block of composite cycle started to be exploited at the end of 2012.

Reappraisal expenses of Emission allowances (EA) in 2013 was 16 million Litass (in 2012 it was 31 million Litass). This loss is related with the fall of EA value within the market in 2013: the value of one EA was 6.53 Eur in 31 December 2012 and already 4.91 Eur at the same day of 2013.



EXPENSES

In 2013 the Company had experienced 981 million Litass of expenses. The major part of expenses of the Company (794 million Litass or 81%) was composed of the procurement of



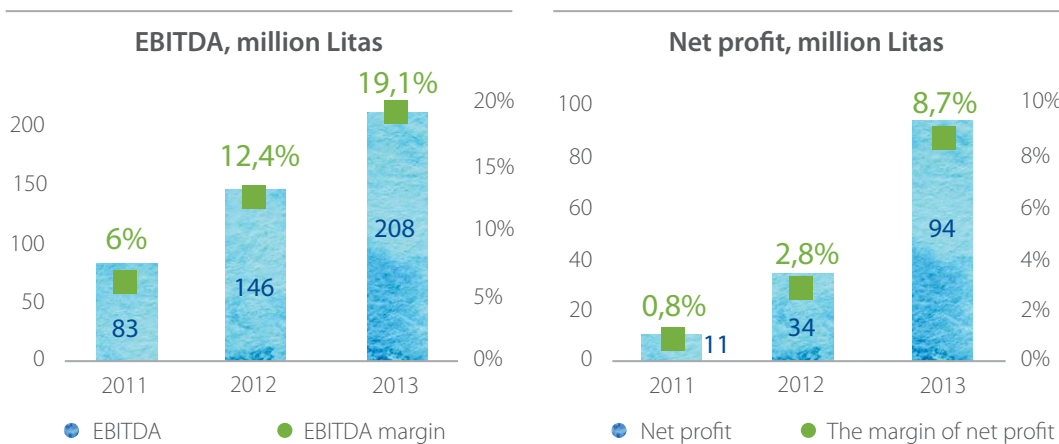
PROFITABILITY INDEXES

Profitability indexes of the Company of 2013 are considerably better than the indexes of 2012 despite reduced income.

EBITDA of the Company of 2013 was 208 million Litass. This is 62 million Litass or 42% more than of 2012. The main reason of this alteration is successful activity of the Company by dealing with electric power. EBITDA of adjusted activity

in 2013 was 59% of EBITDA index achieved by the Company.

In 2013 the Company had earned 94 million Litass of net profit. Net profitability margin of the Company had increased even by 5.9 percentages and major influence was made by the same factors determined also positive alteration of Company's EBITDA.



OTHER FINANCIAL INDEXES

Million Litass	2011	2012	2013
Entire capital	3 217	3 347	3 241
Own capital	1 273	1 307	1 373
Financial debts	641	661	555
Financial debts of net value	633	652	377
Financial debts of net value / EBITDA, by times	7.6	4.5	1.8
Financial debts of net value / Own capital, %	50	50	27
Net currency flow of main activity	93	171	442
Net currency flow of investment activity	(157)	(159)	(118)

The Company within its financial reports of 2013 had performed conversion of long-term deterioration of material capital due to wrongly applied deterioration norms during last reporting cycles and had adjusted inaccuracies of the sums of last reporting cycles in retrospect. Due to these adjustments the capital of the Company for the date of 31 December 2012 had decreased by 453 million

Litass, own capital had decreased by 375 million Litass and net profit of 2012 had increased by 1 million Litass.

Net currency flows of main activity in 2013 had increased by 271 million Litass and the major influence for this had the alteration of circulating capital reached 197 million Litass.

INVESTMENTS

In 2013 the investments of the Company in long-term material capital was almost 20 million Litass. These investments in large part include adjustable by the Company and commercial reconstructions and procurements of the capital of activities. The most projects of the investment of the Company in 2013 were: the installation of the infrastructure of industrial park within the territory of Kruonis PSHP, the reconstruction of exterior layer of the chimney No. 3 of Lithuania power plant, the

development of heat power withing Elektrėnai complex, the reconstruction of the part of the switchyard belonging to 110 kV power plant, the acquisition of the transformer of own needs and renewal of the systems of physical safety.

In 2012 the investments of the Company had reached almost 176 million Litass. Major part of the investments was intended for the construction of the block of composite cycle then.

MAIN INDEXES OF THE ACTIVITY OF 2013

PRODUCTION OF ELECTRIC POWER

Lietuvos Energijos Gamyba composes the basis of the capacities of Lithuanian electricity production that ensure power security of the state. The Company has the licenses of unlimited validity period to produce electric power within power plants belonging to the Company: within Elektrėnai complex having belonging old blocks of Lithuania power plant (reserved power-station, 1500 MW of installed capacity) and the block of combinative cycle started to be exploited in 2012 (455 MW of installed capacity), Kruonis PSHP (900 MW of installed capacity) and Kaunas HPP (101 MW of installed capacity).

Altogether in 2013 the Company had produced and sold 1.97 TWh of electric power. This is 0.23 TWh or 10.5% less than in 2012. The amount of electric power produced by the Company composes almost 19% of all electric power consumed in Lithuania in 2013.

The reduction of the amount of electric power in most part had determined reduced production quota for 2013 of maintained electric power for reserved power plant in Elektrėnai. On that score during the first quarter of 2013 and because of relatively warm February when the demand of electric power was easily covered by cogeneration power plants, the main production amount of Lietuvos Energijos Gamyba was lower even by 70% than during the same period of 2012. After stopping constantly producing electric power in Elektrėnai the heat for the residents and companies of this municipality was produced within the boilers of reserved power plant. This

had allowed the Company to save the finance of VIAP but also had increased the cost price for heat production.

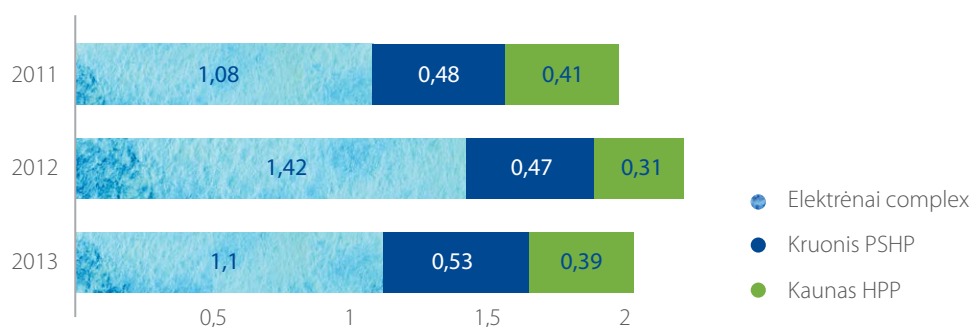
It should be noted that the importance of reserved power plant had shown up at the existence of artificial spring. Lietuvos Energijos Gamyba had launched one of the blocks of reserved power plant when the temperature in March had become cold and the demand of electric power and the prices had strongly increased. This had helped to ensure the security of the supply and avoid the jumps of the price within the market of electricity.

During January-September of 2013 almost all quota intended for Elektrėnai complex was produced. During the fourth quarter at the continuation of the situation of limited electric power import, at the formation of electric power lack during rush-hour and at the existence to ensure the safety of the supply of electric power on demand, over quota electric power was produced by the block of composite cycle almost all October and by the block of reserved power plant of 300 MW capacity in Elektrėnai during few days in November.

Actual reduction of Company's production at reporting cycle was partly compensated by increased production amounts of electric power in Kaunas HPP due to larger average discharge of Nemunas.

Production amounts of Kruonis PSHP in 2013 did not change basically.

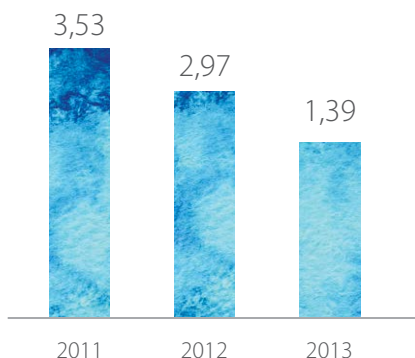
Production of electric power, TWh



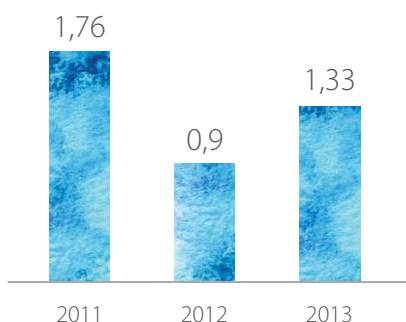
ELECTRICITY TRADING

During 2013 the Company had sold 3.6 TWh of electric power for internal market (for social suppliers and other independent suppliers) (during corresponding period last year it was 3.7 TWh). The sales for LESTO had decreased due to over and over increasing number of the consumers selected independent suppliers of electric power.

Sales for LESTO



Sales in the market of Lithuania and for independent suppliers



Starting from 8 January 2013 the Company performs the functions of appointed company, i.e. buys in all electric power produced in wind power plants and sells it within Lithuanian trading zone of "Nord Pool Spot" electricity market. 0.47 TWh of electric power produced in wind power plants was bought in and sold within the market in 2013.

"GREEN LITHUANIAN ENERGY"



The Company produces electric power from renewable energy resources. Electricity in Kaunas HPP is produced using the water – inexhaustible, flexible and clean national energy resource. This electric power is certified and sold under the trademark "Green Lithuanian Energy".

Electric power produced in Kaunas HPP is supplied for the consumers through daughter enterprise of Lietuvos Energijos Gamyba – Energijos Tiekimas. Its origin is ensured by the operator of transmission system – Litgrid. Thus the final consumers cannot get sold more green energy than it is produced in Kaunas HPP.

During all 2013 or part of it "Green Lithuanian Energy" was bought by 48 consumers: 8 – domestic and 40 – juridical. These clients taking care of responsible use had consumed almost 65 million kWh of electric power of almost 15% of electric power produced from renewable resources in Kaunas HPP. This is three time better index in comparison with 2012. In the beginning of 2014 "Green Lithuanian Energy" was already bought by 70 clients, 6 of them are private persons.

STRATEGIC PROJECTS AND PERSPECTIVES OF THE ACTIVITY

GEOLOGICAL RESEARCHES OF SYDERIAI STRUCTURE

Geological researches of Syderiai structure were completed in 2013. The purpose was to determine if the first underground storage of natural gas in Lithuania could be installed in Telšiai city municipality. After the drilling of four well drills of more than 1.5 km depth and performing geological-geophysical researches the Company had further performed exploratory works analysing the information collected during the researches. After the systematization and evaluation

of all collected information of 2010–2013 about the state and other parameters of Syderiai geological structure, the model of reservoir was created allowing evaluating the characteristics of the storage.

The findings of the researches we delivered to the Government of the Republic of Lithuania and Ministry of Energy of the Republic of Lithuania for the acceptance of further decisions.

THE INSTALLATION OF INDUSTRIAL PARK INFRASTRUCTURE IN THE TERRITORY OF KRUONIS PSHP

Calculated project works of the installation of engineering infrastructure of industrial park were finished. This park is sited within the territory of Kruonis PSHP managed by Lietuvos Energijos Gamyba. The territory is additionally prepared for direct foreign investments that will help to develop the activity of high technologies within this attractive country having all needed infrastructure.

The territory of industrial park is especially attractive for international investments of high level because it includes Kruonis PSHP infrastructure existing alongside. Especially high requirements for security and reliability of the supply of electricity are raised for such investments. Thus in order to install

additional engineering infrastructure needed for the investments Lietuvos Energijos Gamyba was included into this project as the developer managing the object of strategic value – Kruonis PSHP. This was done in accordance to the decision of the Government of the Republic of Lithuania.

The budget of the installation of engineering infrastructure in Kruonis industrial park was 7.1 million Litas. 6.95 million Litas of this sum is financed by European Regional Development Fund. The remaining part Lietuvos Energijos Gamyba covers by its own finance.

The second stage of this project is under the target.

THE PROJECT OF THE DEVELOPMENT OF HEAT ENERGY PRODUCTION EQUIPMENT IN ELEKTRĖNAI

The Company continues expansion project of the development of new heat production capacities started in 2011. During May 2013 the winner of international purchase of the designing, equipment and construction works was announced. It became the group of associated suppliers – the consortium Filter and Vapor and Kauno Energetikos Remontas. The Company had acquired long-term credit for contraction works from the group of associated participants – Nordea Bank Finland Plc and AB DNB bankas, and also had got the support of 6 million Litass from European Union funds.

Designing works were started to perform in 2013. The equipment was ordered along with the designing works. The first equipment producing the heat from biofuel will start operating already for heating season of 2014–2015 and all boiler-house of 40 MW capacities will be built at the end of 2014. New steam boiler-house of 50 MW capacities will be installed also. During the project



internal heat networks installed more than 50 years ago by Lithuania power plant will be modernized.

DEVELOPMENT PROJECT OF KRUONIS PSHP

In 2013 the possibilities to realize the development project were evaluated. This project would let to increase general capacity of Kruonis PSHP from 225 MW till 1125 MW.

Additional flexible capacities of Kruonis PSHP would be needed in order to ensure the demand of future transmission system and the market of electricity. They would provide with the possibility to supply and at real time regulate the imbalance of the production of wind power plants. This imbalance will increase when Lithuania and other states of the region will enhance the part of renewable resources within the production of electricity. After the appearance of NordBalt and Litpol Link links and by increasing the capacities of the production of electricity from renewable energy resources, the development of Kruonis PSHP could significantly contribute to the safety and reliability of transmission system of electricity delivering more flexible systematic services and ensuring greater reserve of the capacity.

It is predictable that the fifth new Kruonis hydro-aggregate of 225 MW capacity could

work by the capacity of 110–225 MW at pump mode and by the capacity of 55–225 MW at generator mode. Tentative coefficient of useful action of new hydro-aggregate cycle is about 78%.

Preparation stage of the project was realized in 2013 during which the preparation was made for the purchases of needed works and services, also for sponsorship.

Target figure is that new equipment will be mounted by adjusting existing structures, foundations, buildings, other equipment and existing engineering infrastructure. Under the evaluation of responsible institutions target development of Kruonis PSHP won't negatively affect the environment. The investments for the construction of the fifth hydro-aggregate of Kruonis PSHP will reach about 400 million Litass.

The project is included into the list of the Projects of Common Interest of Europe. All projects got into this list will have the possibility to use various forms of the support funds of European Union.

THE PERSPECTIVES OF THE ACTIVITY

The vision of the activity of Elektrėnai complex

The biggest amount of electric power will be produced within the most effective block of composite cycle in order to increase the competitive ability of power plant.

At the existence of the demand (for example, if cogeneration power plants won't work), the security of electric power supply and basic needs of the consumers will be ensured producing electric power within Elektrėnai complex.

This is the main power plant that will maintain tertiary reserve for the insurance of the security of the supply of electric power and the reserves of energetics systems in Lithuania.

The activity of Elektrėnai complex is optimized by the replacement of ineffective production sources with more effective. Development project of heat energy production capacities is being performed: biofuel and steam boiler-houses along with all needed equipment and subsidiary systems are being under the construction in Elektrėnai.



The vision of the activity of Kruonis Pumped Storage Hydroelectric Plant

This is the main power plant that will ensure secondary emergency reserve in Lithuania.

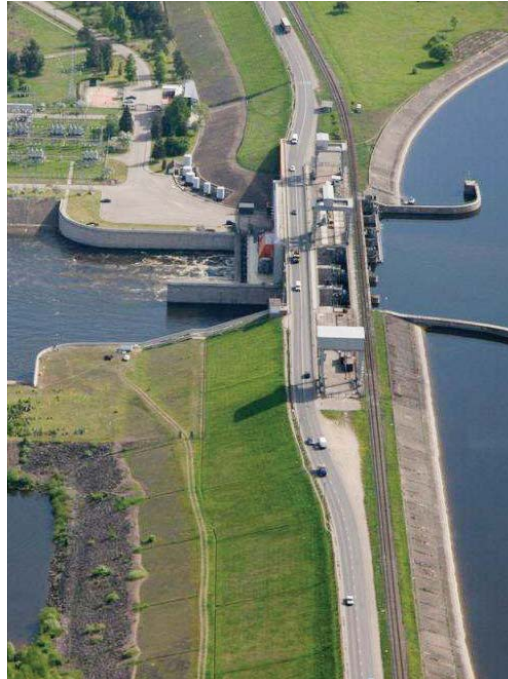
Power plant will produce more electric power and deliver more systematic services due to the development of production capacities using renewable energy resources in Lithuania after the rise of regulation demand and the existence of the links with Sweden and Poland.

Predictable project of the development: development project of Kruonis PSHP is going to be realized by installing the fifth hydro-aggregate in accordance to increasing demand of systemic services, new trading possibilities after the origin of the links and after the development of favourable conditions within the market.



The vision of the activity of Kaunas Hydroelectric Power Plant

The power plant will produce the most possible amount of “Green Lithuanian Energy” and deliver systemic services in accordance to natural conditions.



The tendencies of trading activity

After the appearance of the joins with Sweden and Poland the trading with electric power will be more active due to bigger possibilities to deal with electric power and systemic services within combined systems.

The purpose is to seek after the maintaining of the part of the market of Lithuania by effectively adjusting industrial capacities managed by the Company and purchasable amount of electricity



THE PERSONNEL OF THE COMPANY

The main objective related with the personnel of Lietuvos Energijos Gamyba is to attract and retain qualified employees, seek after mutual value and consolidate the intercourse of long-term partnership by creating successful future of the Company.

In 2013 the Company had continued the formation of organizational culture and developed the politics of the personnel by relating it with the realization of corporate management model of the group of Lietuvos Energija companies. At the end of 2013 united management politics of

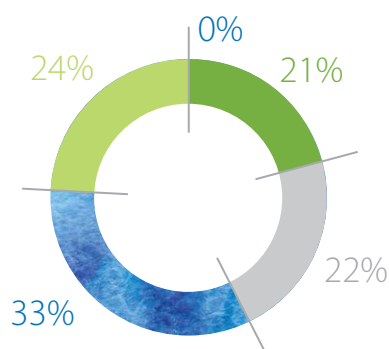
human resources of LE group was prepared. It determines general principles of the management of human resources, defines basic provisions helping to follow the administration of human resources and realize strategic purposes. Reward politics of the managers of the highest and secondary level of LE group was confirmed also by the determination and payment of basic principles of the main and variable parts of the reward. Target figure is that in 2014 will be implemented management systems of the reward and the activity reasoned by general principles.

THE PORTRAIT OF THE PERSONNEL



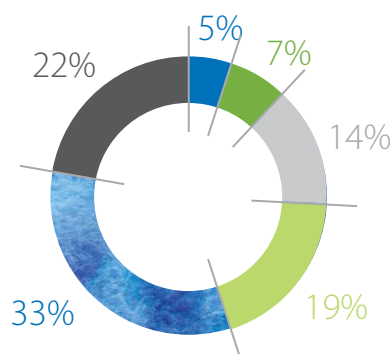
503 employees were working in the Company at the end of 2013 (including the employees on parental leave). 91% of them were specialists and the workers, 7% – the managers of secondary level, 2% – the managers of the highest level. Women compose 22% of the employees and men – 78%.

The employees of 35-45 year old having work experience in the Company of 10 and more years were working in the Company mostly. They are qualified, experienced specialists composing the basis in production departments of the Company where accumulative knowledge and experience of the employees are especially important. The average age of the employees of production department is 46 years. The average age of the employees working in service departments is 32 years. Average work experience – 13 years and the employee working for the longest time had spent 51 year in the Company. Mostly the employees accumulated the biggest work experience are working in Elektrėnai complex – event 83% of the employees are working there for 10 years and more.



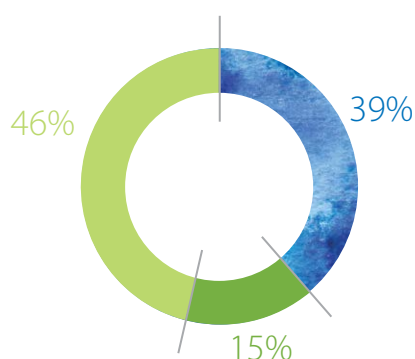
The distribution of the employees in accordance to the age

- 20–24 y.
- 25–34 y.
- 35–44 y.
- 45–54 y.
- 55 y. and more



The distribution of the employees in accordance to work experience

- Till 1 y.
- 1–3 y.
- 3–10 y.
- 10–20 y.
- 20–30 y.
- 30 y. and more



The distribution of the employees in accordance to the education

- Higher
- Further
- Secondary or special secondary

THE REWARD AND EVALUATION OF THE ACTIVITY

Reward system of the Company appeal to the principles of organizational justice, clearness, compatibility, universality and comparison. The salary of all the employees of the Company including the managers of the Company is composed of fixed part, variable part and additional monetary reward.

Fixed part of the salary is determined for the employee in accordance to the level of the position and the expertise the employee has. Variable part of the salary is paid for grounding results of the activity – the realization of determined purposes or indexes for every position. Additional monetary reward includes allowances, material support, and additional paid holiday, onetime premiums committed for the employees for additional workload, noteworthy work results, the offers and implementation of the innovations. Additional non-monetary reward includes

the trainings funded by the finance of the Company, the events organized by the Company for the employees and their children, the services of medical station, vaccination of the employees from seasonal diseases.

The evaluation process of the activity of the employees happens one time a year in the Company. The evaluation process of the activity starts with the analysis of 360° when the expertise of the management and common expertise of the managers and the specialists are appreciated. The expertise is evaluated by the employees themselves, the managers of the employees and their leadership and colleagues. During annual conversations the manager and the employee discuss about evaluation results, appreciate achievement level of the purposes of last year, and anticipate the purpose and the measures for the education of the employees for forthcoming year.

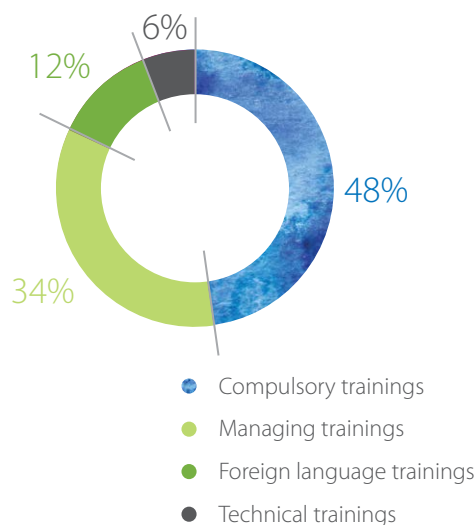
EDUCATION OF PROFESSIONAL EXPERTISES

Appealing to the model of the expertise the Company single-mindedly seeks after the education of the employees and rise of their qualification. That is why the employees are being stimulated to participate in the trainings of qualification rise and the education of needed expertise and also to deepen their knowledge independently. During the professional trainings the employees renew compulsory technical knowledge needed for their work and get needed documents and certificates of qualification. During the seminars and the conferences the employees familiarize with the innovations and good practice within the area of energetics.

The trainings of qualification rise in 2013 had included 237 employees of the Company, 167 from them are the employees of production departments of the Company and 70 – administration employees and the managers.

The attention is also paid for the education of the expertise of the management and personal effectiveness. The Company seeks after the organization of the employees of the Company perfectly performing their positions and having leader skills into general team and helping them to discover their strong sides and also to improve

The participation of the employees in trainings



them. Talent program was continued in 2013. It was started to perform within the Company during earlier years. "The talents" of the Company are the employees that perform their work perfectly and behave in accordance to the values of the Company but also are active leaders of the team wanting to contribute to the perfection and development of the Company.

THE CREATION OF ORGANIZATIONAL CULTURE



The Company annually organizes the investigation of the opinion of the employees in order to know the opinion of its employees regarding such important areas of the activity of the Company as work environment and organizational culture of

the Company, the spread of information within the Company, the possibilities of the career and the perfection, salary and evaluation. After the analysis of the results of the investigation the Company prepares the plan of the actions anticipating how to improve the areas of the activity of the Company insufficiently appreciated by the employees. The results of the investigation of the opinions of the employees performed in the beginning of 2014 are practically analogous with the results of 2013 year. They had shown that increasingly more of the employees of the Company enter, understand and agree with the activity of the Company and are proud being the part of the Company.

The project of Dialog of Values was started to perform in 2013. It is intended for the communication of the values and the realization of them within practical activity. The team of twelve value ambassadors was

selected for the project. It had collected, analyzed and discussed about the most actual situations within the activity of the Company related with the values of our Company. Thus the models of new working behaviors corresponding to the values of the Company and the main purposes of the activity were created and implemented. This project is intended to propagate and entertain the values of the Company by including all employees of the Company into this activity.



The managers of the Company constantly meet with the representatives of four labor unions operating within the Company. During the meeting with these social partners strategic projects designed to be performed are being discussed, the alterations of the structure are being supposed, various questions of the politics of the personnel are being solved. The representatives of the employees and the

employer both together had prepared new project of Collective agreement in 2013. This project had included various questions of work organization, work conditions and payment, professional, social and economic guarantees for the employees. All these questions were agreed at the basis of inter-adjustment of the interests. This agreement was signed in 28th February 2014.

THE GUARANTEE OF EMPLOYEES SHIFT

The model the expertise of the Company is the basis of the designing of human resources. Existing expertise are determined and the demand of them is intended in accordance to this model of expertise. If the Company has a lack of the employees of particular expertise the plan of the actions is being prepared in order to achieve lacking expertise by educating existing employees of the Company or by seeking after new ones.

After the appearance of the demand of new employee firstly internal tenders are organized. If the candidate is not being selected the search is proceeding beyond the margins of the Company. In 2013 during the performance of the search of the employees 15 employees of the Company had ascended in their positions and 6 employees had made a horizontal career (had moved to another positions more attractive for the employees) by the principle of internal rotation.

At the end of 2013 the Company had included 32 employees already having pension age or less than 3 years were remaining till this age. These are experienced employees having high qualification so it is important that they would transmit accumulated knowledge and experience for young specialists.



The Company actively cooperates with scholastic institutions, takes the students of high and professional schools to perform the practice in order to attract young qualified specialists into its collective. These young specialists could eventually change the employees that will retire on a pension. In 2013 the Company had participated within the events of Career days organized by Kaunas University of Technology and ISM University of Management and Economics. 14 students of high and further schools had performed the practice in 2013 and 2 from them were engaged into the Company.

WHAT THE EMPLOYEES OF Lietuvos Energijos Gamyba ARE WORKING?

**Learn about the
activity of the
employees of the
Company from their
lips directly!**

- Download free application "LEG žmonės" into your smartphone or tablet computer.

After the actuating the application please observe indicated instructions and hear and see what the employees of technical profile working in the Company, the specialists of development projects and the specialists of the finance and business seek after and what challenges they confront with.

The application operates within smart devices having iOS and Android operating systems.



OCCUPATIONAL SAFETY AND HEALTH CULTURE

The year 2013 in Lietuvos Energijos Gamyba were announced as the year of new culture of occupational safety and health. The Company pays special attention for the rise of occupational safety and health within working places and increasing of the responsibility of the employees.

External audit of occupational safety and health management system OHSAS 18001:2007 of the employees was performed in 2013. It was performed by the auditors of BUREAU VERITAS. The findings of the audit include the accent that the Company properly follows the requirements of occupational safety and health management system OHSAS 18001:2007 of the employees and the performing processes of occupational safety and health, rise of the culture of work environment of the employees are effective.

The quality of personal security measures was improved in 2013 in order to ensure the safety of the employees within working places and in accordance to their wishes. The employees are being included into the procurement process of personal protection measures of the employees. The procurements of personal protection measures were performed in accordance to the criterions of economic utility in order to ensure the provision of the employees with comfortable personal protection measures and to ensure suitable quality.

The Company takes care of the health of its employees. Free medical examination was organized for all employees necessary to perform to. The employees were vaccinated against the flu and tick-borne meningoencephalitis; first-aid trainings were also performed.

"Safety days" proceed within the Company. During these days the control is performed on how the employees of the Company follow the rules of occupational safety. The groups of the employees are composed and the method of the removal of the remarks determined during "Safety days" is prepared.

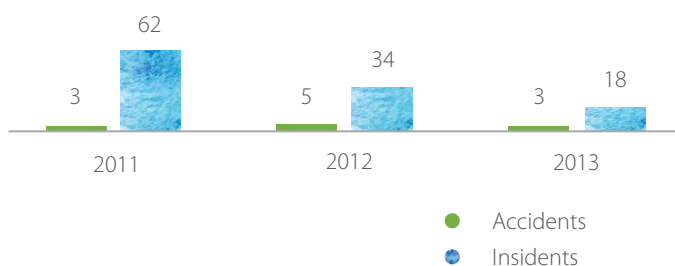
Active dialog happens within the Company by realizing development measures of the supervision and observation of health of the employees, safe and clean working environment and safety and culture of the employees, by creating and ensuring the satisfaction of the employees both with working environment and domestic conditions. After the performance of indicated measures within the areas of health supervision of the employees and provision of them with personal protection measures and the quantity of fine incidents had decreased considerably.

3 accidents had happen in the Company during 2013. All accidents were investigated and the reason of them was that the employees did not follow the instructions of occupational safety and health. The number of the accidents within working places in 2013 had decreased by 40% in comparison with 2012.

18 employees of the Company during 2013 had experienced fine injuries. The number of the incidents and fine injuries in 2013 had decreased by 64% in comparison with 2012. The main reason of fine injuries is careless behavior of the employees within working place. All injuries were investigated.

There were no deadly or serious injuries in the Company during 2013. There we no crashes within the Company also.

The accidents and incidents in the Company



SOCIAL RESPONSIBILITY REPORT

The activity of social responsibility of Lietuvos Energijos Gamyba is supported by the values of the Company and it defines the attitude of the Company into its activity, the involvement of the principles of social, environmental protection and clear activity into the internal processes of the Company and the intercourse with concerned parties.

The Company is following ten principles of Global Compact considering general rights of the person and the employees, the aspects of environmental protection and clearness. This universally accepted and declared guideline of responsible behavior is clear and strong reference for the Company in order to develop the activities of social responsible business.

The Company organizes annual plans of the activities of social responsibility, performs them and describes within publicly available reports of social responsibility.

It is predictable that during 2014 the activities of social responsibility or the Company will be reviewed and adjusted with new model of social responsible activity of the group of Lietuvos Energija companies. This model will be realized through single-minded and consistent activity within these areas: environmental protection, intercourse with the employees and the society, the activity within the market.

THE PURPOSES OF THE ACTIVITY OF SOCIAL RESPONSIBILITY

By performing the activities of social responsibility the Company aspires:

- To constantly improve business practice, ensure clear management; single-mindedly implement modern methods of personnel management, actively participate within the dialog with social partners, intend large significance for technical and scientific advancement and education of the specialists.
- To attract and maintain qualified employees, create the intercourse of long-term partnership with them and general successful future of the Company by generation principle of mutual value.
- To consider the expectations advanced for the Company by the society, maintain close intercourse with high and specialized professional schools preparing the specialists of energetics. To form positive image of the Company not only between the employees but also within geographical, scientific society.
- Organize permanent trainings, raise courses of qualification, and create environment and conditions allowing improving capabilities for each employee and achieving new skills. To cooperate with science institutions, support the programs of the preparation of new specialists in energetics in order to ensure the succession of the activity of the Company by attracting young and capable specialists.

THE OBSERVANCE OF THE PRINCIPLES OF GLOBAL COMPACT

Human rights.

Business organizations should:

- Principle No. 1: support and respect the protection of internationally proclaimed human rights;
- Principle No. 2: make sure that they are not complicit in human rights abuses.

The Company follows the principles of the protection of human rights and pronounces against any violations of them by performing its activity and delivering services, also operating within different communities.

The rights of the employees.

Businesses should:

- Principle No. 3: uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle No. 4: eliminate all forms of forced and compulsory labor;
- Principle No. 5: effectively abolish child labor;
- Principle No. 6: eliminate the discrimination in respect of employment and occupation.

The Company respects the rights of the employees and pronounces against child labor, any discrimination both when engaging new employees and between the existing employees. Labor unions acts within the Company and collective agreement is valid also. Objective evaluation of the expertise performed by the employee himself and his manager is the only method of the evaluations of the employees as indicated in the section of this report "The personnel of the Company". The Company takes care by itself of the rise of the expertise of the employees. The Company determines and pays salaries clearly, in accordance to clear determined method. The Company also takes care of the health of the employees, organizes non-formal events by its own finance and invites there all employees, takes care of the consolidation of organizational culture favorable for the employees.

Environmental protection.

Businesses should:

- Principle No. 7: support a precautionary approach to environmental challenges;
- Principle No. 8: undertake initiatives to promote greater environmental responsibility;
- Principle No. 9: encourage the development and diffusion of environmentally friendly technologies.

The Company performs all requirements of environmental protection advanced for it and takes care by its own finance of the construction of new equipment and renovation of old equipment in order the activity of the Company would have even lower influence for the environment. The Company organizes the actions of environment clearing and also invites to join the employees of other companies or institutions. The meetings between the employees of separate departments are organized through video conferences in order to reduce transport expense and the environment would be less polluted by exhaust gas. The Company stimulates the consideration and sorting of electronic equipment and paper used within its activity. The employees use less and less paper at work; more documents are arranged through electronic method or special document operating system.

Anti-Corruption.

- Principle No. 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Company pays all due clearly. The Company ensures the clearness of the procurements organizes by it and requires the potential and existing suppliers to operate clear and honestly. The Company deals with electric power within the market following clarity principle, does not participate in any transactions where the bribes are being asked and the Company gets the offers to behave unclear. The Company delivers the notices and offers for responsible institutions regarding new or adjustable law acts, appreciates the clarity of them.

THE ACTIVITIES OF SOCIAL RESPONSIBILITY

The activities of social responsibility of Lietuvos Energijos Gamyba are selected and realized in accordance to the character of Company's activity, strategic purposes and objective audiences. Social activity of the Company is directed towards economic, ethical and ecological responsibility.

Economic responsibility

The Company constantly active participates within the market of electric power and aspires to ensure qualitative supply of the services for its clients. The role of the team of professional specialists is very important in order to achieve these purposes.

Education of the employees, rise of qualification, strengthening of the expertise was between the priorities of the Company in 2013. The Company also constantly cooperates with scholastic institutions, takes the students performing their practice. One of the most important purposes of the Company – to have the employees only of the highest qualification – is ensured by realizing the measures of economic responsibility.

More information about these activities you can read in the section of this report "The personnel of the Company", also within consolidated annual report prepared by the Company for 2013.

Ethical responsibility

Ethical responsibility of the Company includes the employees, the members of their families and society. We are trying to achieve that the employees could feel safely, would get actual information on time and actively contribute to the realization of social initiatives. The jubilees of the most important holidays are initiated annually, society events are supported, and promotion projects for social sensitive audiences of the society are organized along with the employees. The Company also takes care of leisure time and the possibilities of self-expression of the employees – the initiatives of the employees to create cultural circles, establish labor unions are maintained.

The realization of the direction of ethical responsibility depolarizes the Company with its employees and the societies living within the territory of the activity.

The Company pays for its employees the salary depending on the level of their expertise and results of the work. Information about reward system you can find in the section of this report "The personnel of the Company", also within consolidated annual report prepared by the Company for 2013.

Large attention of the Company is paid for the care of the safety of the employees at work. More information you can read in the part of this report "Occupational safety and health culture".

The Company seeks after the involvement of the employees into social initiatives, events, stimulates the work effectively. The best employees of the year were traditionally motivated in 2013 for qualitatively performed works and the observance of the values entertained by the Company. We had stimulated to create and perform good jobs on the occasion of winter holidays within the event organized for the employees. During this event the employees had "bought" the dreams of children and grandfathers. The offspring of the employees had traditionally watched celebratory performance and were elate by the gifts. Such gifts had also fall to the pupils of Elektrėnai child care home.

Four free events "Lietuvos Energijos Gamyba presents" intended for local society had happened in 2013 within public library of Elektrėnai municipality. Each event had attained growing attention of the visitors. The meetings in the library had included visited schoolchild, seigniors and the residents of Elektrėnai engaged in active social activity. The events were visited also by the employees



of the Company along with their families. The partner of the events is public library of Elektrėnai municipality.

The Company had renewed sport and leisure sites at public spaces of Elektrėnai city. The employees of the Company had installed



the rails at two leisure sites existing within city beaches near Elektrėnai Sea. Also field basketball site was renewed at the block of flats. The Company had actively involved into the events of Days of Energetics in Vilnius and Kaunas University of Technology where the representatives of the Company delivered lectures and talked about their work.

During the event of annual project of professional voluntary "What this is need for?!" the Company had got the acknowledgement for the thing that the Company had accepted the biggest part of the pupils of the project "What this is need for?!" from entire Lithuania. The pupils along with the excursions had visited the departments of the Company in Elektrėnai, Kruonis and Kaunas. More than 100 free excursions were organized for the pupils, students, members of social organizations, the representatives of the companies in 2013 within the power plants managed by the Company.

On the eve of 1 September so called infant sets were presented for the pupils of Elektrėnai child care home – the pupils of lower classes. The bags of lower class pupils were transmitted for social maintained families along with the cooperation with Elektrėnai municipality. The bags are presented also for the employees of the Company growing lower class pupils.

The Company encourages healthy lifestyle and physical activity. Basketball teams of Lietuvos Energijos Gamyba actively participate in the competitions of youth and veteran subgroups, annual sport festival of the families of Lithuanian specialists of energetics and similar.

Ecological responsibility

Lietuvos Energijos Gamyba applies the highest requirements within all united departments: responsibly looks at the future economically uses nature resources, constantly implements new technologies, harmless for the environment, follows the requirements of law acts and norms regulating environmental protection, professionally applies various precautionary measures reducing negative influence for the environment.

The most important ascensional questions for environmental protection are safe exploitation of the equipment, safe usage of dangerous materials ecologically, disposal of created waste, insurance of permissible variations of water levels of Kaunas Sea and Nemunas below Kaunas HPP.

At the end of 2013 the Company was appreciated corresponding environmental protection management standard ISO 14001:2004. This certificate appreciable within the entire world indicated that the Company follows the most important requirements of

identification, observation, management and development of environmental protection aspects. This certificate is valid for the products and services provided by power plants in Elektrėnai, Kruonis and Kaunas managed by Lietuvos Energijos Gamyba. That means that all activity performed by power plants – production of electric and heat power performed in Elektrėnai complex, exploitation of the equipment of electricity, heat, turbines, natural gas, oil and oil products, production of electric power performed in Kruonis PHP, supply, exploitation of the equipment and reservation of capacity, also the production, supply of electric power and exploitation of the equipment in Kaunas PHP – correspond to strict international requirements of environmental protection.

Despite protracted winter the Company in 2013 decided not to postpone the action of cleanliness and the employees of the Company had actively involved and collected rubbish in Elektrėnai, Kruonis and Kaunas at the approaches of power plants, at the coast of the seas, within pedestrian precincts. Black pines (*Pinus Nigra*) were planted in Elektrėnai after the winter had got out of freeze clutches.



Special containers intended to discard disused fine electronic equipment and batteries were set at the departments of the Company in Elektrėnai, Kruonis and Kaunas, also in Vilnius where administration is established. The information about the production of the objects managed by the Company, the amount of used fuel, comprised pollution, also about precautionary measures to ensure safe environment applied for the Company is presented within the report of environmental protection and social measures of Lietuvos Energijos Gamyba of 2013. This report can be familiarized with in internet website www.gamyba.le.lt.



Lietuvos energijos gamyba, AB

THE REPORT ON THE ACTIVITY AND SOCIAL RESPONSIBILITY OF 2013

More information and the contacts:
www.gamyba.le.lt