Lietuvos energija | GAMYBA

"LIETUVOS ENERGIJOS GAMYBA", AB

CONSOLIDATED ANNUAL REPORT, CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED ON 31 DECEMBER 2013

TABLE OF CONTENT

The Financial Statements were approved by the Chief Executive Officer, Director of Finance and Legal Department, and the Chief Financier of "Lietuvos energijos gamyba", AB on 12 March 2014.

Juozas Bartlingas Chief Executive Officer	**Eglė Čiužaitė** Director of Finance and Legal Department	**Giedruolė Guobienė** Chief Financier

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Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of "Lietuvos Energijos gamyba", AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of ,"Lietuvos Energijos gamyba", AB ("the Company") and its subsidiaries ("the Group") set out on pages 61 to 132, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2013 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for qualified opinion

As of 31 December 2011, the Company and the Group did not estimate the recoverable amount of the Reserve Power Plant, including construction in progress, with the carrying amount of LTL 2,039m, although impairment indications existed as of this date. As of 31 December 2012 the Company and the Group estimated the recoverable amount of the Reserve Power Plant and Combined Cycle Block, which exceeded the carrying amount equal to LTL 2,160m as of 31 December 2012. The recoverable amount of these assets increased in 2012 as a result of the legal acts introduced in 2012. In the absence of the impairment test as of 31 December 2011, we were unable to assess the amounts of impairment loss that should have been recognised during the periods before 1 January 2012, and the amount of impairment loss that should have been reversed in the financial year ended 31 December 2012. Our audit opinion on the financial statements for the year ended 31 December 2012 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified opinion

In our opinion, except for the effect of the matter referred to in paragraph *Basis for qualified opinion,* the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2013 set out on pages 5 to 60 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2013.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Jurgita Krikščiūnienė
Auditor's Certificate No.000495

Vilnius, Republic of Lithuania
12 March 2014

CONSOLIDATED ANNUAL REPORT OF “LIETUVOS ENERGIJOS GAMYBA“, AB AND ITS SUBSIDIARIES

FOR THE YEAR ENDED ON 31 DECEMBER 2013

TABLE OF CONTENT

Reporting period for which the Consolidated Annual Report has been prepared

The Consolidated Annual Report provides information to shareholders, creditors and other stakeholders of "Lietuvos energijos gamyba", AB ("the Company") and the Group of companies in 2013.

Legal basis for the preparation of the Consolidated Annual Report

The Consolidated Annual Report of "Lietuvos energijos gamyba", AB and its subsidiaries (hereinafter the Company and its subsidiaries collectively referred to as the "Group") has been prepared by the Administration of the Company in accordance with Article 25 of Chapter V of the Republic of Lithuania Law on Financial Statements of Companies, Article 9 of Chapter III of the Republic of Lithuania Law on Consolidated Financial Statements of Companies, Resolution of the Bank of Lithuania No 03-48 of 28 February 2013 "Concerning approval of the Rules for Preparation and Submission of Periodic and Additional Information", and Resolution of the Government of the Republic of Lithuania of 7 March 2012 (No 258) "Concerning approval of the Guidelines for Ensuring Transparency of Operations of State-Controlled Companies and appointment of a managing body".

Persons responsible for the information provided in the Consolidated Annual Report

Title	Name	Telephone
Chief Executive Officer, "Lietuvos energijos gamyba", AB	Juozas Bartlingas	+370 5 278 2900
Director of Finance and Legal Department of "Lietuvos energijos gamyba", AB	Eglė Čiužaitė	+370 5 278 2910

INFORMATION ABOUT THE COMPANY

Information about change of name of the Company

At the general meeting of shareholders of Lietuvos energija, AB held on 29 July 2013, shareholders of the Company decided to change the name of the company Lietuvos energija, AB (business ID 302648707) into "Lietuvos energijos gamyba", AB.

Therefore, from 5 August 2013 the name of the company is **"Lietuvos energijos gamyba", AB.** Information about the change of name has been published, according to the procedure established by the laws, in the electronic bulletin published by VĮ Registrų centras, the manager of the Register of Legal Persons. Other particulars and contact details of the Company have not changed.

In this Consolidated Annual Report, the name of the company as of the date of its publication is used, i. e. "Lietuvos energijos gamyba", AB ("the Company").

Information about the Company and its contact details

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

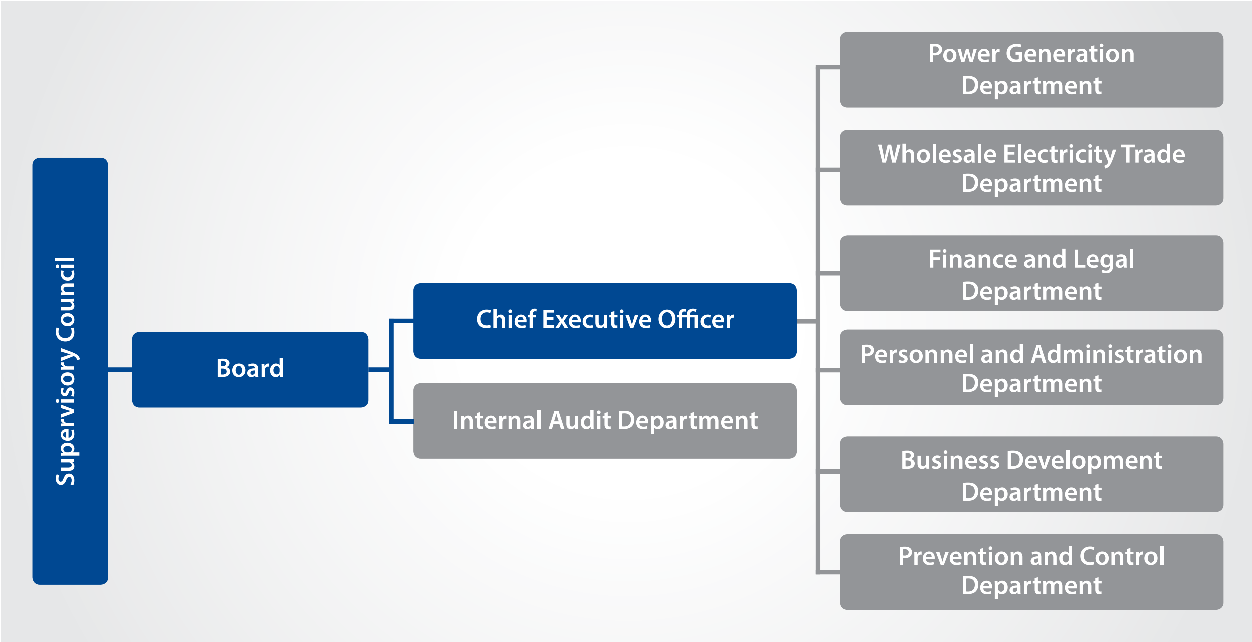
Core activities of the Company

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

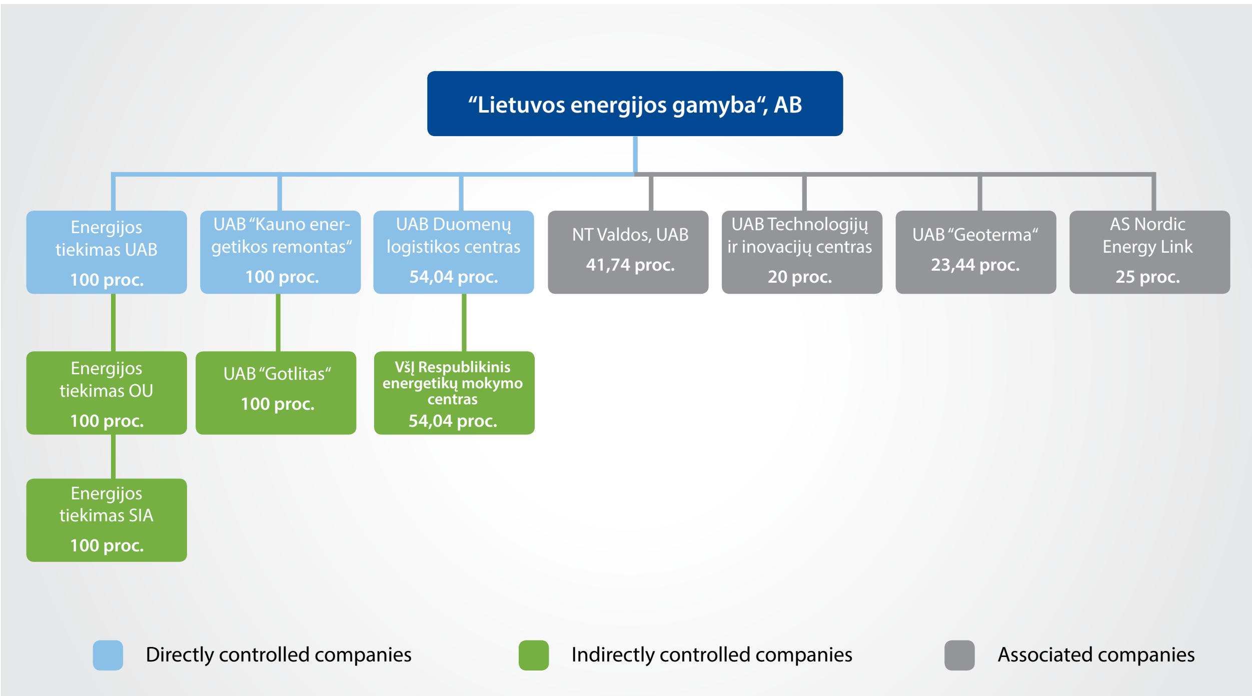
Information about branches and representative offices of the Company

The Company has no branches or representative offices.

Structure of the Company (as of 31 December 2013)



Structure of the Group (as of 31 December 2013)



INFORMATION ABOUT THE GROUP

As of 31 December 2013, the following subsidiaries were under direct control of the Company: UAB "Kauno energetikos remontas", Energijos tiekimas UAB, and UAB "Duomenų logistikos centras". UAB "Kauno energetikos remontas" and Energijos tiekimas UAB are wholly-owned subsidiaries, whereas in UAB Duomenų logistikos centras the Company holds 54.04% of the shares.

Indirectly, through UAB "Kauno energetikos remontas", the Company holds 100% of the shares on UAB "Gotlitas". Furthermore, through Energijos tiekimas UAB, the Company holds the majority of shares in Energijos tiekimas OU (100%) and Energijos tiekimas SIA (100%). Through UAB Duomenų logistikos centras, the Company holds the majority of shares in VšĮ Respublikinis energetikų mokymo centras (National Centre for Training of Energy Specialists) (54.04%).

Apart from the said subsidiaries, the Company participates in the management of the following associated companies: UAB "Geoterma" (23.44% of shares), NT Valdos, UAB (41.74%), UAB Technologijų ir inovacijų centras (20%) and Nordic Energy Link AS (25% of shares).

Data on the companies forming the Group

Name	Registration date and place, business ID	Contact details	Shareholding of the Group	Core business
UAB "Kauno energetikos remontas"	27 April 2000, Register of Legal Persons of the Republic of Lithuania, business ID 135617795	Chemijos g. 17, LT-51331 Kaunas, Lithuania Tel. +370 37 456 702 Fax +370 37 452 948 Email: ker@ker.lt www.ker.lt	100 %	Repairs of energy installations, manufacture of metal structures
Energijos tiekimas UAB	21 October 2009, Register of Legal Persons of the Republic of Lithuania, business ID 302449388	P. Lukšio g. 1, LT-08221 Vilnius, Lithuania Tel. +370 5 278 2770 Fax +370 5 278 2750 Email: info@etiekimas.lt www.etiekimas.lt	100 %	Independent power supply
UAB Duomenų logistikos centras	9 July 2010, Register of Legal Persons of the Republic of Lithuania, business ID 302527488	A. Juozapavičiaus g. 13, LT-09311 Vilnius, Lithuania Tel. +370 5 278 2272 Fax +370 5 278 2299 Email:info@datainn.lt www.datainn.lt	54.04 %	Information technology services
UAB "Gotlitas"	30 September 2003, Register of Legal Persons of the Republic of Lithuania, business ID 136031358	R. Kalantos g. 119,LT-52311 Kaunas, Lithuania Tel. +370 37 370 390 Fax +370 37 370 390 Email: gotlitas@gmail.com www.gotlitas.lt	100 %	Accommodation services, trade
Energijos tiekimas OÜ	6 March 2013, Republic of Estonia, business ID 12433862	Narva mnt 5, 10117 Tallinn, Estonia Tel. +372 622 5366 Email: info@etiekimas.ee	100 %	Independent power supply
Energijos tiekimas SIA	28 February 2013, Republic of Latvia, business ID 40103642991	Elizabetes ielā 45-47, 1010 Rīga, Latvia Tel. +371 677 98006 Email: info@etiekimas.lv	100 %	Independent power supply
VšĮ Respublikinis energetikų mokymo centras	16 May 2001, Register of Legal Persons of the Republic of Lithuania, business ID111966614	Jeruzalės g. 21, LT-08420 Vilnius, Lithuania Tel. +370 5 237 4577 Fax +370 5 269 7055 Email: info@remc.lt www.remc.lt	54.04 %	Energy sector specialists' professional development & continuous vocational training

MANAGEMENT OF THE COMPANY

INFORMATION ABOUT MANAGEMENT BODIES OF THE COMPANY

According to the Articles of Association valid as of 31 December 2013, management bodies of the Company include:
- the General Meeting of Shareholders;
- the Supervisory Council;
- the Board;
- the CEO - Chief Executive Officer.

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

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

Two general meetings of shareholders of the Company were held in 2013:
1. The ordinary general meeting of shareholders held on 30 April adopted decisions on the approval of the Consolidated Annual Report of the Company and its Subsidiaries for 2012, approval of the audited consolidated financial statements and the Company's financial statements for 2012, allocation of the Company's profit for 2012, election of a member of the Board of the Company, and pledging of the assets developed during the project on the construction of the 455 MW combined-cycle gas turbine unit;
2. The extraordinary general meeting of shareholders held on 29 July adopted decisions on the selection of the auditor and setting of remuneration to the auditor, changing of the name of Lietuvos energija, AB into „Lietuvos energijos gamyba", AB, approval of the new version of the Articles of Association of the Company, formation of the Supervisory Council, and approval of the contractual terms and conditions.

Information about the shareholders' voting results is published in 'For Investors' section of the website of the Company.

Both general meetings of shareholders of the Company held in 2013 were attended by the Chief Executive Officer and the Director of the Finance and Legal Department of the Company.

Supervisory Bodies

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

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

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

The scope of competence of the Supervisory Council includes the following main powers:
- electing and recalling Members of the Board;
- overseeing activities of the Board and the Chief Executive Officer;
- furnishing the general meeting of shareholders with feedback and proposals for the operating strategies of the Company, annual financial statements, proposed allocation of profit/loss and the Annual Report of the Company as well as activities

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

The Supervisory Council of the Company was formed on 29 July 2013. Five meetings of the Supervisory Council of the Company took place in 2013. All the members of the Supervisory Council were present at all the meetings.

Management bodies

The Board

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

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

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

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

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

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

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

22 meetings of the Board of the Company took place in 2013. All the members of the Board were present at 13 meetings, and 4 out of 5 members (80%) took part at 9 meetings.

Chief Executive Officer of the Company – the Chief Executive Officer

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

Procedure for amending the Articles of Association

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

MEMBERS OF CORPORATE BODIES AND THEIR PARTICIPATION IN THE AUTHORISED CAPITAL OF THE COMPANY

Members of the Supervisory Council (as of 31 December 2013)

Position	Name	Term of office	Share-holding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Chairman	Dalius Misiūnas	2013-08-05 (Chairman from 2013-08-07) – to date	-	"Lietuvos energija", UAB – Chief Executive Officer and Chairman of the Board. National Electricity Association – President. EURELECTRIC – Member of Council of Directors. Association of KTU Alumni – President. Science, Innovation and Technologies Agency – Chairman of Technology Development Committee.	-
Member	Liudas Liutkevičius	2013-08-05 – to date	-	"Lietuvos energija", UAB – Director for Production and Services, Member of the Board. NT Valdos, UAB - Member of the Board. Energijos tiekimas UAB -Member of the Board. UAB "Kauno energetikos remontas" - Member of the Board. UAB LITGAS - Member of the Board. UAB "Security components"– Director and shareholder. UAB "Directo"– shareholder. Energijos brokeris UAB – shareholder.	UAB "Security components": 100% of shares; UAB "Directo": 60% of shares; Energijos brokeris, UAB: 100% of shares (the company is not in operation).
Independent member	Pranas Vilkas	2013-08-05 – to date	-	-	-

Members of the Board (during the reporting period)

Position	Name	Term of office	Shareholding in the Company
Member of the Board (Chairman of the Board until 2013-02-11)	Kęstutis Žilėnas	2011-07-04 – 2013-02-11	-
Member of the Board, Chief Executive Officer	Dalius Misiūnas	2011-07-04 – 2013-07-24	-
Independent Member of the Board	Sonata Matulevičienė	2011-12-12 – 2013-09-17	-
Member of the Board	Laurentina Garbauskienė	2012-09-20 – 2013-09-17	-
Independent Member of the Board (Chairman of the Board 2013-05-10 - 2013-09-17)	Raimundas Petrauskas	2012-09-20 – 2013-09-17	-
Member of the Board	Darius Kašauskas	2013-04-30 – 2013-07-24	-
Chairman of the Board, Chief Executive Officer	Juozas Bartlingas	2013-09-17 – to date	-
Member of the Board, Director of Finance and Legal Department	Eglė Čiužaitė	2013-09-17 – to date	-
Member of the Board, Director of Business Development Department	Adomas Birulis	2013-09-17 – to date	-
Member of the Board, Director of Production Department	Darius Kucinas	2013-09-17 – to date	-
Member of the Board, Director of Wholesale Department	Vidmantas Salietis	2013-09-17 – to date	-

Participation of Members of the Board in other companies and organisations. Over 5% share in capital and votes of other companies (as of 31 December 2013)

Name	Other company/organisation and position	Interests in the company	Votes in the company
Juozas Bartlingas	-	-	-
Eglė Čiužaitė	UAB "Geoterma", Member of the Board	-	-
Adomas Birulis	UAB Technologijų ir inovacijų centras, Member of the Board	-	-
Darius Kucinas	-	-	-
Vidmantas Salietis	Nord Pool Spot – Member of Client Advisory Council EURELECTRIC – Member of Market Committee.	-	-

Members of Administration of the Company (as of 31 December 2013)

Position	Name	Start date	End date	Shareholding in the Company
Chief Executive Officer	Juozas Bartlingas	2013-09-17	to date	-
Chief Financier and Head of Account Division	Giedruolė Guobienė	2011-08-01	to date	-

Information on amounts paid, other assets transferred and guarantees provided by the Company to these persons collectively and average amounts per member of a collegiate management body, Chief Executive Officer and Chief Financier of the Company in the reporting period

	Pay in 2013, LTL	Other payments in 2013, LTL	Total, LTL
Per member of the Board on average	-	9 127	9 127
All members of the Board collectively	-	63 892	63 892
Members of the Board except Chief Executive Officer (for 3 months)	183 818	-	183 818
Chief Executive Officer of the	245 915	-	245 915
Company	245 915	-	245 915
Chief Financier of the Company	117 804	-	117 804

INFORMATION ON COMMITTEES FORMED IN THE COMPANY

As of 31 December 2013, the Supervisory Council of "Lietuvos energija", UAB as a parent company of the Group had the following committees: Audit Committee, Risk Management Supervision Committee, Appointments and Remuneration Committee. Their activities cover "Lietuvos energija", UAB and its directly and indirectly controlled subsidiaries including "Lietuvos energijos gamyba", AB.

Audit Committee

As of 31 December 2013, the Supervisory Council of "Lietuvos energija", UAB had an Audit Committee which also performed the functions of the Group's Audit Committee in accordance with the Law on Audit.

Main functions of the Audit Committee:

- oversee the process of drawing up of the financial statements of the Company and the Group's companies, with a focus on the appropriateness and consistency of accounting policies applied;
- oversee the effectiveness of the internal control system and risk management systems in place at the Company and the Group's companies; perform analyses and reviews of the need for and appropriateness of such systems; conduct reviews of existing internal control systems;
- oversee the adherence to the principles of independence and objectivity by the certified auditor and the audit firm and make relevant recommendations; make recommendations for the selection of auditor;
- oversee the conduct of audits of the Company and the Group's companies, evaluate the effectiveness of the audits and management's response to the recommendations made by the auditors in the management letter;
- oversee the effectiveness of the internal audit function of the Company and the Group's companies, analyse the need for and appropriateness of such function, make recommendations on matters related to the internal audit and take action as required;
- make proposals for the internal audit plans of the Company and the Group's companies, make recommendations for the regulations of internal audit units of the Company and the Group's companies, for the appointment and dismissal of the head of the internal audit unit, approval of his/her job regulations, and incentives/sanctions upon him/her;
- monitor compliance of the activities of the Company and the Group's companies with the Lithuanian laws and regulations and the Articles of Association and operating strategies;
- assess and analyse other matters falling within the scope of the Audit Committee as decided by the Supervisory Council;
- perform other relevant functions identified in the Lithuanian laws and regulations and the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius.

Members of the Audit Committee (as of 31 December 2013):

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

Risk Management Supervision Committee

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant to the attainment of objectives of the Company and the Group;
- assess appropriateness of internal control procedures and risk management measures with respect to the risks identified;
- assess progress in the implementation of risk management measures;
- monitor the risk management process;
- analyse availability of funding for the implementation of risk management measures;
- assess the periodic risk identification and assessment cycle;
- exercise control over risk registers, analyse data therein and make proposals;
- monitor the drawing up of internal risk management documentation;
- perform other functions falling within the scope of the Committee as decided by the Supervisory Council.

Members of the Committee (as of 31 December 2013):

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
Antanas Danys (Chairman)	-	August 2013	Public Entity „Lietuvos Junior Achievement", Board Member
Žydrūnė Juodkienė	-	August 2013	Ministry of Energy of the Republic of Lithuania, Vice-Minister
Tomas Garasimavičius	-	August 2013	Energy Advisor to the Prime Minister of the Republic of Lithuania
Raimundas Petrauskas (independent member)	-	August 2013	Schmitz Cargobull Baltic, UAB, Chief Executive Officer
Donatas Kauburys (independent member)	-	October 2013	UAB "Dovirma", Director

Appointments and Remuneration Committee

Main functions of the Committee:

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

Members of the Committee (as of 31 December 2013):

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
Aloyzas Vitkauskas (Chairman)	-	August 2013	Ministry of Finance of the Republic of Lithuania, Vice-Minister
Tomas Garasimavičius	-	August 2013	Energy Advisor to the Prime Minister of the Republic of Lithuania
Virginijus Lepeška (independent member)	-	August 2013	UAB "Organizacijų vystymo centras", Chairman of the Board

Significant agreements to which the Company is a party and which would take effect, would be amended or would cease in case of changes in the Company's control status - none.

Agreements between the Company and members of its management bodies or its employees providing for a compensation in case of their resignation or dismissal without a valid reason or termination of employment due to changes in the Company's control status - none.

Information about significant related-party transactions is presented in the Explanatory Notes to the Financial Statements for 2013.

Detrimental transactions concluded in the reporting period on behalf of the Company (transactions not in line with the Company's objectives or normal market conditions; infringing interests of the shareholders or other stakeholders etc.) which have had or might have an adverse impact on the Company's operations and/or operating result as well as information on transactions involving a conflict of interest between the responsibilities that the Company's management, majority shareholders or stakeholders have to the Company and their private interests and/or positions held elsewhere - none.

OVERVIEW OF OPERATIONS

INFORMATION ABOUT CHANGES IN THE GROUP OF ENERGY COMPANIES

“Lietuvos energijos gamyba“, AB (former Lietuvos energija, AB) forms part of the group of companies of Lietuvos energija, UAB (former UAB Visagino atominė elektrinė) (hereinafter referred to as the ’Group’). In order to increase efficiency and transparency of the Group’s operations, a reorganisation of management of the Group was launched in the first half of 2013 on instruction of the Ministry of Finance, a shareholder of the Group.

The purpose of the reorganisation was to more clearly define the responsibilities of management and supervisory bodies by electing supervisory councils and boards and to enhance corporate governance by implementing a management and control system that would ensure an effective attainment of the shareholder’s aims and augmentation of long-term value in a socially responsible way.

According to the new governance model, supervisory councils and boards operate in the parent company Lietuvos energija, UAB and its subsidiaries, listed companies “Lietuvos energijos gamyba“, AB and LESTO AB. The Supervisory Council of Lietuvos energija, UAB, which is elected by the general meeting of shareholders, consists of seven members. Three of them are independent members and four represent the Ministries of Finance, Energy and the Economy and the Government Office, respectively. The Supervisory Council of „Lietuvos energijos gamyba“, AB and LESTO AB consists of three members.

The Supervisory Council elects, for the term of office of four years, the Board of the Company, which elects a Chairman from among its 5 members. The Chief Executive Officer may be the Chairman of the Board.

There are no supervisory councils in other companies of the Group that carry out maintenance operations, with boards elected for corporate governance purposes. They consist of independent members and members representing interests of the shareholder.

Upon reorganisation of governance, the functions of coordinating the Group’s companies in the areas of finance, legal, strategy and development, human resources, risk management, audit, technologies, communication etc. are concentrated at parent company “Lietuvos energija“, UAB.United principles governing management of programmes, processes and projects are applied within the Group.

It is expected that such coordination and a uniform management and control system will enable the achievement of synergies, coordinating different types of activities of the Group’s companies, and directing them effectively towards the attainment of common aims of the Group.

The first reorganisation phase, in which amendments to the Articles of Association of the Group’s companies were made and supervisory councils and boards were elected was completed by October 2013. It is followed by adoption and implementation of long-term strategic and systemic decisions. They will contribute to achieve the main aim of the reorganisation, i. e. to augment, in a socially responsible way, the long-term value of the Group and the return on capital invested by the shareholder, balancing the interests of the State as a shareholder with interests and expectations of other stakeholders.

In developing the new governance structure and model for the Group of energy companies, the best international and national practices were applied, guidance of the Organisation for Economic Cooperation and Development and other influential international institutions was used, and the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius was taken into account.

MATERIAL EVENTS IN THE REPORTING PERIOD

11 February 2013. Kęstutis Žilėnas resigned from the position of Chairman and Member of the Board of the Company.

26 February 2013. All shares in “Lietuvos energija“, UAB (UAB Visagino atominė elektrinė at that time) owned by the State and held by the Ministry of the Economy on trusteeship basis were transferred to the Ministry of Finance. Lietuvos energija, UAB holds 96.13% of shares in “Lietuvos energijos gamyba“, AB.

30 April 2013. Darius Kašauskas was elected as Member of the Board by the ordinary general meeting of shareholders.

30 April 2013. The ordinary general meeting of shareholders approved of the pledging, under credit agreements, of the assets developed during the 455 MW combined-cycle gas turbine unit’s construction project.

10 May 2013. Raimundas Petrauskas was elected as Chairman of the Board of "Lietuvos energijos gamyba", AB by the meeting of the Board.

22 July 2013. Based on the Chief Executive Officer Dalius Misiūnas' notice of resignation, the Board of the Company decided to recall Dalius Misiūnas from the position of the Chief Executive Officer of Lietuvos energija AB (currently "Lietuvos energijos gamyba", AB). Juozas Bartlingas, Director of Production Department, was appointed as Acting Chief Executive Officer. Dalius Misiūnas became Chairman of the Board and Chief Executive Officer of parent company Lietuvos energija, UAB.

24 July 2013. Resignation of the Board Members Dalius Misiūnas and Darius Kašauskas.

29 July 2013. The extraordinary meeting of shareholders approved of the changing of the name of the Company and the version of the Articles of Association. The shareholders of the Company elected three members of the Supervisory Council for the term of office of 4 years: Dalius Misiūnas, Liudas Liutkevičius and Pranas Vilkas.

5 August 2013. Registration of the new name of the company "Lietuvos energijos gamyba", AB and of the new version of the Articles of Association.

7 August 2013. The meeting of the Supervisory Council elects Dalius Misiūnas as the Chairman of the Supervisory Council of "Lietuvos energijos gamyba", AB.

30 August 2013. The name of the parent company UAB Visagino atominė elektrinė is changed into "Lietuvos energija", UAB.

11 September 2013. Notices of resignation are received from the Board Chairman Raimundas Petrauskas and the Board Member Sonata Matulevičienė.

17 September 2013. The meeting of the Supervisory Council decides to recall the Board of the Company and to elect the new Board for the term of office of 4 years: Juozas Bartlingas, Eglė Čiužaitė, Adomas Birulis, Darius Kucinas, Vidmantas Salietis. At the meeting of the Board held on the same day, the newly elected Board Members elected Juozas Bartlingas as the Chairman of the Board and the Chief Executive Officer of the Company.

11 October 2013. The general meeting of shareholders of UAB Technologijų ir inovacijų centras decides to change the name of the company into UAB Duomenų logistikos centras. Non-commercial operations (maintenance and servicing of ICT facilities of the major energy sector companies) were separated and transferred to UAB Technologijų ir inovacijų centras newly established in November 2013.

25 October 2013. The general meeting of shareholders of UAB Technologijų ir inovacijų centras decides to change the name of the company into UAB Duomenų logistikos centras.Non-commercial operations (maintenance and servicing of ICT facilities of the major energy sector companies) were separated and transferred to UAB Technologijų ir inovacijų centras newly established in November 2013.

4 December 2013. UAB Technologijų ir inovacijų centras established and registered in the Register of Legal Persons managed by VĮ Registrų centras. "Lietuvos energija", UAB, "Lietuvos energijos gamyba", AB, LESTO AB and LITGRID AB hold 50%, 20%, 20% and 10% of the shares respectively.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

16 January 2014. The Board of the parent company Lietuvos energija, UAB approves the operating strategy of the Group of companies of "Lietuvos energija", UAB for 2014–2020. The strategy sets out the objectives of the Group, implementation programmes and financial results.

21 February 2014. The Company enters into a credit agreement with AB SEB for a loan up to EUR 158,000,000. This loan will refinance three loans under agreements with Lithuanian banks and the EBRD. The loans were used to finance projects such as the construction of the combined-cycle gas turbine unit, construction and installation of facilities for flue gas cleaning from solid particles and sulphur oxides etc.

OPERATIONS OF THE COMPANY

The Company is engaged in wholesale electricity trade (i.e. trade among power generating companies and suppliers). The Company is engaged in wholesale trade in electricity (in the environment of relations between power generation companies and suppliers). The Company sells electricity and supplies the power balancing services to both public and independent suppliers operating in the Lithuanian market, and exports and sells electricity on an electricity exchange.

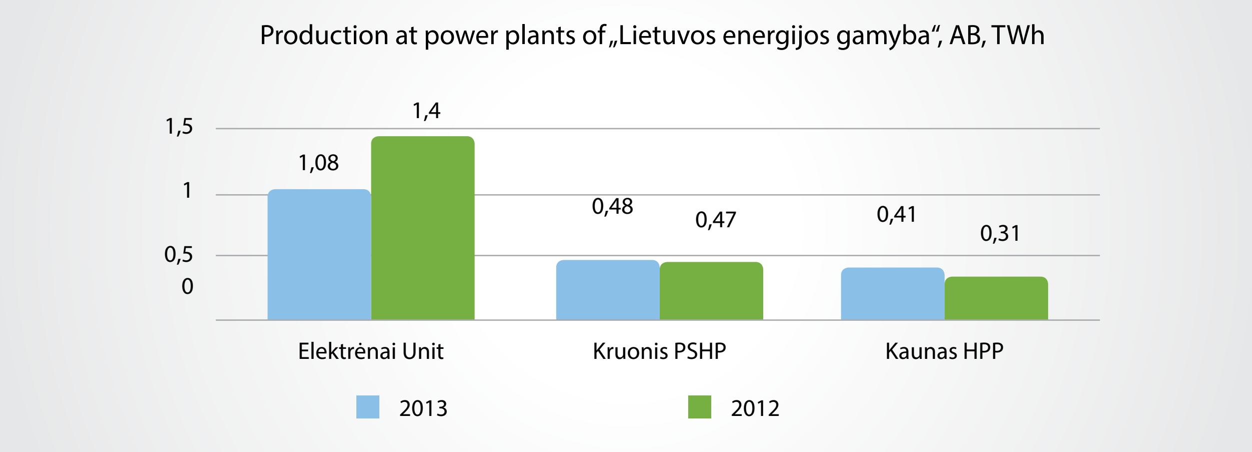
The Company produces electricity at its three power plants (the Elektrėnai site consisting of the Lithuanian Power Plant and the combined-cycle unit, Kruonis Pumped Storage Hydroelectric Plant (PSHP) and Kaunas Hydroelectric Power Plant (HPP)), buys electricity from other suppliers and power generating companies under contracts, imports electricity, and buys it on the electricity exchange.

Power generation

The Company holds permits of unlimited duration to generate electric power. In 2013, production volumes were as follows: Lithuanian Power Plant 1.08 TWh, Kruonis PSHP 0.475 TWh, and Kaunas HPP 0.409 TWh.

The lower electricity production volumes were mainly determined by the reduced quota of supported electricity generation at the Lithuanian Power Plant for the year 2013. The actual reduction in the reporting period was partially set off by the increased production volumes at the Kruonis PSHP and Kaunas HPP.

The Company also produces electricity from renewable energy resources. Kaunas HPP uses hydro power as a clean, flexible national resource which will never be depleted.



Domestic trade

In 2013, the Company sold 3.6 TWh of electricity in the domestic market to public suppliers and other independent suppliers (in 2012: 3.7 TWh).

Furthermore, since 8 January 2013 the Company is performing the functions of an appointed company, i. e. it buys up of all the electricity generated at wind farms according to forecasts and sells it in the Nord Pool Spot Lithuanian trading area. 0.47 TWh of electricity was purchased from wind farms and sold on the exchange in 2014.

Foreign trade

The Company imported electricity from Estonia and Latvia and exported electricity to Estonia and Latvia. In 2013, the electricity imports totalled 0.73 TWh and exports totalled 0.07 TWh (in 2012: 0.83 TWh and 0.5 TWh respectively). After Latvia joined NPS on 3 June 2013, trade is conducted only in the NPS Lithuanian trading area.

Other services

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

System services are aimed at ensuring stability and reliability of the energy system, prevention of and response to system emergencies, and the requisite power reserve in accordance with the established requirements for the supply quality and reliability. The system services include *power reserving, trade in regulation power and balancing power, reactive power management, and system recovery services.*

Power reserving service is a means to ensure the reliable operations of the energy system when, in emergency situations, power generation volumes drop or consumption increases suddenly. In such cases the power generating company provides the service of securing the power reserve and the maintaining of reserve power in the standby production facilities, i. e. the secondary and/or tertiary reserves are used. Secondary power reserve is the power of the installations or hydroelectric units in operation; such power can be activated within 15 minutes. Tertiary (cold) reserve is the power of the generating sources maintaining by the generating company that can be activated within 12 hours. All the three power plants managed by the Company provide the secondary and tertiary power reserve services. The secondary power reserve is ensured by the Kaunas HPP, Kruonis PSHP and the Lithuanian Power Plant, and the tertiary power reserve is ensured by the Lithuanian Power Plant. In 2013, the Company sold 1.75 TWh of electricity as secondary power reserve and 2.31 TWh of electricity as tertiary power reserve (in 2012: 2.02 TWh and 2.69 TWh respectively).

The *regulation power service* is required in order to balance the surplus and deficit of power in the energy system. Trading in the regulation power is conducted in real time, ensuring the reliable operations of the energy system every hour. Where there is not enough power in the system and the TSO gives an instruction to increase the generation, the Company increases its generation volumes and sells the requisite amount of regulation power to the TSO. In case of surplus of power in the energy system, the TSO instructs the Company to reduce the volumes and the Company purchases the surplus regulation power from the TSO. In 2013, the Company sold 0.86 TWh and purchased 0.03 TWh of regulation power (in 2012: 0.03 TWh and 0.03 TWh respectively).

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

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

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

OPERATIONS OF SUBSIDIARIES

KAUNO ENERGETIKOS REMONTAS

UAB "Kauno energetikos remontas". Core activities of the company include the diagnostics, rehabilitation, repairs and installation of energy equipment, manufacture of spare parts for such equipment, and manufacture of metal structures for energy and manufacturing applications, spare parts for boilers and engines, and hermetic oil transformers. Upon reorganisation of the energy sector in 2010, the company has become the main provider of services to the companies forming the production unit of the Group.

In 2013, UAB "Kauno energetikos remontas" continued working at various facilities and successfully took part in tendering procedures for new contracts. As a consortium with Filter and Vapor, it was a winner in an international tendering procedure for the design, installation and construction of new heat generation facilities at the Lithuanian Power Plant.

UAB "Kauno energetikos remontas" has direct influence over UAB "Gotlitas", which is engaged in the hotel and other accommodation services, rent of properties, and commercial activities.

ENERGIJOS TIEKIMAS
Lietuviško kapitalo lyderis

Energijos tiekimas UAB is an independent electricity supplier. It supplies electricity to retail customers, which are obligated to purchase electricity in the free electricity market since 1 January 2010. The company holds a licence of an independent supplier (No. L1-NET-36) issued by the State Commission on Prices and Energy Control (SCPEC) and a permit to import electricity.

In July 2013, Energijos tiekimas UAB entered the Latvian and Estonian markets where the Lithuanian Embassies in Riga and Tallinn became its first customers based on the best price quotation.

Data Logistics Center

UAB Duomenų logistikos centras provides the following services: strategic information systems' support and development, office services, infrastructure and business management systems' support and development, accounting, innovations and competences.

In January 2013, UAB Duomenų logistikos centras implemented a management system according to ISO 9001.

Until 4 November 2013, UAB Duomenų logistikos centras operated under the name of UAB Technologijų ir inovacijų centras.

INFORMATION ABOUT RESEARCH AND DEVELOPMENT

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

The Company implemented the following R & D projects during 2013:

Investigations of the Syderiai geological structure
With the aim to construct an underground natural gas storage facility in which the required natural gas reserve will be accumulated, investigations of the geological structure in the wells were completed in the first half of 2013: the last (the fourth) investigation well Syderiai-3 was drilled, the planned geologic, geophysical and laboratory investigations were conducted and the relevant reports were prepared. Site management works including the drilling site and the dismantling of access roads were performed. In the first half of 2013, a contractor was selected for the reinterpretation of the data from seismic studies and the storage facility tank modelling; the boundaries of the geological structure were made more exact and the impermeability of the surrounding faults was assessed. All the contractual works are planned to be completed by the end of Quarter I of 2014 and conclusions will be submitted to the Government of the Republic of Lithuania and the Ministry of Energy for the adoption of further decisions.

Project on the Development of Heat Production Facilities in Elektrėnai
The Company continues a project on the development of heat generation capacities started in 2011. The winner of the international tendering procedure for the design, installation and construction works was announced in June 2013: a consortium of Filter and Vapor and Kauno energetikos remontas UAB. A long-term loan was received by the Company from Nordea Bank Finland Plc and AB DNB bank for the financing of these works.

Design works were carried out in 2013. Equipment was ordered at the same time. The first units that will produce heat from biofuel should be put into operation for the 2014-2015 heating season and completion of a 40 MW biofuel boiler house is planned for the end of 2014. A new 50 MW steam boiler house will be installed as well. The project will involve modernisation of the internal services (heat networks) of the Lithuanian Power Plant, which were built more than 50 years ago.

Project on the development of Kruonis PSHP
Feasibility of a development project aimed at increasing the Kruonis PSHP capacities from 225 MW to 1125 MW was considered in 2013.

Additional flexible capacities of Kruonis PSHP are required in order to meet the future needs of the power transmission system and the market. They will enable a flexible real-time regulation of the imbalance in the power generation by wind farms, which is going to increase with Lithuania and other Baltic region countries increasing the share of renewable resources in the power generation. Upon completion of NordBalt and LitPol Link projects, the increased capacities of Kruonis PSHP will make a significant contribution to the security and reliability of the power transmission system by providing system services and the power reserve.

According to technical specifications, the new fifth 225 MW hydro unit of Kruonis PSHP will be able to operate at 110-225 MW in the pump mode and 55-225 MW in the generator mode. The estimated coefficient of performance of the new unit is 78%.

In 2013, the project preparations phase was completed including preparations for the procurement of required works and services and securing the requisite funding.

It is planned that the new equipment will be installed using the present structures, foundations, buildings, other equipment and engineering infrastructure. Competent authorities have concluded that no negative impact on the environment will be produced by the planned development of the Kruonis PSHP. Investments in the construction of the fifth unit of Kruonis PSHP will total approx. LTL 400 million.

The project has been included in the list of European Projects of Common Interest. All the projects on the list will be able to use various forms of EU assistance and financing instruments.

Assessment of wind power potential at Kruonis PSHP
Comprehensive measurements of wind speed and directions as well of other meteorological conditions are carried out in the territory of Kruonis PSHP in order to make a preliminary assessment of the potential for installing a wind farm. In June 2013, a tendering procedure for the procurement of measurement services was announced and a contract with the service provider was concluded. The measurements were started at the beginning of 2014; based on the measurement results the company will decide on further works of wind farm construction.

INVESTMENTS IN NON-CURRENT ASSETS

In 2013, investments of the Company in property, plant and equipment totalled LTL 19.5 million (the Group: LTL 31.2 million). Investments in the modernisation of information technologies accounted for the largest share of the Group's investments and reconstruction/acquisitions of assets for regulated and commercial operations accounted for the largest share of the Company's investments. In 2012, the majority of the Company's investments were earmarked for the construction of the combined-cycle unit.

HUMAN RESOURCES

Human resources of the Company

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

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

The main principles of the HR policy were further consolidated, such as a uniform performance evaluation and remuneration system based on the competence model, the procedure for assigning employees for training, the principles of long-term HR planning and staff recruitment.

The Company's remuneration system has been built on the principles of fairness, clarity, universal application and comparison. Pay received by all employees of the Company including management consists of the fixed part, the variable part, and fringe benefits The fixed part of pay is established on the basis of the level of a position and the competences possessed by the employee. The fixed pay is subject to review on an annual basis as part of the annual employee performance evaluation process.

The variable part of pay is paid for the measurable performance results, i.e. attainment of objectives or tasks set for each position. Annual objectives are identified for managers and specialists, whereas the fixed pay for blue-collar workers depends on monthly performance results.

Pecuniary fringe benefits includes benefits, financial assistance, additional paid leave, and one-off payments for additional workload, extraordinary performance, proposals for and implementation of innovations. Non-pecuniary fringe benefits includes training financed by the Company, events organised by the Company for employees and their children, services of an in-house medical station, and vaccination against seasonal diseases.

A review of the employees' performance is organised once in a year. The review process starts from a '360° assessment' whereby management and general competences of managers and specialists are assessed. The competences are assessed by the employees themselves, the employees' supervisors and colleagues. This isfollowed by an assessment of professional competences made by the employees and their supervisors. During annual interviews, the employee and the manager discuss the results of the review, assess the level of achievement of last year's targets, and outline tasks and employee development measures for next year.

The model of competences of the Company has become the basis for the planning of human resources. The model is used in determining which competences the employees possess and in comparing them with the forecast demand for competences in the next three to five years. Upon establishing that the Company will lack employees with certain competences, an action plan for the acquisition of new competences by developing current employees or hiring new ones is prepared.

When a need for a new employee arises, an internal competition is organised in the first place. If case if there are no suitable candidates among the present employees, the search is continued outside the Company. In 2013, 15 employees were transferred to higher positions and 6 employees moved horizontally to other positions that were more attractive to them.

As of the end of 2013, the Company employed 503 people (including employees on child care leave) including specialists and line managers 57%, blue-collar workers 42%, and management 2%. The distribution of employees by position levels and the information on pay is provided below. The pay amounts include the fixed pay, the variable pay, and the extra pay for extraordinary performance.

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

Distribution of employees by position levels	Management	Specialists and line managers	Blue-collar workers	Employees total
Number of employees of "Lietuvos energijos gamyba", AB as of 31 December 2013	9	287	207	503
Average pay, LTL	14,954	4,785	2,892	

39% of the Company's employees have higher educational attainment, 15% further education, and 46% vocational secondary education. The distribution of employees by educational attainment is shown in the table below.

Distribution of employees by education	Higher	Further	Secondary / vocational secondary	Employees total
Number of employees of "Lietuvos energijos gamyba", AB as of 31 December 2013	195	76	232	503

In 2013, most employees of the Company were people aged from 35 to 54, having a 10-year or longer record of service with the Company. They are highly qualified and experienced specialists forming the core of the organisation, in particular in production units where know-how and experience are particularly important.

Employees aged from 25 to 34 and having a record of service up to 10 years account for 21% of the Company's employees (Fig. 1 and Fig. 2). Most of them work in the Administration and in the Wholesale Department.

Figure 1. Structure of employees by age

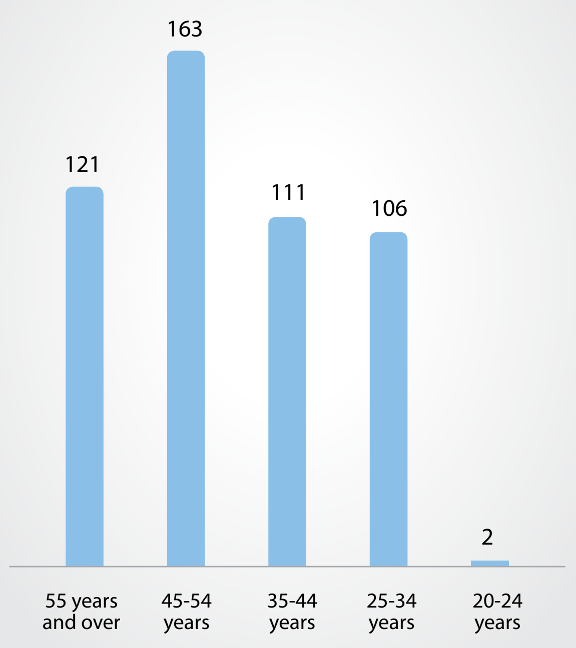
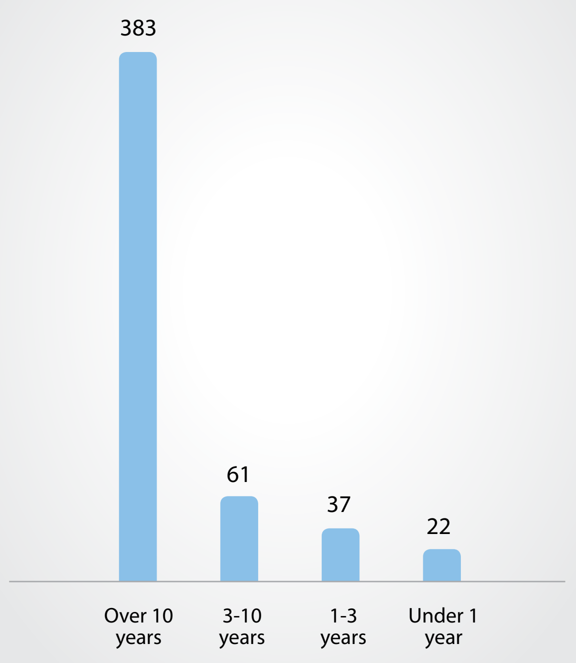


Figure 2. Structure of employees by service record



As of the end of 2013, there were 32 employees in the Company who had either reached pension age or for whom less than 3 years remain until pension age. They are experienced employees of high qualifications, therefore, it is important that they transfer their knowledge and experience to young specialists.

In order to attract young highly-qualified specialists to replace the retiring employees and ensure continuity, the Company is actively collaborating with educational establishments and accepts students of higher and vocational schools for internships/apprenticeships. In 2013, the Company took part in the Career Days organised by the Kaunas University of Technology and the ISM University of Management and Economics. 14 students of higher and further educational establishments had placements in the Company; two of them were offered jobs.

Employees of the Group

The Group employed 1,104 people as of the end of 2013 (including employees on child care leave). As it has already been mentioned, „Lietuvos energijos gamyba“, AB employs 503 people, Kauno energetikos remontas UAB 224, Energijos tiekimas UAB 18, Duomenų logistikos centras UAB 191, and VŠĮ Respublikinis energetikų mokymo centras 168. The numbers of employees and their distribution by level of positions is shown in the table below.

Distribution of employees by position levels	Management		Specialists and line managers		Blue-collar workers		Employees total	
	2013	2012	2013	2012	2013	2012	2013	2012
"Lietuvos energijos gamyba", AB	9	10	287	296	207	205	503	511
Energijos tiekimas UAB	2	2	16	15	-	-	18	17
UAB "Kauno energetikos remontas"	6	7	81	78	137	156	224	241
UAB Duomenų logistikos centras	6	7*	185	238*	-	5*	191	250*
VŠĮ Respublikinis energetikų mokymo centras	1	1	166	160	1	-	168	161
Total	25	27	733	787	345	366	1,104	1,180

* Until 4 November 2013, the name of UAB Duomenų logistikos centras was UAB Technologijų ir inovacijų centras.

In 2013 the structure of the Group by position levels was as follows: blue-collar workers 31.3%, specialists 66.4%, and management 2.3%.

Human resources development

The Company seeks to purposefully develop and improve skills of the employees based on the competence model, and the employees are encouraged to take part in the training for skills improvement and development of the requisite competences. At professional training courses, the employees refresh the technical knowledge mandatory for their jobs and receive relevant certificates upon completion. During seminars and conferences, the employees familiarise themselves with innovation and best practice in the energy sector. In 2013, 237 employees of the Company took part in the skills improvement training including 167 people from production divisions and 70 people from administration and management.

Development of management and personal efficiency skills are also in the focus of attention. The Company seeks to form a team of professionals with leadership skills, assisting them in finding their strengths and improving them. The Talents Programme launched in 2012 was continued in 2013. For the Company, 'talents' are people who, in addition to showing excellent performance results, adhere to the Company's values and are active leaders of their respective teams, willing to contribute to the improvement and development of the Company.

In 2013 the Company launched a project entitled 'The Dialogue of Values' aimed at communication of the Company's values and putting them into practice. Twelve 'Value Ambassadors' were selected; they identified, analysed and discussed situations most relevant to the Company and related to its values. In this way, new models of behaviour at work consistent with the Company's values and main objectives of its activities were developed. The Project is aimed at fostering and disseminating the values and involving all employees of the Company into this activity.

In order to learn the employees' opinions on such important areas as working environment and organisational culture, communication within the Company, career and development opportunities, pay and recognition, the Company organises an annual employee opinion survey. Upon analysing the survey results the Company draws up an action plan providing for improvements in those areas which have received poor evaluation. Through implementation of such action plans prepared after surveys, the Company has introduced a new pay and performance evaluation system, improved functionality of information terminals, and produced the Operating Manual including a graphically depicted set of processes and showing the process hierarchy and interactions. As a result of purposeful actions, as of the beginning of 2013 all the areas that had been subject to employees' evaluation received a better score than in 2012. The results of the employee opinion survey conducted at the beginning of 2014 are practically the same as in the last year. They show that an increasing number of the Company's employees are involved, they understand the Company's activities and approve of them, and are proud of being part of the Company.

In 2013, proactive communication within the organisation was the Company's priority. Management held meetings with the employees to discuss change plans and to present the final results for 2012 and interim results for 2013. Reasons for making structural changes were explained and the employees' questions were answered during the meeting.

Relations with trade unions are in the focus of attention of the Company. The management holds regular meetings with trade union representatives. At such meetings, the future strategic projects, proposed structural changes and human resources policy issues are discussed. At the end of 2013, representatives of the employees and the employer held discussions on and adopted, on the basis of consensus and reconciliation of interests, a new draft collective agreement which sets out various matters of work organisation, working conditions, pay as well as professional, social and economic guarantees. Today the trade unions undoubtedly act as partners and colleagues in seeking the best solutions for both employees and the Company as the employer.

SOCIAL ACTIVITIES

'"Lietuvos energijos gamyba" Presents' – for the Elektrėnai community	In 2013, four free events under the title '"Lietuvos energijos gamyba" Presents' were held at the Elektrėnai Municipality Public Library for local community: 1. In March, a meeting with L. Asadauskaitė and A. Zadneprovskis, Olympic pentathlon medalists. 2. In June, a meeting with V. Vitkauskas, a well-known mountain climber who marks the 20 year anniversary of his climbing the Everest. 3. In October, a meeting with Robertas Petrauskas, a sports commentator. 4. In December, a meeting with L. Sungailienė, a TV presenter and ethno music expert. The number of visitors increased with each event, including students, pensioners, and people engaged in active public life. Some employees of the Company attended the events together with their families. Events partner: Elektrėnai Municipality Public Library
Environment cleaning campaign and building of local sports/leisure infrastructure in Elektrėnai	The Company renovated sports and leisure grounds in public spaces of Elektrėnai Town. The Company's employees erected basic exercise facilities on the beaches of the Elektrėnai Lagoon and renovated basketball grounds in the residential area of multiapartment buildings. Despite delayed spring in 2013, the Company decided not to postpone the clean-up campaign ('Let's Do It') and the employees took an active part in the cleaning of public areas in Elektrėnai, Kruonis and Kaunas. Black pines were planted in Elektrėnai when the ground was frost-free in spring.
Blood donorship campaign	The donorship campaign took place in Vilnius on 9 December 2013. Employees of both the Company and other energy sector companies took part in it. 32 employees became donors giving blood without pay. The employees of the Company and LESTO AB were most active in the campaign that lasted four hours.
Professional volunteering project 'Why Do We Need This?!'	In April, the Elektrėnai production unit invited Karolis, a secondary school pupil from Vilnius who is thinking of pursuing an energy engineer's career, to visit the site. Lead Engineer Edvinas Pakalnickas became Karolis' mentor for one day. Karolis who had won the competition held for this purpose spent the whole day with the Company's employees, observed the process, familiarised himself with the Company's projects etc. At the annual event of the professional volunteering project under the title "Why Do We Need This?!" the Company received a letter of gratitude for accepting the largest number of pupils: in all, 160 young people from all over Lithuania, who went on excursions to the Company's sites in Elektrėnai, Kruonis and Kaunas.

Bins for electronic waste and batteries provided at the Company's divisions	Special bins have been provided at the Company's divisions in Elektrėnai, Kruonis and Kaunas as well as in Vilnius (the headquarters) for minor electronic waste and used batteries. The Company's employees erected these bins in collaboration with EMP Recycling UAB, a companyimplementing a project on promoting the use of bins of waste implemented by the Ministry of Environment. The employees can use these bins both for waste accumulated at work and electronic waste or used batteries brought from home. EMP Recycling removes the waste for processing at the electronic waste recycling plant.
Primary school kits for orphans and children from families in need of social assistance as well as the employees' children.	On the eve of 1st of September, primary school kits were delivered to the Elektrėnai Child Care Home. Primary school kits were delivered to families in need of social assistance, in collaboration with the Elektrėnai Municipality. The kits were also handed to the Company's employees raising children of primary school age.
Public awareness on energy issues	The Company has taken an active part in the Energy Sector Days held at the Vilnius and Kaunas Universities of Technology where the employees delivered lectures and held talks about their profession. In 2013, over 100 free excursions were organised for pupils, students, members of public organisations and company representatives at the power plants managed by the Company.

ENVIRONMENTAL PROTECTION

Environmental protection

The Company seeks to protect the environment in its operations, sparingly use the natural resources, introduce advanced, efficient and environmentally friendly technologies, comply with the environmental laws and regulations, and implement preventive measures to reduce adverse impact upon the environment in a professional manner.

Environmental protection issues most relevant to the Company include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that the water level fluctuations in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are within the permissible limits etc.

A project on the introduction of the Environmental Management System compliant with LST EN ISO 14001:2005 was successfully implemented at the Company's facilities and a certificate of conformity was received on 30 December 2013.

In 2013, Lithuanian Power Plant transferred 1840 t of hazardous waste for processing and sold 2117 t of ferrous metal scrap, 179.425 t of copper waste and 36.12 t of aluminium waste. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 320 m3 of domestic waste was generated in 2013. Paper and cardboard waste is transferred to a recycling company.

In 2013, Kruonis PSHP transferred 10.99 t of hazardous waste for processing. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 33.28 t of domestic waste was generated in 2013. Paper and cardboard waste is delivered to a recycling company. In the said period, 0.46 t of paper and cardboard was transferred.

Preventive environmental protection measures

Divisions of the Company comply with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection as stated in the IPPC Permits. Results of analyses made in 2013 show that the maximum allowable environmental (air and water) pollution values set in the IPPC Permits issued to the Lithuanian Power Plant, Kruonis PSHP and Kaunas HPP were not exceeded.

Calculations of pollution from stationary and mobile pollution sources are made, chemical substances are recorded, and internal audits of chemical substances and preparations used and of waste and wastewater generated are conducted on a regular basis.

In order to cut the consumption of fossil fuel at the Lithuanian Power Plant, a project on a new 40 MW biofuel-fired boiler house was drawn up and preparatory works were performed. It is estimated that starting from the end of 2014 the new boiler-house will supply heat energy to Elektrėnai and Vievis Municipalities and local businesses.

An expert examination of the site management project for the Obeniai land plot was successfully completed. Upon implementation of the technical project, piles of sediments will be formed and covered with soil in the land plot and a new emergency wastewater tank will be installed.

Automated monitoring systems for continuous emissions have been installed at Unit 1 and Unit 2 of the Lithuanian Power Plant.

Implementation of the project on the installation of new modern equipment for the preparation of process water at the Lithuanian Power Plant is continued. It is planned that the water preparation equipment with the capacity of up to 100 m^3/h will be installed in the chemical unit of the plant. It is estimated that implementation of this project should cut the process water preparation costs up to 25% and water losses by about 20%.

In 2013, dismantling of equipment in Units 3 and 4, started in the second half of 2012, was continued. KAEFER UAB completed the thermal insulation dismantling works and Vaidva UAB started dismantling of the masonry layer on the boilers.

Repairs of the external layer of chimney No 3 (250 m high) of the Lithuanian Power Plant were started in 2013. The works will involve repairs and repainting of the structures and installation of the concrete protective layer. It is estimated that the works will be completed by mid-2014.

In 2013, wastewater treatment facilities intended for water contaminated with petroleum products were put into operation again after reconstruction and test operation.

In order to prevent unauthorised discharge of polluted wastewater into the Strėva River, a device signalling about the levels of petroleum products dissolved in wastewater was installed.

OPERATING PLANS AND PROJECTIONS OF THE COMPANY

The operations of the Company are based on the Operating Strategy of the Company for 2012-2020 and the Operating Plan for 2014-2016 prepared on its basis. The latter sets out the strategy implementation measures, structured according to the strategic programmes identified in the strategic plan:

I. Programme on Assurance of Quality of Service
II. Programme on Diversification of Types of Energy Resources and Their Sources
III. Programme on Innovations and Operating Efficiency
IV. Programme on Formation of New Organisational Culture

Prioritetinės šių programų įgyvendinimo priemonės:

- Assessment of the feasibility to expand the capacities of the Kruonis PSHP by installing Hydro Unit 5. It is estimated that the project could be completed by 2018;
- Implementing the Elektrėnai Project on the Development of Heat Generation Facilities, continuing the design and construction works started in 2013. Estimated completion of the project: December 2014;
- Completion of the Project on Investigations into the Syderiai Geological Structure by finalising the drilling of wells, investigations, data reinterpretation and structure modelling works. Estimated completion of the investigations – in the first half of 2014. This will form a basis for adopting decisions on the construction of the underground gas storage facility and for estimating its cost;
- Implementation of the integrated asset management system for energy facilities. The system will be used for the accounting for maintenance and repair works and for the planning and optimisation of such works. Estimated completion of the project: 2014;
- Project on the preparation of infrastructure for an industrial part at Kruonis PSHP. The purpose of the project is to make the territory around Kruonis PSHP more attractive to high-tech investors; the access road will be rehabilitated and the water-supply and sewerage lines will be installed. Estimated completion of the project: by end of February 2014;
- Improvement of the Health and Safety at Work Management System BS OHSAS 18000:2007 by implementing the audit recommendations and creating a new culture of safety at work;
- Implementing the Continuous Risk Assessment and Monitoring Model;
- Wind power resources measuring works in the area of the Kruonis PSHP in order to determine the potential of building a wind farm there. The measurements will be completed by the beginning of 2015.
- Diagnostics and repairs of turbines of Units 7 and 8 of the Lithuanian Power Plant in order to extend their service life. Estimated completion of the works: 2015.
- Implementation of LEAN system at the Production Unit of the Lithuanian Power Plant. The purpose of the project is to increase the efficiency of maintenance processes. It is planned that pilot implementation at one of the units will be completed at the end of 2014.

FINANCIAL RESULTS OF THE COMPANY AND THE GROUP

"Lietuvos energijos gamyba", AB (formerly Lietuvos energija, AB) was registered on 20 July 2011 by merging two public companies, Lietuvos energija AB and Lietuvos elektrinė AB. The indicators of the Company and the Group for 2012 were restated due to the effect of correction of material errors related to the correction of depreciation of non-current assets.

Financial results of the Company and the Group:

	Company		Group	
	2013	2012	2013	2012
FINANCIAL INDICATORS ('000 LTL)				
Sales revenue	1,079,590	1,172,696	1,088,008	1,347,634
Other operating income	7,572	3,895	111,388	96,180
EBITDA* (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	207,856	146,229	239,263	170,006
Operating profit	105,798	52,768	122,705	57,172
Net profit	94,356	34,423	108,608	38,607
Profit before tax	87,071	44,090	103,053	48,337
Cash flows from operations	441,729	170,590	469,789	174,953
Financial liabilities	555,390	660,590	564,534	679,150
RATIOS				
Liabilities / equity	1,36	1,56	1,34	1,56
Financial liabilities / equity	0,40	0,51	0,40	0,51
Financial liabilities / assets	0,17	0,20	0,17	0,20
LOAN COVERAGE RATIO				
Loan coverage ratio (EBITDA / (interest costs + current portion of long-term debt))	2,55	2,29	2,80	2,64
PROFITABILITY RATIOS				
Operating profit margin	9,73%	4,48%	10,23%	3,96%
Gross profit margin	8,01%	3,75%	8,59%	3,35%
Net profit margin	8,68%	2,93%	9,06%	2,67%
Return on equity	6,87%	2,63%	7,69%	2,90%
Return on assets	2,91%	1,03%	3,28%	1,13%
Earnings per share, LTL	0,15	0,05	0,17	0,06
P/E** (share price / earnings)	9,16	24,27	7,95	21,64

* Excluding impairment of investments in associated companies and subsidiaries and excluding result of discontinued operations.
** The determination of the P/E ratio is based on the share price as of the year end.

Profitability for 2013 is much better than for 2012 despite a fall in sales income in 2013. Income from regulated activities (electricity and heat generation at the Lithuanian Power Plant and power reserving services provided by the Lithuanian Power Plant and Kruonis HPSP) accounted for about 43% of total revenues of the Group.

Statement of Financial Position

As of 31 December 2013, the Company's financial liabilities amount to LTL 555.4 million and consist of liabilities under long-term loan agreements. The Group's financial liabilities total LTL 564.5 million. As of the end of the year, financial liabilities of Kauno energetikos remontas UAB under short- and long-term loan and financial lease agreements amount to LTL 9.1 million.

The main changes in the structure of the Company's and the Group's assets as of the end of 2013 compared with 2012, include a decrease in the amounts of property, plant and equipment and trade receivables and an increase in the cash balance. The main changes in the liabilities are related to smaller liabilities to financial institutions and a smaller balance of grants.

Statement of Comprehensive Income

Income

In 2013, the Company earned income of LTL 1,087.2 million. Income from the electricity sale and export, balancing power, power reserving and public-interest services accounts for the largest part of this amount. Compared with 2012, the Company's income decreased 7.6% due reduced scope of supported power generation and strong completion in the free market. The Group's income in 2013 totals LTL 1,199.4 million. Income of the Group was LTL 1,199.4 million, which is 16.9% less than in 2012.

Costs

Costs incurred in 2013 amount to: the Company LTL 981.4 million, the Group 1,076.7 million. The majority of these costs (81%, or LTL 793.8 m in the case of the Company, and 74%, or LTL 793.9 m in the case of the Group) are the costs of purchase of electricity or related services, of the fuel for the generation of electricity and emission allowances. Depreciation and amortisation costs amount to LTL 78.7 m and LTL 91.5 m for the Company and the Group respectively.

The operating costs of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, pollution permits' revaluation costs and impairment losses amounted to LTL 173.9 million in 2013 which is an increase compared with 2012 (LTL 144.7 million). Higher repair and maintenance costs is the main cause of this change.

Profit

In 2013, gross profit of the Group amounted to LTL 103.1 m and net profit to LTL 108.6 m as determined according to the International Financial Reporting Standards (IFRS). The net profit margin of the Group tripled in 2013 compared with 2012: from 2.7 % (2012) to 9.1 % (2013).

The Company earned net profit of LTL 94.4 million. Its net profit margin increased from 2.9 % (2012) to 8.7 % (2013).

Net profit earned by the Group's companies in 2013: Kauno energetikos remontas UAB LTL 0.86 m, Energijos tiekimas UAB LTL 4.9 m, and Duomenų logistikos centras UAB LTL 5.3 m.

Cash Flow Statement

In 2013, net cash flows from operations of the Company amounted to LTL 441.7 m and those of the Group to LTL 469,8 m, compared with LTL 170.6 m for the Company and LTL 175 m for the Group in 2012.

In 2013, the Group's net cash flows from investing activities were negative and amounted to LTL -106.5 m (2012: LTL -172.7 m). The Group's cash flows from financing activities were negative and amounted to LTL -99.4 m (2012: LTL -53.1 m).

MAIN CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEMS

The Company receives monthly financial reports from its subsidiaries for analysis. The Company consolidates financial statements of its subsidiaries. The Chief Financier of the Company exercises control over the consolidation of financial statements and the timely and correct collection of data from the Group's companies. The drawing up of the Company's financial statements and the internal control and financial risk management systems are duly managed according to the provisions of relevant legal acts.

Political risks

Operations of the Company are governed by the Republic of Lithuania Law on Electricity and the related regulations. Amendments to this law may affect the operations and results of the Company. Decisions on electricity pricing are adopted by the State Commission on Prices and Energy Control, therefore, results of the Company's operations may depend on its decisions.

Financial risks

The Group's companies are exposed to financial risks in their operations including credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk with respect to fair value and cash flows, securities price risk). By managing these risks the Group's companies seek to minimise the effects of the factors that could potentially have an adverse impact on the financial results of the Group and the Company.

Credit risk

Credit risk related to accounts receivable is limited as key customers of the Company are large and reliable companies. Credit risk is managed through continuous monitoring.

Credits risk related to cash at banks is limited as both the Group and the Company conduct operations through banks having high credit ratings given by foreign rating agencies.

Liquidity risk

Liquidity risk is managed by planning the cash flow movements in the Group's companies. Cash flow forecasts are made in order to minimise liquidity risk. Overdraft agreements and credit line agreements are used for short-term balancing of both incoming and outgoing cash flows.

The Group's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) are 2.13 and 2.02 respectively as of 31 December 2013 (31-12-2012: 1.23 and 1.04 respectively). The Company's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) are 1.87 and 1.75 respectively as of 31 December 2013 (31-12-2012: 1.13 and 0.93 respectively).

Market risk

Income and cash flows of the Group companies are influenced by fluctuations of market interest rates as all the loans of the Group companies as of 31 December 2013 are variable interest rate loans. Increase in interest-rate risk mainly depends on long-term loans. The variable interest rates stipulated in the long-term loan agreements concluded by the Group are linked to LIBOR EUR. The Company has not made loans to the Group's companies as of 31 December 2013. The Company has acquired emission allowances that are accounted for at fair market value, therefore, it is exposed to a risk of changes in the market prices of emission allowances.A drop in the prices of emission allowances in 2013 has had a negative impact on the annual performance indicators of the Company.

The Group's companies have not concluded any interest rate swap contracts as of 31 December 2013.

Foreign currency risk

In order to manage foreign currency risk the Group concludes credit agreements in EUR or LTL only. The currencies of purchase and sale agreements concluded by the Group are mainly EUR and LTL as well.

The Group companies are not exposed to significant concentration of foreign currency risk, therefore, no financial instruments were used for managing foreign currency risk in 2013.

Securities price risk

The Company has not acquired securities, therefore, it is not exposed to risks related to prices of securities.

Technical and production risk

Assessment of technical and production risks has been integrated into the overall risk management process of the Company. A risk assessment is carried out on an annual basis in order to assess the risk probability and effects from three aspects: potential consequences for human life and health, potential consequences for assets, the environment and size of liabilities, and potential consequences for the company as a going concern. Depending on the risk levels identified, the Risk Management Plan is prepared containing measures to reduce the probability and/or effects of risks.

An external audit of the Health and Safety at Work Management System OHSAS 18001:2007 was conducted by BUREAU VERITAS in 2013. The audit opinion states that the Company complies with the OHSAS 18001:2007 requirements and the processes of health and safety at work improvement and fostering of culture of working environment are effective.

The employees are involved in the process of procurement of personal protection equipment. The procurement is conducted based on the criterion of cost-effectiveness seeking to ensure provision of employees with convenient personal protection equipment of requisite quality.

The Company seeks to achieve that all the employees understand the importance of safeguarding the Company's assets. The project on modernisation of physical safety systems is continued; corrections of recommendations made during the 2011 physical safety audit are being made. A project on the joining together of all physical access systems into a single system is being implemented.

An assessment of occupational risk was conducted for workplaces related to dismantling works. Measures to reduce occupational risks at workplaces have been developed and introduced so that such risks are minimised and do not exceed the acceptable levels.
The Company organises Safety Days when checks are made of the employee's compliance with the safety at work regulations. Employee teams are formed for

this purpose and a procedure for the correction of deficiencies found has been formulated.

An electronic system for the registration of instructions and assignments has been introduced in to order to improve performance.

There is an ongoing dialogue with the Company's employees in the areas of improving health and safety at work, safe and clean working environment, and work culture in order to develop and maintain employees' satisfaction with the working environment and amenities at work. Implementation of measures in the areas of health and the provision with personal safety equipment has led to better results and the number of minor incidents has decreased considerably.

Environmental risks

The main environmental requirements set for the Company include the use of environmentally friendly materials, ensuring that the energy installations and structures fit into the environment, and ensuring that changes in the water level in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HEPP are kept within the permissible range. At present the Company is fully compliant with the environmental regulations.

INFORMATION ABOUT SECURITIES AND AUTHORISED CAPITAL OF THE COMPANY

INFORMATION ABOUT SECURITIES OF THE COMPANY

The authorised capital of „Lietuvos energijos gamyba“, AB amounts to LTL 635,083,615 and has been divided into 635,083,615 ordinary registered shares with par value of one Litas each. All the shares have been fully paid for. On 1 September 2011, shares of the Company were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange (“VSE“).

As of 31 December 2013, the Company has 635,083,615 ordinary registered shares with par value of one Litas each.

ISIN code LT0000128571
Abbreviation of securities LNR1L

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

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

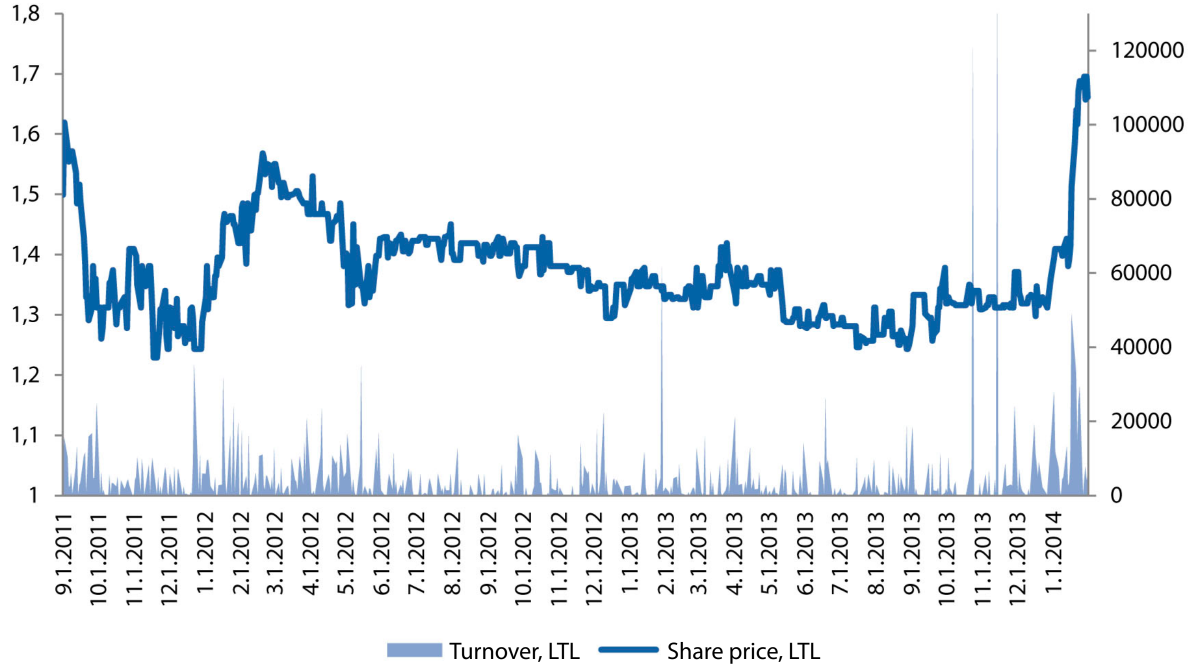
The Company has not acquired or transferred own shares during the reporting period.

The Company has not acquired its own shares. No subsidiary has acquired shares of the Company either.

Structure of the authorised capital

Class of shares	Number of shares	Par value, LTL	Total par value, LTL	% of authorised capital
Ordinary registered shares	635,083,615	1	635,083,615	100.00

Dynamics of prices for the Company’s shares and share turnover since the start of trading

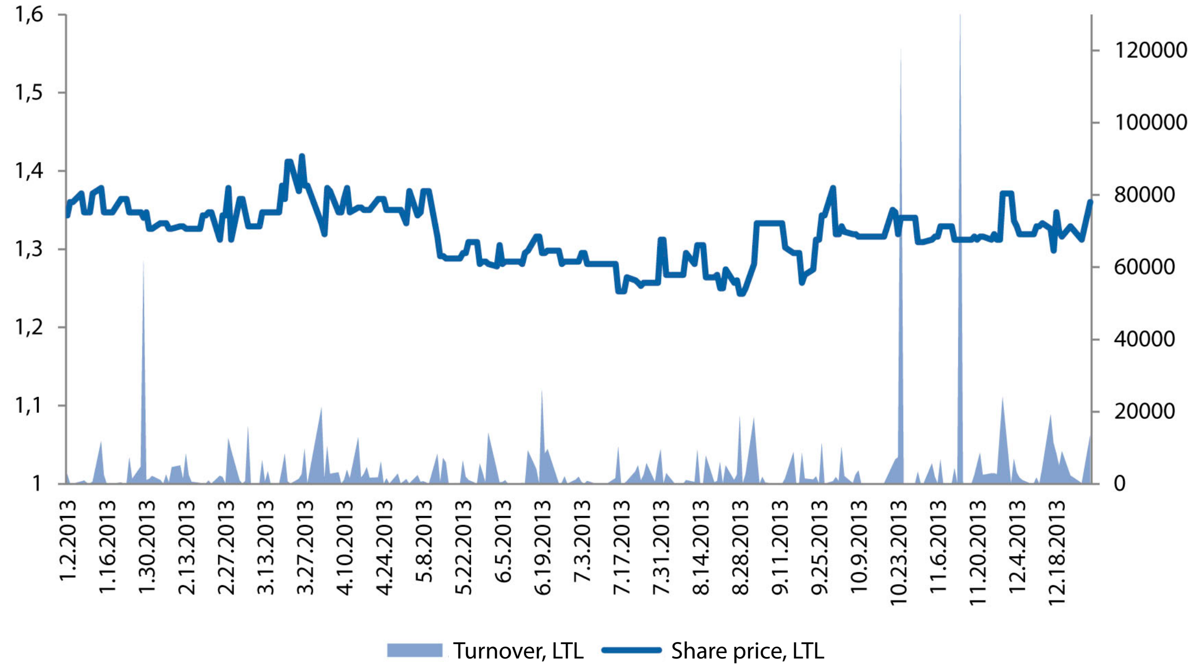


Price and turnover of the Company's shares

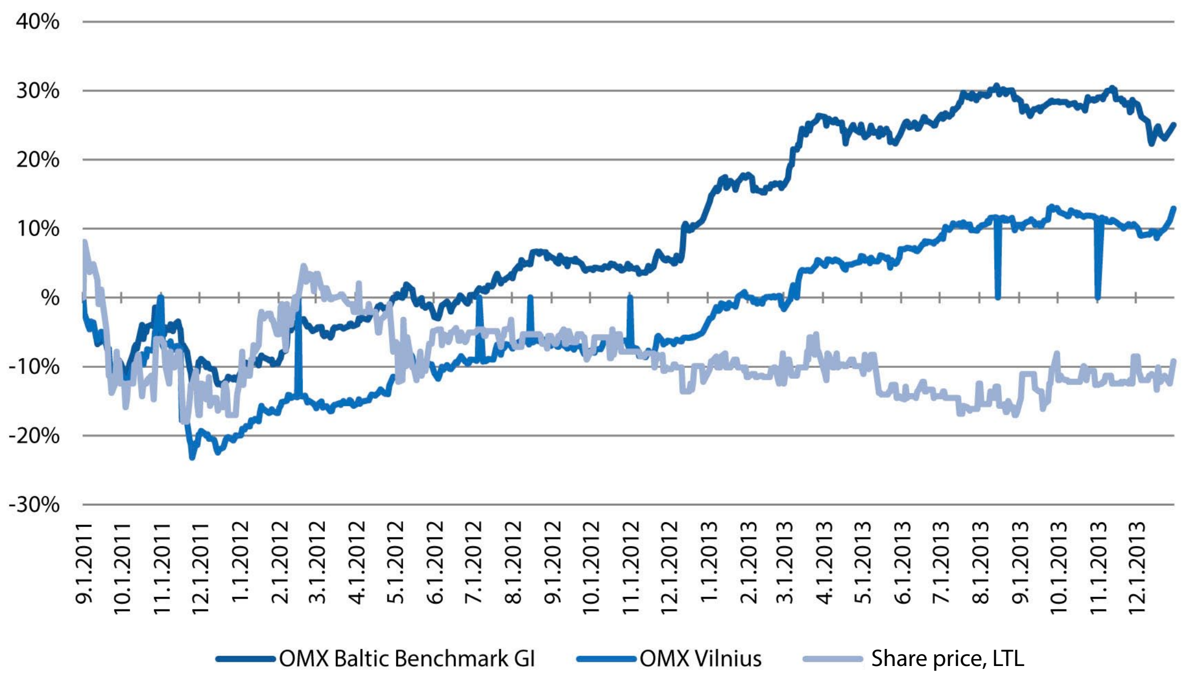
Indicator	2011 m.*	2012 m.	2013 m.
Last trading price, LTL	1.288	1.316	1.360
Maximum price, LTL	1.723	1.571	1.419
Minimum price, LTL	1.139	1.288	1.243
Average price, LTL	1.337	1.417	1.318
Turnover, shares	304,320	705,095	801,754
Turnover, LTL m	0.41	1.00	1.06

* Trading in the Company's shares was started on 1 September 2011.

Dynamics of the Company's share prices and turnover in the reporting period



Prices of the Company's shares, dynamics of OMX Vilnius and OMX Baltic Benchmark indexes



Capitalisation

The Company's capitalisation was LTL 863.97 m as of 31 December 2013 and LTL 835.46 m as of 31 December 2012.

Capitalisation of the Company and of all companies listed on AB NASDAQ OMX Vilnius:

Official Baltic Trading List	2012	2013	Change, %
"Lietuvos energijos gamyba", AB	835.46	863.97	+3.41
Vilnius market, total	16,089.94	16,026.50	-0.39

Dividend

The ordinary general meeting of shareholders of „Lietuvos energijos gamyba", AB that took place on 30 April 2013 approved the allocation of the Company's profit for 2012 and declared a dividend of LTL 0.04 per share.

Information on agreements with intermediary of public trading in securities

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

Information on agreements with financial brokerage companies and/or credit institutions providing investment services and/or carrying out investment activities

On 21 December 2010 the Company and Swedbank, AB concluded an agreement on keeping of accounting for the Issuer's securities, which expires on 31 December 2014.

Restrictions on transfer of securities

No restrictions on transfer of securities were applied to the Company.

Rights and responsibilities attached to shares

An ordinary registered share grants its owner (shareholder) the following property rights:
receive part of the Company's profit (dividend);

- receive part of the assets of the Company under liquidation;
- receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions established in the Republic of Lithuania Law on Companies;
- acquire shares or convertible debentures issued by the Company by the pre-emption right save for the case when the general meeting of shareholders decides to withdraw this right for all the shareholders according to the procedure established in the Republic of Lithuania Law on Companies;
- lend money to the Company by the methods permitted by the law, however, where the Company borrows from the shareholders it may not pledge its assets to the shareholders. Where the Company borrows from its shareholders, the interest rate may not exceed the average interest rate offered by commercial banks in the place of residence or in the place of business of the lender as of the date of the loan agreement. In such a case the Company and the shareholders are not permitted to agree on higher interest rates;
- transfer all or part of his shares to other persons;
- demand that other shareholders sell their shares to him on a mandatory basis or buy shares from him on a mandatory basis in the cases and according to the procedure established by the Law on Securities Market;
- other property rights provided for by the laws.

An ordinary registered share grants its owner (shareholder) the following personal non-property rights:

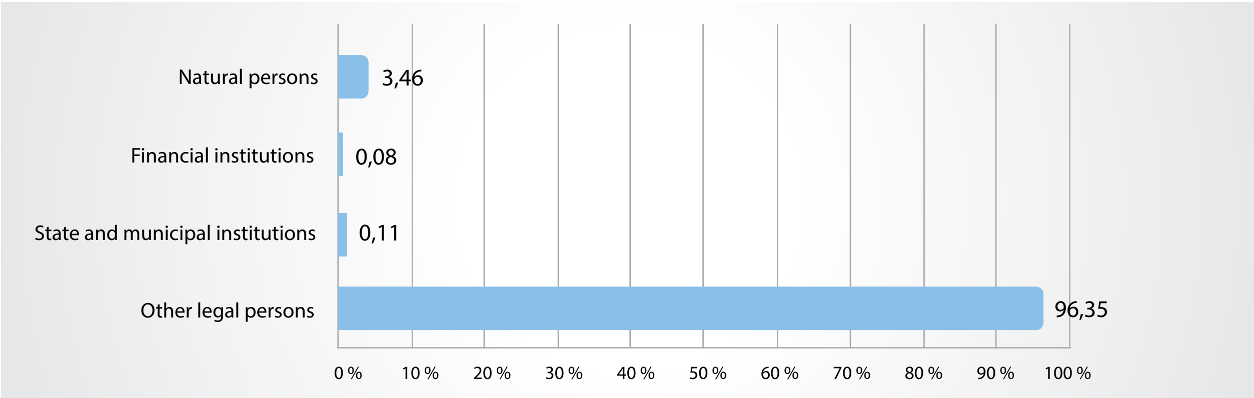
- attend the general meetings of shareholders;
- vote at the general meetings of shareholders using the votes attached to the shares; an ordinary registered share grants one vote to its holder;
- receive information about the Company to the extent established by the law;
- file a lawsuit against the Company for the damage done by non-fulfilment or improper fulfilment of duties, provided for in the laws and these Articles of Association, by the Head of the Company and Members of the Board of the Company and file lawsuits in other cases established in the laws;
- other non-property rights provided for by the laws.

INFORMATION ABOUT SHAREHOLDERS OF THE COMPANY

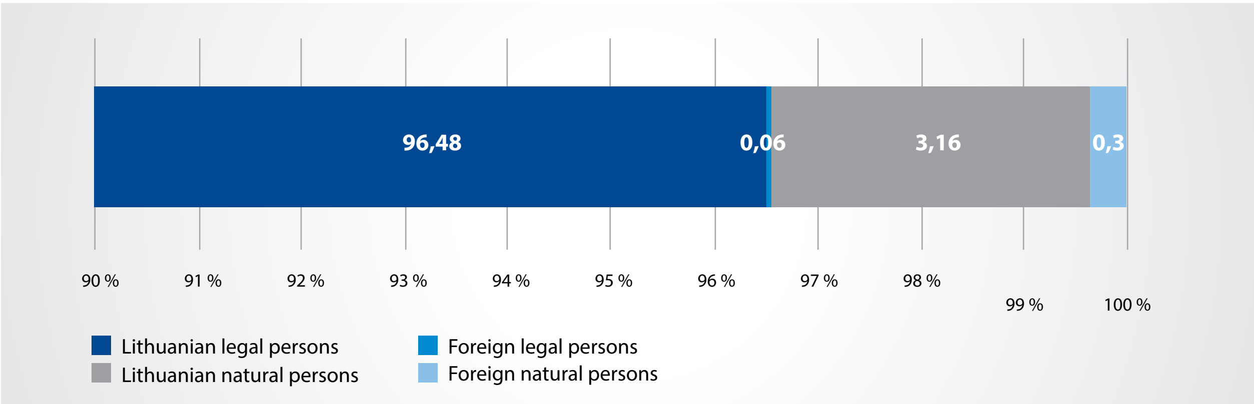
Total number of shareholders as of 31 December 2013: 6,153. List of shareholders whose shares account for more than 5% of the Company's authorised capital as of 31 December 2013:

Name	Class of shares	Number of shares	% of authorised capital	% of voting shares
"Lietuvos energija", UAB Business ID 301844044 Žvejų g. 14, Vilnius	Ordinary registered shares	610,515,515	96.13	96.13

Structure of shares of the Company by shareholder groups, % (as of 31 December 2013)



Structure of shares of the Company by shareholder registration place and status (as of 31 December 2013)



Shareholders having special control rights and description of such rights

None of the shareholders of the Company has special control rights. All the shareholders of the Company have equal rights (property and non-property rights) provided for in the Republic of Lithuania Law on Companies and the Articles of Association of the Company.

Restrictions on voting rights

There were no restrictions on voting rights in the Group.

Agreements between shareholders which are known to the Company and due to which the transfer of securities and/or voting rights can be restricted

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

OTHER INFORMATION

References and additional explanations about the information provided in the consolidated financial statements

The Explanatory Notes to the Financial Statements for 2013 contain detailed explanations of financial information.

Audit information

The extraordinary general meeting of shareholders held on 29 July 2013 decided to elect PricewaterhouseCoopers UAB (J. Jasinskio 16B, 01112 Vilnius, Lithuania)as an auditor of "Lietuvos energijos gamyba", AB financial statements for 2013 and to set a remuneration for the audit services not more than LTL 80,000 excluding VAT.

Other agreements with auditors

The audit firm that audited financial statements of "Lietuvos energijos gamyba", AB for 2013, provided training services and consulting on accounting for other reserves and on identification of the cash generating unit during the reporting period.

Appendix 1. Notice of the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

The public company "Lietuvos energijos gamyba" AB following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO / NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	The main directions of company's development are publicly available on its website, annual report, and NASDAQ OMX Vilnius publications.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	All key strategic decisions affecting shareholder value growth (optimizing company's operational functions and structure, other actions aimed at increasing operational efficiency and cost savings) are made by the company's supervisory board and board of directors.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	The company has a supervisory board, board of directors and a Chief Executive Officer. These management bodies cooperate to attain the greatest possible benefit to the company and its shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	YES	Supervisory and management bodies of the company respect the rights and interests of persons participating in and connected with company's operations: 1. Since its establishment the company cooperates and is involved in social partnership with employee representatives (allocates funds for the implementation of collective agreement, employee development, etc.). 2. The Company fulfils its financial and other obligations in accordance with the budget approved by the board of directors.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the Chief Executive Officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the Chief Executive Officer, which, in its turn, facilitate a more efficient and transparent management process.	YES	In accordance with corporate articles of association the company has the following management bodies: a general shareholders' meeting, supervisory board, board of directors and Chief Executive Officer.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	Supervisory board of the company is a collegial body responsible for the supervision of company's activities. Supervisory board appoints and removes members of the board of directors, supervises activities by the board of directors and Chief Executive Officer, delivers opinions and proposals to the general shareholders' meeting on matters of importance to the company. The supervisory board also has an additional authority on other matters of importance to the company. In accordance with corporate articles of association the board of directors reports to the supervisory board and the general shareholders' meeting. The board of directors analyses, considers, approves and assesses company's activities and operational circumstances, plans activities, and makes important decisions in connection with company's governance. The board of directors takes account of the opinions of the supervisory board and nominates and removes Chief Executive Officer of the company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's Chief Executive Officer.	YES	The company has a supervisory board, see commentary under clause 2.2.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	YES	The company has implemented recommendations set out in Principles III and IV. The company has a supervisory board, see commentary under clause 2.2.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	YES	In accordance with Article 21 of corporate articles of association the supervisory board of the company comprises 3 (three) members. In accordance with Article 5 of corporate articles of association the board of directors comprises 5 (five) members. The company believes that the above mentioned numbers of members on the supervisory board and board of directors are sufficient as they ensure expedient and effective decision-making. The supervisory board and board of directors adopt decisions in board meetings. A meeting of the supervisory board is deemed effective and may pass decisions when the meeting is attended by more than half of its members. A meeting of the board of directors is deemed effective and the board may pass decisions if the meeting is attended by at least 4 (four) of its members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	YES	The supervisory board is elected for a term of 4 (four) years. The duration of the term of office of members on the supervisory board is the maximum term of office provided for by the Law on Companies of the Republic of Lithuania. A general shareholders' meeting may remove both the entire supervisory board and individual members thereof before the end of their term of office.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and Chief Executive Officer of the company should be a different person. Former company's Chief Executive Officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	The supervisory board elects chairman of the supervisory board from among its members. Article 24 of corporate articles of association sets out that director general, member of the board of directors, member of a supervisory body, management body or administration of an entity engaged in the transmission of electricity or gas, or some other person who cannot hold the office under applicable legislation, cannot be a member of the supervisory board of the company. The company also complies with the requirements set out in Article 31 of the Law on Companies of the Republic of Lithuania.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	In accordance with Article 23 of corporate articles of association every candidate to become a member of the supervisory board must produce to the general shareholders' meeting a declaration of candidate's interests specifying all circumstances that could lead to a conflict of candidate's and company's interests. Supervisory board of the company is elected by the general shareholders' meeting in compliance with the requirements set out in the Law on Companies of the Republic of Lithuania.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	YES/NO	At present the company essentially follows this recommendation. The company continuously collects, stores and presents in its annual reports and company's website information on offices held by the members of its supervisory board and/or their involvement in activities of other businesses. Article 22 of corporate articles of association defines that a person proposing a candidate to members of the supervisory board has the obligation to produce written explanations to the general shareholders' meeting as to the qualifications of each candidate proposed to members of the supervisory board, candidate experience of managerial work, and fitness to hold the office of a member of the supervisory board. Information on candidates to become members of the supervisory board is produced to shareholders before the day of the general shareholders' meeting in accordance with the procedure prescribed in legislation.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	YES	Information on qualifications, work experience and office held, as well as other information describing particular competence of the candidate is made available to shareholders (Article 22 of corporate articles of association). Information on offices held by the members of the supervisory board of the company, or their participation in activities of other businesses, is continuously collected, stored and presented in annual reports of the company.

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	YES/NO	In accordance with the Law on Companies of the Republic of Lithuania the supervisory board is elected and simultaneously qualifications of its members are evaluated by the general shareholders' meeting. The supervisory board cannot determine its own composition. It should also be noted that the main activities of the company are the production and import and export of and trade in electricity, and ensuring energy security and the majority of members on the supervisory board are experts in the field of energy. As to the audit committee, see commentary under clause 4.14. As to the remuneration committee, see commentary under clause 4.13.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	YES/NO	Once elected members of the supervisory board are familiarized with activities of the company, its organizational and governance structure, operational and financial plans. It should also be noted that members of the supervisory board are regularly updated on the activities of the company during board meetings and personally if required or requested by the members.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	YES	Corporate articles of association establish that at least 1/3 (one third) of members on the supervisory board shall be independent members. Currently one of the three elected members of the supervisory board is independent.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: **1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;** **2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;** **3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body.**	YES	Terms of agreements with members of the supervisory board and criteria of member independence are defined by the general shareholders' meeting taking into account statutory requirements and good practice of corporate governance. Terms of the agreement with an independent member of the supervisory board approved by the general shareholders' meeting contain a statement of independence of a member of the supervisory board as stipulated in the provisions on independent members of a company's supervisory board set out in the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius. Also see commentary under clause 2.7.

Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); **4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);** **5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;** **6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;** **7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;** **8) He/she has not been in the position of a member of the collegial body for over than 12 years;** **9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.**		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	YES/NO	These criteria are established in corporate articles of association and agreements of activities of an independent member of the supervisory board and approved by the general shareholders' meeting. The formation of a supervisory board and election of independent members are attributed to the competence of the general shareholders' meeting. See commentaries under clauses 2.7 and 3.7.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	YES/NO	The company discloses in its annual reports which members of the supervisory board it considers to be independent. Also see commentaries under clauses 3.6 and 3.8.

3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	See commentary under clause 3.9.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	YES	Corporate articles of association establish that independent members of the supervisory board may be remunerated for their work on the supervisory board if the general shareholders' meeting decides so.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	YES	Corporate articles of association establish that the supervisory board produces to the general shareholders' meeting opinions and proposals as to the annual financial statements of the company, draft profit (loss) distribution proposal, annual report of the company, and activities of the board of directors and Chief Executive Officer. The supervisory board produces to the board of directors opinions regarding the operational strategies of the company, budget drafting, execution of transactions involving company's assets, candidates to the office of Chief Executive Officer and members of management bodies of company's subsidiaries, supervises activities of the board of directors and of the Chief Executive Officer, also performs other supervisory functions with regards to the company and its governance bodies attributed to the competence of the supervisory board.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	YES	The duties set out in this recommendation are embedded in the agreement of activities of a member of the supervisory board, and agreement of activities of an independent member of the supervisory board signed by all members of the supervisory board. All members of the supervisory board act in good faith towards the company and in the best interests of the company.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	YES	Members of the supervisory body are actively involved in the meetings of the supervisory board. All members of the supervisory board were in attendance in all meetings of the board that were held in 2013. Names of the members of the supervisory board in attendance are recorded in the minutes of the meeting.

4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	YES	Shareholders are notified of company's strategies, risk management, and resolutions of conflicts of interests in accordance withy the procedure prescribed in legislation. The role of members of the supervisory board in communicating and committing to shareholders is defined in accordance with statutory requirements and corporate articles of association. See commentary under clause 4.1.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	YES/NO	Management bodies of the company conclude and approve transactions in accordance with the requirements set out in applicable legislation and corporate articles of association. Corporate articles of association set out that a general shareholders' meeting passes decisions with regards to the terms and conditions of agreements with members of the supervisory board for activities on the supervisory board. See commentaries under clause 3.11 and other.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies .Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	YES/NO	The supervisory board acts independently in passing decisions that are of significance to company's operations and strategies. The company ensures that the supervisory board is supplied with all necessary resources (technical support during board meetings, provision of all required information). Agreement of activities of a member of the supervisory board defines that the company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. Corporate articles of association set out that the supervisory board has the right to apply to the board of directors and Chief Executive Officer asking for documents and information pertaining to company's operations, and the board of directors and Chief Executive Officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board. The company has no remuneration committee, see commentary under clause 4.13.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees.	YES/NO	In accordance with corporate articles of association the supervisory board passes decisions in key areas. The supervisory board produces opinions to the board of directors as to the candidacy of Chief Executive Officer of the company. Corporate articles of association stipulate that the division discharging internal audit functions reports to the supervisory board. Based on the opinion of the board of directors the supervisory board decides on the nomination and removal of the head of the structural division performing internal audit functions, approval of his/her job description, promotion and disciplinary action.

Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		The company has no audit, nomination or remuneration committees. These committees were formed in the parent company and activities of the said committees include the coordination of the company's activities. The company believes that work of the supervisory board is sufficiently effective, balanced and well organized meaning that the supervisory board can discharge all functions attributed to these committees properly. No special or exclusive voting rights are conferred on independent members of the supervisory board. Independent members of the board can always express their opinion which is then recorded in the minutes of the meeting. In accordance with the Law on Audit of the Republic of Lithuania a public interest company which is a subsidiary and prepares consolidated financial statements may omit the requirement to form an audit committee defined in the Law on Audit of the Republic of Lithuania if its parent company has the required committee. Since the parent company, i.e. Lietuvos energija UAB, has an audit committee, there is no need or the obligation for the company to have a separate audit committee. Lietuvos energija UAB, being the parent company, also has nomination and remuneration, and risk management committees. In addition to other functions, the nomination and remuneration committee at Lietuvos energija UAB inter alia evaluates and drafts proposals as to long-term remuneration policy of the company, policy of annual bonuses (tantiems); evaluates terms and conditions of agreements concluded with corporate management bodies; evaluates recruitment and selection procedures for candidates to members of management bodies and senior management of the company, and their qualification requirements; regularly evaluates the structure of corporate governance and supervisory bodies, their size, composition and activities. Risk management committee at Lietuvos energija UAB monitors the assessment and management of risks relevant to the achievement of company's goals; assesses the adequacy of internal control procedures and risk management measures to identified risks; assesses risks and company's risk management plan; and monitors the implementation of risk management process.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	YES/NO	See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	YES/NO	The company implements the recommendation through the committees of the supervisory board formed at Lietuvos energija UAB. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	YES/NO	See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	YES/NO	See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.
4.12. Nomination Committee. **4.12.1. Key functions of the nomination committee should be the following:** **1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;**	YES/NO	The company has no nomination committee but its functions are indirectly performed through the nomination and remuneration committee of Lietuvos energija UAB. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.

2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; **3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;** **4) Properly consider issues related to succession planning;** **5) Review the policy of the management bodies for selection and appointment of senior management.** **4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, Chief Executive Officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.**		
4.13. Remuneration Committee. **4.13.1. Key functions of the remuneration committee should be the following:** **1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;** **2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;** **3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;** **4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;** **5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;**	YES/NO	The company has no remuneration committee but its functions are indirectly performed through the nomination and remuneration committee of Lietuvos energija UAB. See commentaries under clause 3.4 and other.

6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. **7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.** **4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:** **1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;** **2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;** **3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.** **4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or Chief Executive Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.** **4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.**		
4.14. Audit Committee. **4.14.1. Key functions of the audit committee should be the following:** **1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);** **2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;**	YES/NO	The company has no audit committee but its functions are indirectly performed through the audit committee of Lietuvos energija UAB. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.

3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;

4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;

5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, Chief Executive Officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. **4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.** **4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.** **4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.**		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	NO	Up until now there was no need or practice in the company for the supervisory board to conduct a formal performance review and publish its findings since no requirements to this effect were established in legislation. Performance of the supervisory board is assessed by company's shareholders in accordance with applicable legislation.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	In accordance with corporate articles of association and approved work regulations of both the supervisory board and board of directors this recommendation is implemented in the company.

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	YES	Meetings of collegial bodies of the company are held in accordance with an annual schedule of meetings. Intervals at which meetings should be held are defined in corporate articles of association and work regulations of the supervisory board and board of directors. As per corporate articles of association, meetings of the supervisory board must be held at least once in three months, and meetings of the board of directors at least once in two calendar weeks.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	YES	Work regulation of the supervisory board sets out that attendees of the meeting should be notified of the convocation of the meeting at least 3 (three) working days before the day of the meeting (unless there are no objections as to a shorter term of notice), and they are supplied with all material required to discuss matters on the meeting's agenda. Work regulation of the board of directors sets out that attendees of the meeting should be notified of the convocation of the meeting at least 3 (three) working days before the day of the meeting (unless there are no objections as to a shorter term of notice), and they are supplied with all material required to discuss matters on the meeting's agenda.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	YES	Members of the supervisory board and board of directors and board chairmen cooperate actively and closely and exchange important information in order to meet best interests of the company.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The authorized capital of the company consists of ordinary registered shares at par value of 1 litas which grant the same property and non-property rights to all their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	The articles of association, published in the website of the company, provide information concerning the rights attached to the shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	Article 19 of the company's articles of association provides the transactions that shall be approved by the general shareholders' meeting. The transactions only partially correspond to the provided recommendation.

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	YES	The venue, date, and time of the convened general shareholders' meeting is indicated in order to ensure equal opportunities to participate at the meeting to all shareholders, procedures of convening and conducting a general shareholders' meeting are implemented under the Joint Stock Company Law of the Republic of Lithuania. The shareholders of the company are enabled to get acquainted with the agenda and documentation under the order determined by laws.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	YES	Following the Joint Stock Company Law of the Republic of Lithuania, the company places information about the calling of a general shareholders' meeting, agenda, and prepared draft resolutions of the general shareholders' meeting in Lithuanian and English in its publicly accessible website in advance. Information about resolutions adopted by the general shareholders' meeting is published in Lithuanian and English in the website of the company. Following the company's articles of association and other laws, the information is also published in NASDAQ OMX Vilnius Stock Exchange and an e-journal of the Centre of Register.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The company's shareholders may implement their right to participate in the general shareholders' meeting in person and through a representative if the person has an appropriate authorization or an agreement on the transfer of the right to vote was made with the person under the order determined by laws. The company enables the shareholders to vote by completing the general voting ballot as it is provided by the Joint Stock Company Law of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	On request of the shareholders and considering objective circumstances, the company would allow the shareholders to vote using telecommunication terminal equipment, however, it is not applied yet because it needs extra investment.

Principle VII: The avoidance of conflicts of interest and their disclosure The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	YES	The company follows the recommendations. Responsibilities deriving from this recommendation are entrenched in the company's articles of association.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	YES	The company follows the recommendations.
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	YES	The company follows the recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	Members of the company's supervisory and management bodies shall abstain from voting and do not vote in case a conflict of a member's and the company's interest may arise when voting on those issues (Rules of procedure of the supervisory board and the management). Moreover, according to laws, the company's supervisory and management bodies have to avoid situations where their personal interests are or may contradict the interests of the company.
Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	NO	Following Article 25(5) of the Law on Energy of the Republic of Lithuania, the company makes publicly available the information about the remuneration of the members of the company's management bodies and other payments related to the functions of the members of the company's management bodies.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	NO	Annual statement does not include the directors' remuneration policy of the company for the following year and the subsequent years. Annual statement includes information about the sums of money attributed to the members of the company's supervisory and management bodies (wages, other payments, bonuses and other benefits from profit).
8.3. Remuneration statement should leastwise include the following information: **1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;** **2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;** **3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;** **4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;** **5) Sufficient information on deferment periods with regard to variable components of remuneration;** **6) Sufficient information on the linkage between the remuneration and performance;** **7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;** **8) Sufficient information on the policy regarding termination payments;** **9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;** **10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;** **11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;** **12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;** **13) Remuneration statement should not include commercially sensitive information.**	NO	Annual statement includes information about the sums of money attributed to the members of the company's supervisory and management bodies (wages, other payments, bonuses and other benefits from profit), the disposed property and guaranties given to the members of the management bodies, also other information related to remunerations to the members of the supervisory and management bodies. See the comment of clause 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	NO	See the comment of clause 8.1

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. **8.5.1. The following remuneration and/or emoluments-related information should be disclosed:** **1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;** **2) The remuneration and advantages received from any undertaking belonging to the same group;** **3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;** **4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;** **5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;** **6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.** **8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:** **1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;** **2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;** **3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;** **4) All changes in the terms and conditions of existing share options occurring during the financial year.** **8.5.3. The following supplementary pension schemes-related information should be disclosed:** **1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;** **2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.**	NOT APPLICABLE	See the comment of clause 8.1

8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	YES/NO	See the comment of clause 8.1
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	YES	See the comment of clause 8.1
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	YES/NO	See the comment of clause 8.1
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NOT APPLICABLE	See the comment of clause 8.1
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	NOT APPLICABLE	See the comment of clause 8.1
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NOT APPLICABLE	See the comment of clause 8.1
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NOT APPLICABLE	See the comment of clause 8.1
8.13. Shares should not vest for at least three years after their award.	NOT APPLICABLE	See the comment of clause 8.1
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	NOT APPLICABLE	See the comment of clause 8.1

8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	NOT APPLICABLE	See the comment of clause 8.1
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NOT APPLICABLE	See the comment of clause 8.1
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NOT APPLICABLE	See the comment of clause 8.1
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	NOT APPLICABLE	See the comment of clause 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	NOT APPLICABLE	See the comment of clause 8.1
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: **1) Grant of share-based schemes, including share options, to directors;** **2) Determination of maximum number of shares and main conditions of share granting;** **3) The term within which options can be exercised;** **4) The conditions for any subsequent change in the exercise of the options, if permissible by law;** **5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.**	IRRELEVANT	See the comment of clause 8.1

8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	IRRELEVANT	See the comment of clause 8.1
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	IRRELEVANT	See the comment of clause 8.1
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	IRRELEVANT	See the comment of clause 8.1

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	The corporate governance framework ensures that the rights of shareholders that are protected by law are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	YES	The company follows the recommendations. For instance, representatives of the employees of the company participate in consultations, negotiation and meetings regarding the processes of performance optimization that are implemented in the company. According to the company's collective agreement signed with the representatives of the employees of the company, the company provides information to the representatives of trade unions about the expected changes in the company, the company's financial situation, etc. The shareholders may participate in the management of the company to the extent provided by laws.

9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	The company follows the recommendations.
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: **1) The financial and operating results of the company;** **2) Company objectives;** **3) Persons holding by the right of ownership or in control of a block of shares in the company;** **4) Members of the company's supervisory and management bodies, Chief Executive Officer of the company and their remuneration;** **5) Material foreseeable risk factors;** **6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;** **7) Material issues regarding employees and other stakeholders;** **8) Governance structures and strategy.** **This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.**	YES	The company discloses information indicated in the recommendation in the following ways: 1. announces the information as key events under the order determined by laws (ex.: structural changes in the management of the company, election of new members of management, financial results of the company, etc.), 2. information is placed on the publicly accessible website of the company (ex.: company's objectives), NASDAQ OMX Vilnius Stock Exchange and the e-journal of the Centre of Register, 3. announces the information in the annual statement (ex.: members of the management bodies, director of the company and his/her remuneration, possible major risk factors, etc.). The company provides information about the consolidated results of the entire group of companies (i.e. "„Lietuvos energijos gamyba"", AB and its subsidiary companies).
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	YES	The company follows the recommendation and discloses information about the consolidated results of the company and the group of its subsidiary companies. Information related to the parent company "Lietuvos energija", UAB is announced by the parent company itself.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Executive Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Executive Officer as per Principle VIII.	YES	Information provided in the recommendation is available in the annual statement of the company (director's professional experience, participation of the members of supervisory and management bodies in the activity of other companies and other information) and its website.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	YES	The company discloses information about the links between the company and its stakeholders in the annual statement of the company. This information is also announced during press releases and placed on the company's website under the order determined by laws.

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	YES	The company provides information in Lithuanian and English simultaneously using the information disclosure system of NASDAQ OMX Vilnius. The company announces information before, during or after a trading session of the Vilnius Stock Exchange and simultaneously provides it to all markets that trade in its stock. The company does not disclose information that may have influence to its stock change in comments, interviews or in other ways as long as the information is disclosed via the information system of the stock exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	YES	Besides the way of information disclosure indicated in the comment of clause 10.5, the company uses various means of media (newspapers, e-publications, news agencies, publicly accessible website of the company) in order to ensure that information would reach as many interested people as possible. Information placed on the company's website is available in Lithuanian and English languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	YES	The company places all information enumerated in this recommendation in its website
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	YES/NO	An independent audit of the company's annual financial accountability and annual statement is performed in the company. A review or an audit of the interim financial accountability is performed.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	NE	A selected firm of auditors is proposed by the company's board to the general shareholders' meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	YES	The company follows the recommendations.

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2013

Prepared according to International Financial Reporting Standards, as adopted by the European Union

Translation note:
This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language.
All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the documents takes precedence over this translation.

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2013

All amounts are in LTL thousands unless otherwise stated

ASSETS	Notes	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012	Group at 01 January 2012	Company at 01 January 2012
				(restated)	*(restated)*	*(restated)*	*(restated)*
Non-current assets							
Intangible assets	4	29,542	28,968	58,541	56,060	39,735	36,345
Property, plant and equipment	5	2,636,706	2,597,392	2,745,970	2,693,767	2,660,272	2,600,109
Prepayments for property, plant, equipment		384	10,479	14	14	2,769	2,769
Investment property	6	-	-	800	-	1,824	1,824
Investments in subsidiaries	7	-	52,397	-	54,651	-	54,651
Investments in associates and joint ventures	7	154,833	153,884	153,496	155,427	146,966	151,648
Deferred income tax assets	23	988	-	622	-	81	-
Other non-current assets	8	17,850	17,850	23,723	23,723	9,657	9,657
Other amounts receivable	11	20,949	20,949	10,927	10,927	1,426	1,426
Total non-current assets		**2,861,252**	**2,881,919**	**2,994,093**	**2,994,569**	**2,862,730**	**2,858,429**
Current assets							
Inventories	9	24,032	23,113	63,636	61,427	125,537	123,721
Prepayments		15,725	5,659	2,348	1,489	2,936	1,909
Trade receivables	10	169,973	133,274	288,855	253,916	233,479	207,498
Other amounts receivable	11	10,513	9,242	23,793	23,549	7,007	12,648
Prepaid income tax		10,147	10,073	4,262	4,148	3,157	3,147
Other financial assets		86	-	20	-	267	-
Cash and cash equivalents	12	219,746	178,087	34,345	8,157	27,907	8,281
		450,222	**359,448**	**417,259**	**352,686**	**400,290**	**357,204**
Non-current assets classified as held for sale	13	131	-	603	-	3,283	1,543
Total current assets		**450,353**	**359,448**	**417,862**	**352,686**	**403,573**	**358,747**
TOTAL ASSETS		**3,311,605**	**3,241,367**	**3,411,955**	**3,347,255**	**3,266,303**	**3,217,176**

(Continued on the next page)

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2013

All amounts are in LTL thousands unless otherwise stated

EQUITY AND LIABILITIES	Notes	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012	Group at 01 January 2012	Company at 01 January 2012
				(restated)	*(restated)*	*(restated)*	*(restated)*
Capital and reserves							
Share capital	14	635,084	635,084	635,084	635,084	635,084	635,084
Share premium	14	295,767	295,767	295,767	295,767	295,767	295,767
Revaluation reserve	15	7,928	4,015	12,055	7,774	13,735	8,395
Legal reserve	16	37,852	37,540	36,145	35,867	35,972	35,867
Other reserves	17	677,775	677,775	717,775	717,775	717,775	717,775
Retained earnings (deficit)		(284,805)	(277,529)	(404,806)	(385,341)	(442,912)	(420,385)
Total equity attributable to owners of the Company		**1,369,601**	**1,372,652**	**1,292,020**	**1,306,926**	**1,255,421**	**1,272,503**
Non-controlling interest		43,896	-	41,498	-	39,951	-
Total equity		**1,413,497**	**1,372,652**	**1,333,518**	**1,306,926**	**1,295,372**	**1,272,503**
Non-current liabilities							
Borrowings	19	506,761	498,261	552,370	544,098	247,006	247,006
Finance lease liabilities	20	36	-	44	-	319	-
Grants	21	1,062,730	1,062,730	1,100,461	1,100,461	1,008,569	1,008,569
Other non-current amounts payable and liabilities	22	77,879	75,631	34,397	32,403	46,137	45,863
Deferred income tax liabilities	23	39,688	39,688	51,131	50,963	47,022	45,902
Total non-current liabilities		**1,687,094**	**1,676,310**	**1,738,403**	**1,727,925**	**1,349,053**	**1,347,340**
Current liabilities							
Borrowings	19	57,729	57,129	126,409	116,492	395,160	393,991
Finance lease liabilities	20	8	-	327	-	584	-
Trade payables	24	85,428	76,753	138,558	128,130	116,830	103,759
Advance amounts received	25	29,489	27,564	15,995	15,035	17,628	14,885
Income tax payable		1,222	-	545	-	1,787	-
Provisions for emission allowances	26	9,745	9,745	13,915	13,915	61,931	61,931
Other amounts payable and liabilities	27	27,393	21,214	44,285	38,832	27,958	22,767
Other current liabilities		**211,014**	**192,405**	**340,034**	**312,404**	**621,878**	**597,333**
Total liabilities		**1,898,108**	**1,868,715**	**2,078,437**	**2,040,329**	**1,970,931**	**1,944,673**
TOTAL EQUITY AND LIABILITIES		**3,311,605**	**3,241,367**	**3,411,955**	**3,347,255**	**3,266,303**	**3,217,176**

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

All amounts are in LTL thousands unless otherwise stated

	Notes	Group 2013	Company 2013	Group 2012 (restated)	Company 2012 (restated)
Revenue					
Sales revenue	28	1,088,008	1,079,590	1,347,634	1,172,696
Other operating income	30	111,388	7,572	96,180	3,895
		1,199,396	**1,087,162**	**1,443,814**	**1,176,591**
Operating expenses					
Purchase of electricity and related services		(415,375)	(415,346)	(665,127)	(494,716)
Gas and heavy fuel expenses		(374,164)	(374,164)	(463,690)	(463,690)
Depreciation and amortisation	4,5,6,21	(91,590)	(78,693)	(77,411)	(63,353)
Wages and salaries and related expenses		(63,778)	(33,555)	(63,733)	(32,417)
Repair and maintenance expenses		(21,772)	(23,197)	(4,266)	(14,630)
Expenses of revaluation and provisions for emission allowances		(14,320)	(14,320)	(12,113)	(12,113)
Impairment of other non-current assets	8	(5,873)	(5,873)	(606)	(606)
Loss on revaluation and impairment of property, plant and equipment	5	(1,021)	(1,021)	-	-
Impairment of investments in subsidiaries and associates	7	-	(3,799)	-	-
Expenses of provision for onerous contract	26	-	-	(12,824)	(12,824)
Reversal of inventory write-down	9	2,263	2,263	363	363
Other expenses		(91,061)	(33,659)	(87,235)	(29,837)
		(1,076,691)	**(981,364)**	**(1,386,642)**	**(1,123,823)**
OPERATING PROFIT		**122,705**	**105,798**	**57,172**	**52,768**
Finance income	31	2,278	4,147	2,236	4,776
Finance (costs):					
Share of result of operations of associates and joint ventures	7	1,348		2,686	
Other finance (costs)	32	(23,278)	(22,874)	(13,757)	(13,454)
		(19,652)	(18,727)	(8,835)	(8,678)
PROFIT BEFORE INCOME TAX		**103,053**	**87,071**	**48,337**	**44,090**
Current income tax expense	23	(5,912)	(3,421)	(6,066)	(4,606)
Deferred tax income / (expense)	23	11,467	10,706	(3,664)	(5,061)
		5,555	7,285	(9,730)	(9,667)
NET PROFIT FOR THE YEAR		**108,608**	**94,356**	**38,607**	**34,423**

(Continued on the next page)

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

All amounts are in LTL thousands unless otherwise stated

	Notes	Group 2013	Company 2013	Group 2012 *(restated)*	Company 2012 *(restated)*
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Loss on revaluation of property, plant and equipment	5	(3,796)	(3,796)	(619)	-
Deferred income tax related to loss on revaluation of property, plant and equipment and impairment of investment property	23	569	569	93	-
Gain/(loss) on revaluation of non-current assets of associates, net of deferred income tax	7	-	-	65	-
Other comprehensive income (loss), net of deferred income tax		(3,227)	(3,227)	(461)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**105,381**	**91,129**	**38,146**	**34,423**
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		106,210	94,356	37,060	34,423
Non-controlling interests		2,398		1,547	
		108,608	**94,356**	**38,607**	**34,423**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		102,983	91,129	36,599	34,423
Non-controlling interests		2,398		1,547	
		105,381	**91,129**	**38,146**	**34,423**
Basic and diluted earnings per share (in LTL)	34	**0.17**		**0.06**	

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2013

All amounts are in LTL thousands unless otherwise stated

Group	Note	Share capital	Share premium	Revalu-ation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total	Non-contro-lling interests	Total equity
Balance at 31 December 2011		**635,084**	**295,767**	**13,735**	**35,972**	**717,775**	**(67,183)**	**1,631,150**	**39,951**	**1,671,101**
Revaluation of property, plant and equipment	2.31	-	-	-	-	-	(375,729)	(375,729)	-	(375,729)
Balance at 31 December 2011 (restated)		**635,084**	**295,767**	**13,735**	**35,972**	**717,775**	**(442,912)**	**1,255,421**	**39,951**	**1,295,372**
Depreciation of revaluation reserve	15	-	-	(1,154)	-	-	1,154	-	-	-
Formation of reserves	16	-	-	-	173	-	(173)	-	-	-
Comprehensive income		-	-	(526)	-	-	37,125	36,599	1,547	38,146
Balance at 31 December 2012 (restated)		**635,084**	**295,767**	**12,055**	**36,145**	**717,775**	**(404,806)**	**1,292,020**	**41,498**	**1,333,518**
Depreciation of revaluation reserve	15	-	-	(900)	-	-	900	-	-	-
Formation/(dissolution) of reserves	16,17	-	-	-	1,707	(40,000)	38,293	-	-	-
Dividends paid		-	-	-	-	-	(25,402)	(25,402)	-	(25,402)
Comprehensive income		-	-	(3,227)	-	-	106,210	102,983	2,398	105,381
Balance at 31 December 2013		**635,084**	**295,767**	**7,928**	**37,852**	**677,775**	**(284,805)**	**1,369,601**	**43,896**	**1,413,497**

(Continued on the next page)

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2013

All amounts are in LTL thousands unless otherwise stated

Company	Notes	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 31 December 2011		**635,084**	**295,767**	**8,395**	**35,867**	**717,775**	**(44,656)**	**1,648,232**
Revaluation of property, plant and equipment	2.31	-	-	-	-	-	(375,729)	(375,729)
Balance at 31 December 2011 (restated)		**635,084**	**295,767**	**8,395**	**35,867**	**717,775**	**(420,385)**	**1,272,503**
Depreciation of revaluation reserve	15	-	-	(621)	-	-	621	-
Comprehensive income		-	-	-	-	-	34,423	34,423
Balance at 31 December 2012 (restated)		**635,084**	**295,767**	**7,774**	**35,867**	**717,775**	**(385,341)**	**1,306,926**
Formation/(dissolution) of reserves	16,17	-	-	-	1,673	(40,000)	38,327	-
Depreciation of revaluation reserve	15	-	-	(532)	-	-	532	-
Dividends paid		-	-	-	-	-	(25,403)	(25,403)
Comprehensive income		-	-	(3,227)	-	-	94,356	91,129
Balance at 31 December 2013		**635,084**	**295,767**	**4,015**	**37,540**	**677,775**	**(277,529)**	**1,372,652**

(End)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2013

All amounts are in LTL thousands unless otherwise stated

	Note	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012 (restated)	Company at 31 December 2012 (restated)
Net profit for the year		108,608	94,356	38,607	34,423
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	130,678	117,781	95,971	81,913
Loss on revaluation of property, plant and equipment	5	1,021	1,021	(619)	-
Impairment write-down of inventories / (reversal)	9	(2,263)	(2,263)	(457)	(457)
(Gain) on disposal of investments in subsidiaries and associates		-	3,799	-	-
Revaluation expenses of emission allowances		9,994	9,994	24,937	24,937
Other impairments/(reversals)		12,332	12,282	5,566	3,445
Share of (profit) of associates and joint ventures	7	(1,348)	-	(2,686)	-
Income tax expense		5,912	3,356	6,066	4,606
Change in deferred income tax liability	23	(11,467)	(10,706)	3,664	5,061
(Income) from grants	4,21	(39,088)	(39,088)	(18,560)	(18,560)
(Decrease) in other provisions		9,745	9,745	20	20
Loss on write-off of non-current assets	5	127	47	140	308
Elimination of results of financing and investing activities:					
- Interest (income)	31	(118)	(46)	(550)	(724)
- Interest expense	32	23,130	22,839	9,148	8,971
- Other finance (income) costs		(2,012)	(4,065)	2,924	431
Changes in working capital					
(Increase) decrease in trade receivables and other amounts receivable		129,845	118,518	2,338	12,802
(Increase) decrease in inventories and prepayments		22,304	29,835	62,611	62,837
Increase (decrease) in amounts payable and advance amounts received		82,704	83,832	(47,431)	(43,816)
Income tax (paid)		(10,315)	(9,508)	(6,736)	(5,607)
Net cash generated from operating activities		**469,789**	**441,729**	**174,953**	**170,590**
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(122,460)	(120,104)	(195,195)	(190,511)
Disposal of property, plant and equipment and intangible assets		1,277	166	-	-
Loan repayments received		-	-	-	6,500
Term deposits		-	-	247	-
Investments in associates		(2)	(2)	-	-
Grants received		-	-	22,015	22,015
Dividends received		-	2,000	-	3,000
Interest received		113	46	231	90
Net cash (used in) investing activities		**(121,072)**	**(117,894)**	**(172,702)**	**(158,906)**
Cash flows from financing activities					
Proceeds from borrowings		11,893	10,465	11,726	-
Repayments of borrowings		(62,204)	(58,159)	(32,155)	(32,155)
Finance lease payments		(327)	-	(532)	-
Interest (paid)		(23,374)	(23,369)	(32,173)	(31,681)
Dividends (paid out)		(25,414)	(25,414)	(12)	(12)
Net cash (used in) financing activities		**(99,426)**	**(96,477)**	**(53,146)**	**(63,848)**
Net increase (decrease) in cash flows		**249,291**	**227,358**	**(50,895)**	**(52,164)**
Cash and cash equivalents at the beginning of the year		**(29,545)**	**(49,271)**	**21,349**	**2,893**
Cash and cash equivalents at end of the year		**219,746**	**178,087**	**(29,546)**	**(49,271)**

The accompanying notes form an integral part of the financial statements.

1 General information

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

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

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

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

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

The authorised share capital of Lietuvos Energijos Gamyba AB amounts to LTL 635,083,615 and it is divided into 635,083,615 ordinary registered shares with par value of LTL 1 each. There were no changes in the Company‘s authorised share capital during 2013 and 2012. All the shares issued are fully paid. With effect from 1 September 2011, the shares of Lietuvos Energija AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 31 December 2013 and 2012, the Company had not acquired its own shares.

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

The Company has permits of unlimited validity to engage in electricity generation activities at the Reserve Power Plant and the Combined Cycle Block (hereinafter referred to as the Reserve Power Plant), Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Reserve Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Control Commission for Prices and Energy, Lietuvos Energijos Gamyba AB obtained a licence of an independent electricity supplier. The Company’s subsidiary Energijos Tiekimas UAB also holds a licence of an independent electricity supplier, as well as a licence of natural gas supplier. The subsidiary was not engaged in any purchase/sale activities of natural gas throughout 2013.

As of the financial reporting date, the Company had direct participation (control or significant influence) in the management of the following companies: Kauno Energetikos Remontas UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Duomenų Logistikos Centras UAB (Lithuania), Nordic Energy Link AS (Estonia), Geoterma UAB (Lithuania), NT Valdos UAB (Lithuania). Indirectly, the Company had the majority of votes in Energijos Tiekimas SIA (Latvia) and Energijos Tiekimas OU (Estonia) through Energijos Tiekimas UAB. In addition, the Company indirectly had the majority of votes in Gotlitas UAB (Lithuania) through Kauno Energetikos Remontas UAB, and the majority of votes in VŠĮ Respublikinis Energetikų Mokymo Centras (Lithuania) through Duomenų Logistikos Centras UAB. More details about subsidiaries, associates and joint ventures and changes therein during 2013 are disclosed in Note 7.

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

1 General information (continued)

As at 31 December 2013, the Group comprised Lietuvos Energijos Gamyba AB and the following directly and indirectly controlled subsidiaries:

Company	Office address	Group's ownership interest at 31 December 2013	Subsidiary's share capital at 31 December 2013	Profit (loss) for 2013	Equity at 31 December 2013	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100%	14,245	872	22,604	Repair of energy equipment, production of metal constructions
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100%	1,100	(9)	1,425	Accommodation services, trade
Energijos Tiekimas UAB	P. Lukšio g. 1, Vilnius, Lithuania	100%	750	4,934	10,349	Independent electricity supply
Energijos Tiekimas OU (controlled through Energijos Tiekimas UAB)	Narva mnt 5, Tallinn, Harjucounty, Estonia	100%	121	(13)	108	Independent electricity supply
Energijos Tiekimas SIA (controlled through Energijos Tiekimas UAB)	Elizabetes street 45/47, Riga, Latvia	100%	99	(15)	84	Independent electricity supply
Duomenų Logistikos Centras UAB *	Juozapavičiaus g. 13, Vilnius, Lithuania	54.04%	58,907	5,334	62,231	IT services
VŠĮ Respublikinis Energetikų Mokymo Centras (controlled through Duomenų Logistikos Centras UAB)	Jeruzalės g. 21, Vilnius, Lithuania	54.04%	294	153	(1,253)	Professional development of energy specialists and continual professional training

*During the General Shareholders' Meeting of Technologijų ir Inovacijų Centras UAB held on 25 October 2013, the shareholders made a decision to rename Technologijų ir Inovacijų Centras UAB into Duomenų Logistikos Centras UAB. With effect from 4 November 2013, Technologijų ir Inovacijų Centras UAB was renamed into Duomenų Logistikos Centras UAB.

On 14 October 2013, amendments were made to the Articles of Association of Duomenų Logistikos Centras UAB (known as Technologijų ir Inovacijų Centras UAB until 4 November 2013) in relation to reduced authorised share capital from LTL 76,512,824 to LTL 58,906,598. The authorised share capital of Duomenų Logistikos Centras UAB (known as Technologijų ir Inovacijų Centras UAB until 4 November 2013) was reduced by LTL 17,606,226, by way of annulment of 17,606,226 ordinary registered shares and by proportionally reducing the number of shares held under the title by all shareholders. This resulted in no changes in the value of the Company's investment (Note 7).

On 25 November 2013, the Company together with Lietuvos Energija UAB, Lesto AB and LITGRID AB signed an agreement on the establishment of an associate Technologijų ir Inovacijų Centras UAB to be engaged primarily in the provision of IT and telecommunication services to their shareholders. On 4 December 2013, Technologijų ir Inovacijų Centras UAB was established and registered with the Register of Legal Entities managed by a public institution Centre of Registers. The authorised share capital of Technologijų ir Inovacijų Centras UAB amounts to LTL 10,000. The Company, Lietuvos Energija UAB, Lesto AB, LITGRID AB hold 20%, 50%, 20% and 10% of shares, respectively.

1 General information (continued)

As at 31 December 2012, the Group comprised Lietuvos Energijos Gamyba AB and the following directly and indirectly controlled subsidiaries:

Company	Office address	Group's ownership interest at 31 December 2012	Subsidiary's share capital at 31 December 2012	Profit (loss) for 2012	Equity at 31 December 2012	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100%	14,245	679	21,343	Repair of energy equipment, production of metal constructions
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100%	1,100	(115)	1,435	Accommodation services, trade
Energijos Tiekimas UAB	P. Lukšio g. 1, Vilnius, Lithuania	100%	750	573	7,415	Independent electricity supply
Technologijų ir Inovacijų Centras UAB*	Juozapavičiaus g. 13, Vilnius, Lithuania	54.04%	76,513	3,634	57,163	IT services
VŠĮ Respublikinis Energetikų Mokymo Centras (controlled through Technologijų ir Inovacijų Centras UAB)	Jeruzalės g. 21, Vilnius, Lithuania	54.04%	294	(270)	(1,406)	Professional development of energy specialists and continual professional training

*On 31 October 2012, Data Logistics Center UAB was reorganised by way of reorganisation defined in paragraph 3 of Art.2.97 of the Lithuanian Civil Code. Data Logistics Center UAB was merged with Technologijų ir Inovacijų Centras UAB and ceased its activities following the reorganisation. The assets, rights and obligations of Data Logistics Center UAB were transferred to Technologijų ir Inovacijų Centras UAB, which continued its activities following the reorganisation.

As at 31 December 2013, the Group had 1,104 (31 December 2012: 1,180) employees. As at 31 December 2013, the Company had 503 (31 December 2012: 511) employees.

The Company's shareholders have a statutory right to approve or not to approve these financial statements and to require preparation of a new set of financial statements.

2 Accounting policies

Presented below are the principal accounting policies adopted in the preparation of the Group's and the Company's financial statements for the year 2013:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (the "EU").

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment losses (Note 2.7), emission allowances (Note 2.11) and financial instruments measured at fair value (Note 2.12).

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

2.2 Changes in accounting policies

Accounting policies applied in preparation of the financial statements are consistent with those of the previous financial year except as follows:

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

IFRS 13 Fair value measurement (effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group/Company presented additional disclosures in the financial statements.

Amendments to IAS 1 Presentation of financial statements (effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The amended standard resulted in changed presentation of the Group's/Company's financial statements, but did not have any impact on measurement of transactions and balances.

Amended IAS 19 Employee benefits (effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. This amendment had no significant impact on the Group's/Company's financial statements.

Disclosures—Offsetting financial assets and financial liabilities - amendments to IFRS 7 (effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. This amendment had no significant impact on the Group's/Company's financial statements.

Improvements to International Financial Reporting Standards (effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

When preparing the financial statements, the Group/Company took into consideration the amendments to IAS 1. Other amendments to standards are not relevant for the Group/Company.

The following new or amended IFRS and IFRIC interpretations are effective in 2013 but not relevant to the Company and the Group:

Amendments to existing standards and interpretations adopted by the EU that are mandatory for annual accounting periods beginning on or after 1 January 2013 but not relevant to the Group/Company are as follows:

2 Accounting policies (continued)

2.2 Changes in accounting policies (continued)

- Severe hyperinflation and removal of fixed dates for first-time adopters – amendments to IFRS 1 (effective for annual periods beginning on or after 1 July 2011).
- Recovery of underlying assets – amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2012).
- IFRIC 20 Stripping costs in the production phase of a surface mine (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans (effective for annual periods beginning on or after 1 January 2013).

Standards, interpretations and amendments that are not yet effective and have not been early adopted by the Company/Group

IFRS 10 Consolidated financial statements (effective for annual periods beginning on or after 1 January 2014) replaces all of the guidance on control and consolidation in IAS 27 Consolidated and separate financial statements and SIC-12 Consolidation - special purpose entities. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group/Company is currently assessing the impact of this standard on its financial statements.

IFRS 11 Joint arrangements (effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 Interests in joint ventures and SIC-13 Jointly controlled entities—non-monetary contributions by ventures. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group/Company is currently assessing the impact of this standard on its financial statements.

IFRS 12 Disclosure of interest in other entities (effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group/Company is currently assessing the impact of this standard on its financial statements.

IAS 27 Separate financial statements (effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group/Company is currently assessing the impact of this standard on its financial statements.

IAS 28 Investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from IFRS 11 and now requires accounting for joint ventures and associates using the equity method. The Group/Company does not expect this standard to have significant impact on the financial statements.

Offsetting financial assets and financial liabilities - amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group/Company does not expect these amendments to have significant impact on the financial statements.

2 Accounting policies (continued)

2.2 Changes in accounting policies (continued)

Transition guidance amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated financial statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint arrangements,* and IFRS 12, *Disclosure of interests in other entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group/Company is currently assessing the impact of this standard on its financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group/Company does not expect these amendments to have significant impact on the financial statements.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a cash generating unit contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group/Company does not expect these amendments to have significant impact on the financial statements.

Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning 1 January 2014).The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group/Company does not apply hedge accounting, consequently, the Group/Company does not expect these amendments to have significant impact on the financial statements.

Standards, interpretations and amendments that have not been endorsed by the European Union and that have not been early adopted by the Group/Company

- IFRS 9 Financial instruments: Classification and measurement
- IFRIC 21, Taxes
- Amendments to IAS 19 Defined benefit plans: Employee contributions
- Annual improvements to 2012 IFRSs
- Annual improvements to 2013 IFRSs

The Group/Company is currently assessing the impact of these amendments on its financial statements.

There are no other new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group/Company.

2.3 Consolidation

The consolidated financial statements of the Group include Lietuvos Energijos Gamyba AB and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting periods, using uniform accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All inter-company transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. For the purpose of preparation of the Group’s consolidated financial statements, total comprehensive income of subsidiaries was attributed to owners of the parent company from the date when effective control was transferred to the Company.

2 *Accounting policies (continued)*

2.4 Business combinations

Acquisitions of subsidiaries, except for acquisitions involving entities under common control, are accounted for using the acquisition method. The consideration transferred in return for control over the acquiree is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition.

All acquisition-related costs are expensed when incurred. The acquiree's identifiable assets acquired, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. On each acquisition, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS 3 'Business combinations' does not apply to business combinations involving entities under common control, therefore, such business combinations were accounted for using the merger method. The Group did not recognise assets and liabilities at their fair values at the acquisition date, instead the Group combined the acquired assets and liabilities at their carrying amounts. Under the merger method, no additional goodwill arises and the results of the acquiree are recognised in the consolidated financial statements since the date of acquisition.

The Group applies a policy of treating transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5 Investments in subsidiaries (the Company)

Subsidiary is an entity directly or indirectly controlled by a parent company and in which a parent company has a shareholding of more than one half of the voting rights. In the parent company's statement of financial position, investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount. Cost also includes directly attributable expenditure.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence and that is neither a subsidiary nor interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights. The Group has investment in a joint venture, which is an entity of joint operations, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.

In the parent company's statement of financial position investments in associates and joint ventures are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

In the consolidated financial statements of the Group, results of operation of associates and joint ventures are accounted at equity method, except when the investment is classified as held-for-sale and it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. The Group's share of post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

Losses of an associate or joint venture in excess of the Group's share of assets in that associate/joint ventures are not recognised, unless the Group had incurred legal or indirect obligations or made payments on behalf of the associate/joint venture.

Any excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Where the Group company conducts transactions with an associate/joint venture of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant entity.

2 *Accounting policies (continued)*

2.6 Investments in associates and joint ventures (continued)

Financial guarantees provided for the liabilities of the associates are initially recognised as an investment in associates at estimated fair value and as a financial liability in the statement of financial position. The fair value is estimated as the difference between the fair value of the liability secured with guarantee and the fair value of analogous liability not secured with guarantee. Subsequent to initial recognition, this financial liability is amortised and recognised as income depending on the related amortisation / repayment of the associate's financial liability to the bank. If there are indications that the associate may fail to fulfil its obligations to the bank, a financial liability of the Company is accounted for at the higher of amortised value and the value estimated according to IAS 37, 'Provisions, contingent liabilities and contingent assets'.

2.7 Property, plant and equipment and intangible assets

Property, plant, and equipment

Assets with the useful life over one year are classified as property, plant and equipment.

Property, plant and equipment, which includes the categories of assets of hydro power plant, pumped storage power plant, combined cycle block and reserve power plant, is accounted for at cost less accumulated depreciation and impairment. Other property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

Construction in progress represents property, plant and equipment under construction. The cost of such assets includes designing, construction works, equipment provided for installation, and other directly attributable costs.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at acquisition cost. Cost of intangible assets acquired through business combinations is its fair value at acquisition date. Intangible assets are recognised if there is evidence that the Group/Company will receive economic benefits related to these assets, and its value can be reliably estimated.

Subsequent to initial recognition, intangible assets, except for emission rights (see Note 2.11) are carried at cost less any accumulated amortisation and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except construction in progress, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis.

2 *Accounting policies (continued)*

2.7 Property, plant and equipment and intangible assets (continued)

Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (in years)
Buildings	20 - 75
Structures and equipment	
- electricity and communication devices	20 - 25
- electricity equipment	15 - 35
- other equipment	5 - 20
Structures and equipment of Hydro Power Plant and Pumped Storage Plant	
- hydro technical waterway structures and equipment	75
- pressure pipelines	50
- hydro technical turbines	25 - 40
- other equipment	8 - 15
Structures and equipment of Reserve Power Plant	
- constructions and infrastructure	10 - 70
- thermal and electricity equipment	10 - 60
- measuring devices and equipment	5 - 30
- other equipment and tools	8 - 15
Structures and equipment of Combined Cycle Block:	
- structures and constructions	20 - 50
- electricity lines	20 - 40
- electricity generation equipment	20 - 50
Motor vehicles	4 - 10
Other property, plant and equipment:	5 - 40
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

Property, plant and equipment acquired under finance lease are depreciated over their estimated useful life on the same basis as owned assets.

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds received from sale and the carrying value of the disposed asset and is recognised in the statement of comprehensive income.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the Company and the costs can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Spare parts of high value that are expected to used longer than one year are classified as property, plant and equipment. Spare parts are carried at acquisition cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful life of the related item of property, plant and equipment.

2.8 Impairment of property, plant and equipment, intangible assets and other non-current assets

At each reporting date, the Group and the Company review the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, administrative assets of the Group and the Company are allocated to individual cash-generating units, otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount of other non-current assets (right to receive emission allowances) is determined with reference to market prices of forward or spot transactions in emission allowances.

2 *Accounting policies (continued)*

2.8 Impairment of property, plant and equipment, intangible assets and other non-current assets (continued)

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 2.7.

2.9 Investment property

Investment property of the Group/Company, which consists of investments in buildings, is held to earn rentals or for capital appreciation. Investment property is initially recognised at acquisition cost, including transaction costs. Subsequently all investment property is carried at cost less accumulated depreciation and impairment. Investment property is depreciated using the same depreciation calculation methods and periods as those applied to property, plant and equipment.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Certain immovable property may be occupied by the Company/Group, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Company/Group can be sold separately, the Company/Group accounts for such property separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held to earn rentals or for capital appreciation or both is treated as investment property under IAS 40.

2.10 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.11 Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period of operation covered 5 years from 2008 to 2012; and the third period of operation covers 7 years from 2013 to 2020. The system's period of operation is in line with the period established under the Kyoto Agreement. The system functions on cap and trade basis. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

Business entities involved in the trading scheme of emission allowances are entitled throughout the period from 2008 to 2020 to use emission reduction units that are accepted in the EU trading scheme of emission allowances, but not in excess of 20% of total quantity of emission allowances allocated to them during the period from 2008 to 2012.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (a part of emission allowances are set aside for new units).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

Intangible assets
The EU emission allowances are treated as intangible assets that were provided by the state in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

2 Accounting policies (continued)

2.11 Emission allowances (continued)

After the initial recognition emission allowances are revalued at fair value using the active market prices. Increases in the carrying amount arising on the revaluation of emission allowances are credited against revaluation reserve directly to equity and decreases in excess of the previously accumulated amount in the revaluation reserve are recognised in the profit and loss account. On realisation of emission allowances, the respective positive balance of the revaluation reserve is taken directly to retained earnings.

Government grant
The EU emission allowances provided to the Company free of charge are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to emission allowances utilised during the validity period of emission allowances or upon their disposal.

Provision for utilisation of emission allowances
As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred for the settlement of this liability at the date of the preparation of the statement of financial position. The liability can be offset against intangible assets only when the actual quantity of emissions is approved by an appropriate regulatory state authority. Changes in the value of liability are recognised in profit or loss and presented in the statement of comprehensive income.

Lending of emission allowances
Lending of emission allowances is a sale transaction during which assets is disposed and the right to receive emission allowances is acquired. The right to receive emission allowances is recognised as other non-current assets. Such assets are initially recognised at acquisition cost, and subsequently such assets are tested for impairment as described in Note 2.8.

2.12 Financial assets

According to IAS 39, ‘Financial instruments: recognition and measurement’ financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. The Company determines the classification of its financial assets based on its nature and purpose at initial recognition.

Financial assets are recognised on a trade date basis where the purchase or sale process is under a contract, which terms require delivery of the financial assets within the timeframe established by the market concerned. Financial assets are recognised initially at fair value, plus, in the case of investments are not carried at fair value through profit or loss, directly attributable transaction costs.

The Group’s/Company‘s financial assets include cash, trade and other accounts receivable, loans and investments in derivatives and are classified into two categories: financial assets at fair value through profit or loss and loans and receivables.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Such financial instruments are primarily held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are classified as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of comprehensive income as gains less losses from derivative instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are carried at amortised cost using the effective interest method (except for current receivables when the recognition of interest income would be immaterial), less any recognised impairment, which reflects irrecoverable accounts. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised, impaired or amortised.

Effective interest rate method

Effective interest rate method is used to calculate amortised cost of financial assets and allocate interest income over the relevant period. The effective interest rate exactly discounts estimated future cash flows over the expected life of the financial asset.

2 *Accounting policies (continued)*

2.12 Financial assets (continued)

Impairment of financial assets

At each reporting date the Group and the Company assess whether there is an indication that financial assets may be impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, estimated using the effective interest rate.

The carrying amount of the financial asset is directly reduced by the amount of estimated impairment loss, except for trade receivables, for which impairment is recorded through allowance account. Impaired accounts receivable are written-off when they are identified as uncollectible.

If after the end of the reporting period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date that would have been determined had no impairment loss been recognised for the asset in prior years.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group/Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Group/Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group/Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained the risks and rewards of ownership of asset nor transferred control of the asset, the asset is recognised to the extent of the Group's/Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group/Company could be required to repay.

2.13 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes, and costs associated with bringing inventory into their current condition and location. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price, less the estimated costs of completion, marketing and selling expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are recognised in the statement of financial position as current borrowings.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits in current bank accounts, and other short-term highly liquid investments with original maturity up to 3 months, and bank overdrafts.

2 *Accounting policies (continued)*

2.15 Financial liabilities and equity instruments issued by the Group and the Company

Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group and the Company after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Group/Company does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are recognised at fair value, less transaction costs.

After initial recognition, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest rate method (see Note 2.12).

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

2.16 Foreign currency

Foreign currency transactions are accounted for in the litas using the exchange rate announced by the Bank of Lithuania on the dates of transaction, which approximate market exchange rates. Monetary assets and liabilities are translated into the litas using the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities into the litas are recognised in the statement of comprehensive income of the reporting period.

With effect from 2 February 2002, the Lithuanian litas has been pegged to the euro at the rate of LTL 3.4528 to EUR 1, and the exchange rates of the litas against other currencies are set daily by the Bank of Lithuania. The exchange rates used for principal currencies were as follows:

At 31 December 2013			At 31 December 2012		
LVL 1	=	LTL 4.9184	LVL 1	=	LTL 4.9520
RUB 100	=	LTL 7.6727	RUB 100	=	LTL 8.5879
SEK 10	=	LTL 3.8492	SEK 10	=	LTL 4.0042
USD 1	=	LTL 2.5098	USD 1	=	LTL 2.6060

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). In the consolidated financial statements, financial performance results and financial position of each of the Group‘s entities are presented in the litas, which is the functional currency of the Company and the presentation currency of the Group‘s consolidated financial statements.

2 *Accounting policies (continued)*

2.16 Foreign currency (continued)

When preparing separate financial statements of the Group companies, transactions denominated in currencies other than the functional currency of the company (in foreign currencies) are carried using exchange rates prevailing at the dates of transactions. At each balance sheet date monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate prevailing at the date when the fair value was determined. Non-monetary items carried at cost and denominated in foreign currency are not translated.
The assets and liabilities (including comparative figures) of foreign subsidiaries are translated into the litas for the preparation of consolidated financial statements using the exchange rate prevailing at the balance sheet date. Income and expenses (including comparative figures) are translated into the litas using the average exchange rate of the period, unless there were significant fluctuations of the exchange rate during the reporting period in which case an exchange rate prevailing at the date of the transaction is applied. Currency exchange rate differences, if any, are recognised under foreign currency translation reserve in equity. These changes in foreign exchange rates are recognised in the statement of comprehensive income in the period in which the foreign subsidiary is disposed.

2.17 Grants

<u>Asset-related grants</u>
Asset-related government and the European Union grants and third party compensations comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recognised at fair value of the asset received and subsequently accounted for in the statement of comprehensive income by reducing the depreciation charge of related asset over the expected useful life of the asset.

<u>Income-related grants</u>
Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all other grants, which are not asset-related grants, are treated as income-related grants. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. These grants are recognised in the statement of comprehensive income, net of related expenditure.

2.18 Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group/Company expects that provision amount in part or in full will be compensated, e.g. by insurance, compensation to be received is recorded as a separate asset, but only when it is virtually certain. Expenses related to provisions are recorded in the statement of comprehensive income, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

<u>Provisions for pension benefits</u>
Pursuant to the Lithuanian laws, each employee who terminates employment at retirement age is entitled to receive a payment of 2 monthly salaries upon retirement. Actuarial calculations are made to determine liability for this pension benefit. The liability is recognised at present value, which is discounted using the market interest rate.

<u>Provisions for onerous contract</u>
Provisions for onerous contract represent liabilities that are initially recognised at fair value and subsequently at the end of each reporting period they are measured at present value using the effective interest rate method.

2 *Accounting policies (continued)*

2.19 Employee benefits

(a) Social security contributions

The Company and the Group pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans

The Company and the Group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

<u>The Group and the Company are lessors</u>
Operating lease income is recognised on a straight-line basis over the lease term.

<u>Finance lease – where the Company and the Group are lessees</u>

The Group and the Company account for finance leases as assets and liabilities in the balance sheet at the lower of the fair value of assets leased on the commencement of lease and the present value of minimum finance lease payments.
The present value of minimum lease payments is determined using a discount rate equal to interest rate charged on lease payments, if possible to distinguish, otherwise general interest rate on the Company's borrowings is used. Direct initial costs are added to the value of assets. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated. In addition, as a result of finance lease, the Group's and the Company's finance costs are increased each reporting period in the statement of comprehensive income. The calculation of depreciation for assets acquired under finance lease is analogous to that used for own assets, however, such assets cannot be depreciated over a period longer than the lease period, provided that the ownership is not transferred to the Group or the Company at the end of the validity term of the finance lease contract.

When the outcome of sale or leaseback transaction is finance lease, any gain on sale in excess of the carrying amount is not recognised as income immediately and rather it is deferred and amortised over the period of finance lease.

<u>Operating lease – where the Company and the Group are lessees</u>

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Total benefit of lease incentives provided by the lessor is recognised as a reduction of lease expenses over the lease period on a straight-line basis.

When the outcome of sale or leaseback transaction is operating lease and it is obvious that the transaction has been concluded at fair value, any gain or loss is recognised immediately. When the selling price is lower than the fair value, any gain or loss is recognised immediately, except for cases when losses are covered by lease payments lower than market prices in future, in which case they are deferred and amortised in proportion to lease payments over the period during which the asset is expected to be used. When the selling price is higher than the fair value, the excess amount is deferred and amortised over the period during which the asset is expected to be used.

2 *Accounting policies (continued)*

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

With effect from 2012, the Board started analysing the operations in terms of profitability of the regulated activities and the commercial activities of the Company. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, balancing and regulation, capacity reserve provision, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, export/import, electricity production at Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses, headcount and sales. The operations of Energijos Tiekimas UAB representing electricity supply constitute a separate segment. Other activities within the Group include repair services of energy facilities and IT services.

2.22 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group/Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, returns of goods and discounts. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of electricity

Revenue from sale of electricity acquired at power exchange, electricity export and revenue from public service obligations (PSO) services is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer. The Company does not recognise revenue and expenses from electricity trading in the power exchange with respect to those transaction in which it acts as an agent.

Revenue from electricity-related services

Revenue from electricity transmission and other electricity-related services is recognised after the service is rendered.

Tariff regulation

Tariffs for the electricity transmission and PSO services are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing the upper limit of the tariff. Specific prices for the transmission and PSO services are established by the supplier of the service within the limits approved by the Commission.

Tariffs of electricity sold by the producers and independent suppliers as well as tariffs for capacity reserves are not regulated except the cases when the producer or supplier holds more than 25 per cent of the market, in which case, the procedure for tariff setting is established by the Commission.

Tariffs for import and export of electricity are not regulated.

In providing PSO services the Group earns income and incurs expenses. PSO service fees are the fees paid to the suppliers of electricity under public service obligations scheme (based on pre-set annual quantities and prices of services). Subsequently, these services are provided to the distribution system operators and electricity consumers using a tariff established by the Commission. If at the end of the calendar year, PSO service fees collected by the Company from electricity consumers and the distribution system operators exceed or are less than the actual PSO service fees paid to the suppliers of these services, the difference needs to be taken into account by the transmission system operator in assessing the component of the price for PSO services for the next year.

2 *Accounting policies (continued)*

2.22 Revenue and expense recognition (continued)

Revenue from repair services

Revenue from individual contracts/projects with customers, i.e. repair services, is recognised based on the proportion of the work completed, which is estimated by comparing actually incurred costs on the project with the project's total estimated cost. Expected change in the profitability is accounted for in the statement of comprehensive income when such change is determined. Projects are reviewed periodically and if determined that a contract will be onerous, respective provisions are accounted for.

Other operating income

Interest income is recognised by the accruals method considering the outstanding balance of debt and the effective interest rate. Interest income is recorded in the statement of cash flows as cash flows from investing activities.

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are recorded in the statement of cash flows as cash flows from investing activities. Dividends of subsidiaries, attributable to the parent company, are eliminated in the consolidated financial statements.

Income and expenses related to IT services provided by the Group, resort buildings owned by the Group and sales and lease of non-current assets are accounted for by the Group and the Company within other operating income and expenses.

Recognition of expenses

Expenses are recognised in the statement of comprehensive income as incurred by the accrual method.

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

Other borrowing costs are recognised as expenses in the income statement as incurred.

2.24 Income tax

Income tax expense for the period comprises current tax and deferred tax.

Income tax
Current tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2013 and 2012.

Deferred income tax
Deferred income tax is accounted for using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. Deferred income tax assets and liabilities are not recognised when temporary differences arise from goodwill (or negative goodwill) or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets are reviewed at each date of the financial statements and if it is not probable that the Group and the Company will generate sufficient taxable profit to realise these assets, they are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

2. Accounting policies (continued)

2.24 Income tax (continued)

Current income tax and deferred income tax
Current income tax and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity, in which case taxes are also recorded in equity.

2.25 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares in issue. Where the number of shares changes without causing a change in the economic resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period.

As at 31 December 2013 and 31 December 2012, the weighted average number of shares, based on which the earnings per share are calculated was 635,083,615. As at 31 December 2013 and 31 December 2012 and during the periods then ended, the Company had no dilutive options, therefore, its basic and diluted earnings per share are the same.

2.26 Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.27 Events after the end of the reporting period

Subsequent events that provide additional information about the Group's and the Company's position at the reporting date (adjusting events) are disclosed in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when their effect is material.

2.28 Related parties

Related parties to the Group and the Company are defined as shareholders, employees, members of the Board, their close family members and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Group and the Company, provided such relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.29 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for the cases when certain accounting standards specifically require such offsetting.

2.30 Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels in the fair value hierarchy:

Level 1: fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair value is based on other observable market data, directly or indirectly.
Level 3: fair value is based on non-observable market data.

2 *Accounting policies (continued)*

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

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

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

Information on effect of adjustment on the Group's non-current assets, equity and liabilities as at 31 December 2012 is summarised below:

	At 31 December 2012	Adjustment	At 31 December 2012 (restated)
Non-current assets			
Property, plant and equipment	3,198,591	(452,621)	2,745,970
Capital and reserves			
Retained earnings/(deficit)	(30,037)	(374,769)	(404,806)
Non-current liabilities			
Deferred tax liabilities	128,983	(77,852)	51,131

Information on effect of adjustment on the Group's non-current assets, equity and liabilities as at 31 December 2011 is summarised below:

	At 31 December 2011	Adjustment	At 31 December 2011 (restated)
Non-current assets			
Property, plant and equipment	3,114,410	(454,138)	2,660,272
Capital and reserves			
Retained earnings/(deficit)	(67,183)	(375,729)	(442,912)
Non-current liabilities			
Deferred tax liabilities	125,431	(78,409)	47,022

Information on effect of adjustment on the Company's non-current assets, equity and liabilities as at 31 December 2012 is summarised below:

	At 31 December 2012	Adjustment	At 31 December 2012 (restated)
Non-current assets			
Property, plant and equipment	3,146,388	(452,621)	2,693,767
Capital and reserves			
Retained earnings/(deficit)	(10,572)	(374,769)	(385,341)
Non-current liabilities			
Deferred tax liabilities	128,815	(77,852)	50,963

2 *Accounting policies (continued)*

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

Information on effect of adjustment on the Company's non-current assets, equity and liabilities as at 31 December 2011 is summarised below:

	At 31 December 2011	Adjustment	At 31 December 2011 (restated)
Non-current assets			
Property, plant and equipment	3,054,247	(454,138)	2,600,109
Capital and reserves			
Retained earnings/(deficit)	(44,656)	(375,729)	(420,385)
Non-current liabilities			
Deferred tax liabilities	124,311	(78,409)	45,902

Information on effect of correction of error on the Group's expenses, operating profit and net profit for the year ended 31 December 2012 is summarised below:

	At 31 December 2012	Correction of error	At 31 December 2012 (restated)
Operating expenses			
Depreciation expenses	(78,928)	1,517	(77,411)
Operating profit	**55,655**	**1,517**	**57,172**
Deferred tax expense	(3,107)	(557)	(3,664)
NET PROFIT	**37,647**	**960**	**38,607**

Information on effect of correction of error on the Company's expenses, operating profit and net profit for the year ended 31 December 2012 is summarised below:

	At 31 December 2012	Correction of error	At 31 December 2012 (restated)
Operating expenses			
Depreciation expenses	(64,870)	1,517	(63,353)
Operating profit	**51,251**	**1,517**	**52,768**
Deferred tax expense	(4,504)	(557)	(5,061)
NET PROFIT	**33,463**	**960**	**34,423**

The effect of correction of error on the Group's basic and diluted earnings per share in 2012 was as follows:

	At 31 December 2012	Correction of error	At 31 December 2012 (restated)
Net profit attributable to owners	36,100	960	37,060
Weighted average number of shares (units)	635,083,615	-	635,083,615
Basic and diluted earnings per share (LTL)	0.06		0.06

3 Critical accounting estimates and uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The areas where estimates are significant to these financial statements include fair value evaluation and depreciation of property, plant and equipment (Notes 5 and 6), evaluation of impairment for accounts receivable and investments (Notes 7, 8, 10 and 11), valuation of inventory at net realisable value (Note 9), estimation of provisions for emission allowances (Note 26), percentage of completion evaluation for repair service contracts (Note 30) and disclosure of contingent liabilities (Note 37). Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

Tax audits

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

Depreciation rates of property, plant and equipment

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

In 2013 and 2012, the Company reviewed the depreciation rates used for property, plant and equipment. As a result, the effective depreciation rates were recognised as appropriate and were not adjusted, except for depreciation rates of the following items of assets included in the category of Other property, plant and equipment belonging to the Reserve Power Plant:

Category of assets	**Depreciation rate after adjustment**	**Depreciation rate before adjustment**
PCs, computer networks and hardware	4	8
Remote video monitoring systems, entrance control systems	8	10
Communication equipment	4	10
Tools	5	15
Furniture	7	15

Revaluation of property, plant and equipment

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

No independent valuation was performed for subsidiaries‘ assets stated at revalued amount in 2013, neither for the Company‘s and the Group‘s assets stated at revalued amount in 2012 because, in management‘s opinion, the fair value of assets did not differ significantly from the carrying amount.

Independent valuation of property, plant and equipment of Kauno Energetikos Remontas UAB was carried out on 31 December 2011 using the comparative price and income methods.

In October 2010, independent property valuers carried out the revaluation of non-current assets that were transferred as in-kind contribution to share capital formation of subsidiaries and associates. In 2013, Duomenų Logistikos Centras UAB carried out the valuation of the selected items of assets and determined that the carrying amount of property, plant and equipment did not differ significantly from the fair value.

3 Critical accounting estimates and uncertainties (continued)

Impairment of property, plant and equipment

The Group and the Company make an assessment, at least annually, whether there are any indications that the carrying amount of property, plant and equipment has been impaired. If that is the case, the Group and the Company make an impairment test in accordance with the accounting policy set out in Note 2.

In 2013 and 2012, the Group and the Company accounted for property, plant and equipment (except for assets of the Hydro Power Plant, Pumped Storage Power Plant, Combined Cycle Block and Reserve Power Plant) at the revalued amount in accordance with International Accounting Standard No.16 'Property, plant and equipment'.

As of 31 December 2013 and 2012, the management of Lietuvos Energijos Gamyba AB tested for impairment indications the property, plant and equipment of Kruonis Pumped Storage Power Plant and Kaunas Hydro Power Plant and did not identify any impairment indications thereon.

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

As of 31 December 2011 and 2010, the Company did not assess the impairment for the property, plant and equipment of Reserve Power Plant (including contruction in progress) with the carrying value LTL 2,039 thousand and LTL 1,830 thousand respectively due to regulatory legislation uncertainties outstanding as of 31 December 2011 in relation to electricity tariffs and changes therein, the regulated profit margins and outputs. According to the Description of PSO Services effective as of 31 December 2011, the producers of electricity were paid PSO service fees based on the actual electricity output per year subject to support and according to the fixed buy-out prices.

The Power Plant are treated as a single cash generating unit based on the following:

- The transmission system operator treats each power plant as a single generating unit irrespective of the number of individual units that constitute the power plant.
- All units of the Power Plant can be used for both, electricity generation and for the provision of capacity reserve services. The situation of which unit at a specific moment is used for electricity generation or launching of capacity reserve depends on the system's needs, the technical condition of the units (e.g. scheduled repair works, disruptions in operations of units), potential disruptions in supply of natural gas, etc.
- Electricity and thermal power production and provision of capacity reserve services at the Power Plant are considered to be regulated activities.
- When establishing the prices for the regulated services, the National Control Commission for Prices and Energy takes into account all variable and fixed costs of the Power Plant, allocates and compensates a part of these costs against capacity reserve revenue and the remaining part against the PSO service fees. The electricity buy-up price is established for electricity produced at the Power Plant as a whole.

The recoverable amount of cash generating units was estimated with reference to the value in use calculations. These calculations take into account the pre-tax cash flow forecasts based on the financial budgets approved by the management for the period of five years. Continuous cash flow is estimated using the discounted cash flow in the fifth year.

The management estimated the projected operating profit in view of historical data, forecasts of market position and the *Methodology for establishing the prices for electricity and capacity reserve services* approved by Resolution No. O3-229 of the National Control Commission for Prices and Energy on 14 September 2012.

Key assumptions used in performing the impairment test as of 31 December 2013 were as follows:

1. Value in use was estimated with reference to the most up-to-date budget for the year 2014, the financial plan covering the period 2015-2018, the projected pre-tax discounted cash flows using a pre-tax weighted average capital cost (WACC) of 7.09% (2012: 6.37%). The WACC was estimated according to the model of the National Control Commission for Prices and Energy based on the weighted cost of capital and debt, under which the equity risk premium is estimated as the difference in the average rate of return on investments in 10-year Lithuanian government treasury bonds and stocks. When estimating the pre-tax weighted average capital cost, the Company used the market long-term borrowing cost and effective average Euro Interbank Offered Rate (3 months EURIBOR).
2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. In line with the Methodology approved by the Commission, the Power Plant's revenue is estimated based on the projections of variable costs, fixed costs and general and administrative costs. The projections of revenue from regulated activities also take into account the depreciation expenses of property, plant and equipment and the return on investments, which is calculated on the value of assets used in the regulated activities. When estimating the return on investments, the management used the rate of return on investments set by the Commission for the year 2014, which was 6.129236%.

3 Critical accounting estimates and uncertainties (continued)

As a result of the analysis, the management determined that it was not necessary to recognise any impairment loss as of 31 December 2013 and 31 December 2012. Had the discount rate increased by 0.5 p.p. (2012: 1 p.p.), the value in use of the Combined Cycle Block and the Reserve Power Plant would still approximate the carrying amount.

Impairment of investments in subsidiaries (in the Company)

In 2013 and 2012, Kauno Energetikos Remontas UAB generated profit. In view of this, the management of Lietuvos Energijos Gamyba AB believed that in 2013 there were no indications of further impairment of investment and decided not to recognise any additional impairment in respect of Kauno Energetikos Remontas UAB.

In 2013, impairment was recognised for investment in subsidiary Duomenų Logistikos Centras UAB. On 30 November 2013, Deloitte Lietuva UAB determined the market value of the shares of Duomenų Logistikos Centras UAB based on the income (discounted cash flow) method. As a result of valuation it was determined that the value of the Company‘s 54.04% shareholding was equal to LTL 41,347 thousand. Impairment was recognised at amount equal to the difference between the carrying amount of investment in the subsidiary and the fair value determined by independent valuers. The difference was equal to LTL 2,254 thousand as of 31 December 2013.

Impairment of investments in subsidiaries (in the Group)

In 2013, an additional impairment was recognised for investment in associate Geoterma UAB. Jungtinis Verslas UAB determined the market value of the shares of Geoterma UAB based on data available as of 30 September 2013. The valuation was carried out using the income (discounted cash flow) method. As a result of the valuation, it was determined that the value of the Company‘s 23.44% shareholding was equal to LTL 1,987 thousand. Impairment was recognised at amount equal to the difference between the carrying amount and the fair value of investment in the associate. The difference was equal to LTL 1,545 thousand as of 31 December 2013.

Write-down of inventory to net realisable value

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

Provisions for emission allowances

The Group/Company estimates the provisions for emission allowances/emission reduction units based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance/emission reduction unit. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Group/Company does not expect any material differences between the amount of estimated provisions as at 31 December 2013 and emission quantities which will be approved in 2014.

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, and costs for reagent desulphurisation. The variable part of PSO service fees for the upcoming calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. In 2013, the amount of variable costs incurred by the Company was lower than the amount allocated for compensation of PSO service costs, therefore, the Company accounted for refundable PSO amount of LTL 56,955 thousand as of 31 December 2013, which will be returned during 2015. As of 31 December 2012, the Company‘s accounted for LTL 9,103 thousand PSO service revenue as compensation for variable costs. In addition, the Company recognised additional PSO service revenue of LTL 15,061 thousand, which was estimated by the National Control Commission for Prices and Energy in line with the methodology and allocated to the Company for the year 2011.

Accrual of capacity reserve income

Pursuant to *Methodology for establishing the prices for electricity and capacity reserve services* approved by Resolution No O3-229 of the National Control Commission for Prices and Energy, in 2013 the Company recognised additional amount of receivable capacity reserve income of LTL 19,082 thousand, which is expected to be compensated in 2015.

The underlying principles used for other significant estimates are outlined in the respective notes to the financial statements.

4 *Intangible assets*

The structure of the Group's intangible assets as at 31 December 2013 and 31 December 2012 was as follows:

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
At 31 December 2011					
Cost	1,489	5,880	35,457	163	42,989
Accumulated amortisation	(397)	(2,827)	-	(30)	(3,254)
Net book amount at 31 December 2011	**1,092**	**3,053**	**35,457**	**133**	**39,735**
Year ended 31 December 2012					
Opening net book amount	1,092	3,053	35,457	133	39,735
Additions	370	378	112,752	6	113,506
Grant received (Note 21)	-	-	14,832	-	14,832
Emission allowances utilised (Note 26)			(16,268)		(16,268)
Revaluation costs of emission allowances	-	-	(76,121)	-	(76,121)
Lending of emission allowances (Note 8)	-	-	(15,239)	-	(15,239)
Reclassification from property, plant and equipment (Note 5)	-	148	-	63	211
Reclassification from inventories	-	8	-	-	8
Amortisation	(585)	(1,534)	-	(4)	(2,123)
Net book amount at 31 December 2012	**877**	**2,053**	**55,413**	**198**	**58,541**
At 31 December 2012					
Cost	1,859	6,414	55,413	232	63,918
Accumulated amortisation	(982)	(4,361)	-	(34)	(5,377)
Net book amount at 31 December 2012	**877**	**2,053**	**55,413**	**198**	**58,541**
Year ended 31 December 2013					
Opening net book amount	877	2,053	55,413	198	58,541
Additions	15	366	181	47	609
Grant received (Note 21)	-	-	1,040	-	1,040
Emission allowances utilised (Note 26)	-	-	(13,895)	-	(13,895)
Revaluation costs of emission allowances	-	-	(9,994)	-	(9,994)
Disposals	(807)	(266)	(4,041)	(19)	(5,133)
Reclassification from property, plant and equipment (Note 5)	653	-	-	-	653
Amortisation	(739)	(1,520)	-	(20)	(2,279)
Net book amount at 31 December 2013	**-**	**633**	**28,704**	**206**	**29,542**
At 31 December 2013					
Cost	37	3,106	28,704	227	32,073
Accumulated amortisation	(37)	(2,473)	-	(21)	(2,531)
Net book amount at 31 December 2013	**-**	**633**	**28,704**	**206**	**29,542**

In 2012, the Group carried out the testing of the Combined Cycle Block and capitalised the emission allowances utilised during the testing by adding their value of LTL 3,205 thousand to the cost of the Combined Cycle Block.

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

4 Intangible assets (continued)

The structure of the Company's intangible assets as at 31 December 2013 and 31 December 2012 was as follows:

Company	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
At 31 December 2011					
Cost	-	2,358	35,457	-	37,815
Accumulated amortisation	-	(1,470)	-	-	(1,470)
Net book amount at 31 December 2011	**-**	**888**	**35,457**	**-**	**36,345**
Year ended 31 December 2012					
Opening net book amount	-	**888**	**35,457**	**-**	**36,345**
Additions	-	51	112,752	6	112,809
Grant received (Note 21)	-	-	14,832	-	14,832
Emission allowances utilised (Note 26)	-	-	(16,268)	-	(16,268)
Revaluation costs of emission allowances	-	-	(76,121)	-	(76,121)
Lending of emission allowances (Note 8)	-	-	(15,239)	-	(15,239)
Reclassification from property, plant and equipment (Note 5)	-	-	-	63	63
Amortisation	-	(357)	-	(4)	(361)
Net book amount at 31 December 2012	**-**	**582**	**55,413**	**65**	**56,060**
At 31 December 2012					
Cost	-	2,140	55,413	69	57,622
Accumulated amortisation	-	(1,558)	-	(4)	(1,562)
Net book amount at 31 December 2012	**-**	**582**	**55,413**	**65**	**56,060**
Year ended 31 December 2013					
Opening net book amount	-	582	55,413	65	56,060
Additions	-	4	181	-	185
Grant received (Note 21)	-	-	1,040	-	1,040
Emission allowances utilised (Note 26)	-	-	(13,895)	-	(13,895)
Revaluation costs of emission allowances	-	-	(9,994)	-	(9,994)
Disposals	-	-	(4,041)	-	(4,041)
Amortisation	-	(370)	-	(17)	(387)
Net book amount at 31 December 2013	**-**	**216**	**28,704**	**48**	**28,968**
At 31 December 2013					
Cost	-	2,144	28,704	69	30,917
Accumulated amortisation	-	(1,928)	-	(21)	(1,949)
Net book amount at 31 December 2013	**-**	**216**	**28,704**	**48**	**28,968**

In 2012, the Company carried out the testing of the Combined Cycle Block and capitalised the emission allowances utilised during the testing by adding their value of LTL 3,205 thousand to the cost of the Combined Cycle Block.

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

5 Property, plant, and equipment

The structure of the Group's property, plant and equipment as at 31 December 2013 and 31 December 2012 was as follows:

Group	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Structures and equipment of Reserve Power Plant**	**Combined-cycle block**	**Motor vehicles**	**Other PP&E**	**Construction in progress**	**Total**
					(restated)					
Net book amount at 31 December 2011										
Cost or revalued amount	5,737	18,065	30,915	700,714	1,951,105	-	1,690	37,769	1,168,289	3,914,284
Accumulated depreciation	-	(969)	(3,303)	(163,394)	(1,069,681)	-	(652)	(10,349)	-	(1,248,348)
Accumulated impairment	-	-	-	-	(5,130)	-	-	-	(769)	(5,899)
Net book amount at 31 December 2011	**5,737**	**17,096**	**27,612**	**537,320**	**876,294**	**-**	**1,038**	**27,420**	**1,167,520**	**2,660,037**
Year ended 31 December 2012										
Opening net book amount	5,737	17,096	27,612	537,320	876,294	-	1,038	27,420	1,167,520	2,660,037
Additions	-	-	125	207	1,055	-	127	3,382	175,549	180,445
Reclassification from/to assets held for sale	-	1,090	-	-	-	-	-	-	-	1,090
Write-offs	-	-	(52)	(5)	(68)	-	-	(15)	-	(140)
Disposals	-	-	(2)	(16)	(18)	(201)	(6)	(16)	-	(259)
Reclassifications between groups	-	92	-	1,398	(90)	1,329,353	-	32	(1,330,785)	-
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	-	(148)	(63)	(211)
Reclassification to investment property (Note 6)	-	(726)	-	-	-	-	-	-	(74)	(800)
Reclassifications from inventories	-	-	-	-	-	-	-	40	-	40
Adjustment to revaluation reserve	-	(619)	-	-	-	-	-	-	-	(619)
Depreciation	-	(537)	(3,305)	(27,365)	(40,292)	(12,615)	(275)	(9,224)	-	(93,613)
Net book amount at 31 December 2012	**5,737**	**16,396**	**24,378**	**511,539**	**836,881**	**1,316,537**	**884**	**21,471**	**12,147**	**2,745,970**
Net book amount at 31 December 2012										
Cost or revalued amount	5,737	17,902	30,986	702,298	1,951,985	1,329,152	1,811	41,047	12,916	4,093,834
Accumulated depreciation	-	(1,506)	(6,608)	(190,759)	(1,109,974)	(12,615)	(927)	(19,576)	-	(1,341,965)
Accumulated impairment	-	-	-	-	(5,130)	-	-	-	(769)	(5,899)
Net book amount at 31 December 2012	**5,737**	**16,396**	**24,378**	**511,539**	**836,881**	**1,316,537**	**884**	**21,471**	**12,147**	**2,745,970**

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

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construc-tion in progress	Total
Year ended 31 December 2013					**(restated)**					
Opening net book amount	5,737	16,396	24,378	511,539	836,881	1,316,537	884	21,471	12,147	2,745,970
Additions	-	-	597	238	814	163	-	4,436	24,979	31,227
Write-offs	-	-	-	-	(4,401)	-	-	(18)	(62)	(4,481)
Disposals	-	-	(1,469)	-	(166)	-	(4)	(12,677)	-	(14,316)
Reclassifications between groups	-	329	940	924	9,849	248	-	2,350	(14,640)	-
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	-	-	(653)	(653)
Reclassification from non-current assets, classified as held for sale	-	440	-	-	-	-	-	-	-	440
Reclassification from investment property (Note 6)	-	800	-	-	-	-	-	-	-	800
Reclassifications from inventories	-	-	-	516	3,781	2,275	-	-	-	6,572
Reversal of impairment of the assets writen off	-	(12)	20	-	4,668	-	-	-	-	4,676
Revaluation	753	465	(6,191)	-	-	-	229	(73)	-	(4,817)
Depreciation	-	(462)	(3,273)	(28,910)	(37,320)	(50,533)	(216)	(7,998)	-	(128,712)
Net book amount at 31 December 2013	**6,490**	**17,956**	**15,002**	**484,307**	**814,106**	**1,268,690**	**893**	**7,491**	**21,771**	**2,636,706**
Net book amount at 31 December 2013										
Cost or revalued amount	6,490	20,066	20,297	703,576	1,955,681	1,331,838	1,847	13,011	22,540	4,075,346
Accumulated depreciation	-	(2,085)	(5,295)	(219,269)	(1,141,575)	(63,148)	(954)	(5,520)	-	(1,437,846)
Accumulated impairment	-	(25)	-	-	-	-	-	-	(769)	(794)
Net book amount at 31 December 2013	**6,490**	**17,956**	**15,002**	**484,307**	**814,106**	**1,268,690**	**893**	**7,491**	**21,771**	**2,636,706**

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

As disclosed in Note 3, in December 2013, independent valuation of the Group's property, plant and equipment carried at revalued amount was performed. The total effect of revaluation amounted to LTL 4,817 thousand and was recognised as follows:

Decrease in other comprehensive income and equity under revaluation reserve	(Expenses) recognised in profit or loss	Total revaluation effect
(3,796)	(1,021)	(4,817)

In December 2012, the Group's property, plant and equipment carried at revalued amount was adjusted as a result of identification of an error. The Group's management believed the error was immaterial, therefore, the adjustment was made on a prospective basis. The total effect of adjustment amounted to LTL 619 thousand and was recognised as follows:

Decrease in other comprehensive income and equity under revaluation reserve	(Expenses) recognised in profit or loss	Total revaluation effect
(619)	-	(619)

As described in Note 3, as at 31 December 2013 and 2012, the Group's management decided not to perform an additional revaluation/not to recognise impairment for property, plant and equipment.

In 2013, the Group reversed impairment, related to units No. 3 and 4 of Reserve power plant . Reversal of the impairment totalling to LTL 4,668 thousand was made due to re-calculated depreciation for property, plant and equipment of the Reserve Power Plant (note 2.31).

The fair value valuation method, used for property, plant and equipment revalued in 2013, is attributed to Level 2 in the fair value hierarchy.

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

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

The structure of the Company's property, plant and equipment as at 31 December 2013 and 31 December 2012 was as follows:

Company	Land	Building s	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Block	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Net book amount at 31 December 2011					**(restated)**					
Cost or revalued amount	5,737	1,438	11,153	700,714	1,951,105	-	343	172	1,168,186	3,838,848
Accumulated depreciation	-	-	-	(163,394)	(1,069,681)	-	-	-	-	(1,233,075)
Accumulated impairment	-	-	-	-	(5,130)	-	-	-	(769)	(5,899)
Net book amount at 31 December 2011	**5,737**	**1,438**	**11,153**	**537,320**	**876,294**	**-**	**343**	**172**	**1,167,417**	**2,599,874**
Year ended 31 December 2012										
Opening net book amount	5,737	1,438	11,153	537,320	876,294	-	343	172	1,167,417	2,599,874
Additions	-	-	-	207	1,055	-	77	40	174,202	175,58
Write-offs	-	-	-	(5)	(68)	-	-	-	-	(73)
Disposals	-	-	-	(16)	(18)	(201)	-	-	-	(235)
Reclassifications between groups	-	92	-	1,398	(90)	1,329,353	-	32	(1,330,785)	-
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	-	-	(63)	(63)
Depreciation	-	(110)	(782)	(27,365)	(40,292)	(12,615)	(124)	(29)	-	(81,317)
Net book amount at 31 December 2012	**5,737**	**1,420**	**10,371**	**511,539**	**836,881**	**1,316,537**	**296**	**215**	**10,771**	**2,693,767**
Net book amount at 31 December 2012										
Cost or revalued amount	5,737	1,530	11,153	701,949	1,950,791	1,329,152	420	244	11,540	4,012,516
Accumulated depreciation	-	(110)	(782)	(190,410)	(1,108,780)	(12,615)	(124)	(29)	-	(1,312,850)
Accumulated impairment	-	-	-	-	(5,130)	-	-	-	(769)	(5,899)
Net book amount at 31 December 2012	**5,737**	**1,420**	**10,371**	**511,539**	**836,881**	**1,316,537**	**296**	**215**	**10,771**	**2,693,767**

5 Property, plant, and equipment (continued)

Company	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Structures and equipment of Reserve Power Plant (restated)**	**Combined Cycle Block**	**Motor vehicles**	**Other property, plant and equipment**	**Construction in progress**	**Total**
Year ended 31 December 2013										-
Opening net book amount	5,737	1,420	10,371	511,539	836,881	1,316,537	296	215	10,771	2,693,767
Additions	-	-	-	238	814	163	-	106	18,157	19,477
Write-offs	-	-	-	-	(4,401)	-	-	-	-	(4,401)
Disposals	-	-	-	-	(166)	-	-	-	-	(166)
Reclassifications between groups	-	329	-	924	9,849	248	-	-	(11,350)	-
Reclassification from inventories	-	-	-	516	3,781	2,275	-	-	-	6,572
Reversal of impairment of the assets writen off	-	-	-	-	4,668	-	-	-	-	4,668
Revaluation	753	465	(6,191)	-	-	-	229	(73)	-	(4,817)
Depreciation	-	(28)	(799)	(28,910)	(37,320)	(50,533)	(64)	(54)	-	(117,708)
Net book amount at 31 December 2013	**6,490**	**2,186**	**3,381**	**484,307**	**814,106**	**1,268,690**	**461**	**194**	**17,578**	**2,597,392**
Net book amount at 31 December 2013										
Cost or revalued amount	6,490	2,186	3,381	703,576	1,955,681	1,331,838	461	194	18,347	4,022,153
Accumulated depreciation	-	-	-	(219,269)	(1,141,575)	(63,148)	-	-	-	(1,423,992)
Accumulated impairment	-	-	-	-	-	-	-	-	(769)	(769)
Net book amount at 31 December 2013	**6,490**	**2,186**	**3,381**	**484,307**	**814,106**	**1,268,690**	**461**	**194**	**17,578**	**2,597,392**

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

As disclosed in Note 3, in December 2013, independent valuation of the Company's property, plant and equipment carried at revalued amount was performed. The total effect of revaluation amounted to LTL 4,817 thousand and was recognised as follows:

Decrease in other comprehensive income and equity under revaluation reserve	(Expenses) recognised in profit or loss	Total revaluation effect
(3,796)	(1,021)	(4,817)

As described in Note 3, in 2012 no independent valuation was performed for the Company's property, plant and equipment carried at revalued amount.

In 2013, the Group reversed impairment, related to units No. 3 and 4 of Reserve power plant . Reversal of the impairment totalling to LTL 4,668 thousand was made due to re-calculated depreciation for property, plant and equipment of the Reserve Power Plant (note 2.31).

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

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

The Group's property, plant and equipment amounting to LTL 1,347,271 thousand was pledged to the bank as collateral as of 31 December 2013 (31 December 2012: LTL 403,799 thousand). The Company's property, plant and equipment amounting to LTL 1,347,271 thousand was pledged to the bank as collateral (31 December 2012: LTL 402,322 thousand).

In 2013, the Group capitalised interest expenses of LTL 941 thousand (2012: LTL 22,710 thousand) on loans related to development of non-current assets. In 2013 the average capitalisation rate was 1.88 per cent (2012: 2.23 per cent).

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 31 December 2013 and 31 December 2012 were as follows:

Category of PP&E	**At 31 December 2013**	**At 31 December 2012**
Plant and machinery	1,982	2,405
Motor vehicles	48	109
Total	**2,030**	**2,514**

As of 31 December 2013, the Group's/Company's contractual commitments to acquire or construct property, plant and equipment amounted to LTL 86m (As of 31 December 2012, the Group/Company had no significant commitments).

The table below presents the carrying amounts of the Company's and the Group's property, plant and equipment that would have been recognised if the cost method had been used in accounting for assets as at 31 December 2013 and 31 December 2012:

5 Property, plant, and equipment (continued)

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2013	**5,867**	**11,171**	**7,006**	**484,307**	**814,106**	**1,268,690**	**596**	**790**	**17,578**	**2,610,111**
Net book amount at 31 December 2012	**5,867**	**10,908**	**7,832**	**511,539**	**836,881**	**1,316,537**	**766**	**771**	**10,903**	**2,702,004**

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2013	**5,867**	**516**	**2,264**	**484,307**	**814,106**	**1,268,690**	**270**	**305**	**17,578**	**2,593,903**
Net book amount at 31 December 2012	**5,867**	**191**	**2,466**	**511,539**	**836,881**	**1,316,537**	**343**	**266**	**10,771**	**2,684,861**

6 Investment property

	Group	Company
At 31 December 2011		
Cost	2,143	2,143
Accumulated depreciation	(319)	(319)
Net book amount at 31 December 2011	**1,824**	**1,824**
Year ended 31 December 2012		
Opening net book amount	1,824	1,824
In-kind contribution on the acquisition of additionally issued shares of the associate (Note 7)	(1,824)	(1,824)
Reclassifications from property, plant and equipment (Note 5)	800	-
Depreciation charge	-	-
Net book amount at 31 December 2012	**800**	**-**
At 31 December 2012		
Cost	800	-
Accumulated depreciation	-	-
Net book amount at 31 December 2012	**800**	-
Year ended 31 December 2013		
Opening net book amount	800	-
Reclassifications from property, plant and equipment (Note 5)	(800)	-
Net book amount at 31 December 2013	**-**	-
At 31 December 2013		
Cost	-	-
Accumulated depreciation	-	-
Net book amount at 31 December 2013	**-**	**-**

As estimated by the Company and based on observable market data, the fair value of the Group's and the Company's investment property as at 31 December 2012 approximated its net book amount.

7 Investments

As at 31 December 2013 and 31 December 2012, the Company had direct control over the following subsidiaries:

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

As described in Note 3, an additional impairment was recognised for the investment in subsidiary Duomenų Logistikos Centras UAB in 2013.

Subsidiary At 31 December 2012	Cost	Impairment	Carrying amount
Technologijų ir Inovacijų Centras UAB	43,601	-	43,601
Kauno Energetikos Remontas UAB	31,341	(21,041)	10,300
Energijos Tiekimas UAB	750	-	750
Total	**75,692**	**(21,041)**	**54,651**

Movements of investments in subsidiaries for the periods ended 31 December 2013 and 31 December 2012 were as follows:

	Company at 31 December 2013	Company at 31 December 2012
Carrying amount as at 1 January	**54,651**	**54,651**
Additional impairment for subsidiaries	(2,254)	-
Carrying amount at 31 December	**52,397**	**54,651**

Merger of Technologijų ir Inovacijų Centras UAB and Data Logistics Center UAB

On 20 August 2012, the Board of Technologijų ir Inovacijų Centras UAB (TIC) together with the Board of Data Logistics Center UAB (DLC) approved the reorganisation terms and conditions for TIC and DLC. The reorganisation terms and conditions provided for that DLC, which will cease its activities following the reorganisation, and TIC, which will continue its activities following the reorganisation, will be reorganised by way of merger as stipulated in paragraph 3 of Art. 2.97 of the Lithuanian Civil Code, where DLC will be merged with TIC in a way that all the assets, rights and obligations of DLC will be transferred to TIC following the reorganisation.

During the Extraordinary General Meeting of Shareholders of TIC held on 2 October 2012, the shareholders approved the terms and conditions of reorganisation and appropriate amendments to the Articles of Association. On 31 October 2012, DLC was merged with TIC. This merger had no impact on the Group's financial statements.

Reduction of share capital of Technologijų ir Inovacijų Centras UAB

During the Extraordinary General Meeting of Shareholders of TIC held on 27 September 2013, the decision was made to cover the accumulated loss in TIC balance sheet by way of reducing TIC authorised share capital from LTL 76,513 thousand to LTL 58,907 thousand by annulling 17,706,226 ordinary registered shares and proportionally reducing the number of shares held under the title by all TIC shareholders.

Change of name of Technologijų ir Inovacijų Centras UAB

During the General Meeting of Shareholders of TIC held on 25 October 2013, the decision was made to change the name into Duomenų Logistikos Centras UAB.

Spin-off of activities of Duomenų Logistikos Centras UAB and establishment of a new entity

During the General Meeting of Shareholders of Duomenų Logistikos Centras UAB held on On 27 September 2013, the decision was made to give approval to the action plan and its fulfilment for spin-off of commercial and non-commercial activities (functions) of Duomenų Logistikos Centras UAB. Based on the approved plan, the activities of Duomenų Logistikos Centras UAB were reorganised to separate its direct activities (functions), i.e. transmission of data and provision of data centre lease services, and to move (transfer) its non-commercial activities (functions), i.e. IT maintenance and support for the group of electricity companies, to a new entity established by the shareholders of Duomenų Logistikos Centras UAB.

7 *Investments (continued)*

On 4 December 2013, a new entity was established, named Technologijų ir Inovacijų Centras UAB. As at 25 November 2013 the Company and Technologijų ir Inovacijų Centras UAB had an Agreement for the Subscription of Shares, under which Lietuvos Energijos Gamyba AB subscribed for 2,000 ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 each. The total issue price was equal to LTL 2,000 and it was paid in cash.

On 31 October 2012, the Company and NT Valdos UAB signed the Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 37,790 newly issued ordinary registered shares of NT Valdos UAB with par value of LTL 100 each. The total issue price amounting to LTL 3,779,000 was paid by in-kind contribution of immovable and movable property. Following this transaction, the Company's ownership interests in NT Valdos UAB increased by 0.64% and totalled 41.74% as of 31 December 2013.

Structure of the Group's investments in the associates and the joint venture as at 31 December 2013 and 31 December 2012 was as follows:

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

On 29 May 2013, Enmašas UAB was de-registered from the Register of Legal Entities.

Group At 31 December 2012	Cost	Ownership interest (%)	Share of result of operations of associates and joint ventures	Carrying amount
NT Valdos UAB	132,560	42.32	(7,706)	124,854
Nordic Energy Link AS	21,175	25.00	4,287	25,462
Geoterma UAB	7,396	23.44	(4,229)	3,167
Enmašas UAB	20	33.33	(7)	13
Total	**161,151**		**(7,655)**	**153,496**

Structure of the Company's investments in the associates and the joint venture as at 31 December 2013 and 31 December 2012 was as follows:

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

As described in Note 3, an additional impairment was recognised for the investment in associate Geoterma UAB in 2013.

Company At 31 December 2012	Cost	Ownership interest (%)	Impairment	Carrying amount
NT Valdos UAB	130,720	41.74	-	130,720
Nordic Energy Link AS	21,175	25.00	-	21,175
Geoterma UAB	7,396	23.44	(3,864)	3,532
Total	**159,291**		**(3,864)**	**155,427**

The financial position of the associates and the joint venture as at 31 December 2013 and 31 December 2012 and the results of their operation for the years then ended were as follows (unaudited):

7 *Investments (continued)*

At 31 December 2013	Assets	Liabilities	Sales revenue	Net profit (loss) for the year
NT Valdos UAB	311,734	14,265	53,649	2,782
Nordic Energy Link AS	114,391	4,371	56,291	13,352
Geoterma UAB	31,412	11,967	7,246	(14,424)
Technologijų ir Inovacijų Centras UAB	14,989	17,493	-	(4)

At 31 December 2012	Assets	Liabilities	Sales revenue	Net profit (loss) for the year
NT Valdos UAB	312,900	18,213	53,337	1,382
Nordic Energy Link AS	279,511	182,846	48,153	5,449
Geoterma UAB	45,480	11,665	16,994	(242)
Enmašas UAB *	-	-	-	-

*- at the date of signing these financial statements, the financial statements of this company for a corresponding period were not presented. On 25 September 2009, Enmašas UAB was given the status of a company in liquidation.

Movements of investments in the associates and the joint venture during the periods ended 31 December 2013 and 31 December 2012 were as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Carrying amount at 1 January	**153,496**	**155,427**	**146,966**	**151,648**
Acquisition of associates	2	2	3,779	3,779
Impairment of investments	-	(1,545)	-	-
Write-off of investment in associates and joint ventures	(13)	-	-	-
Share of other comprehensive income of associates and joint ventures arising on revaluation of property, plant and equipment	-	-	65	-
Share of result of operations of associates and joint ventures, (loss)/profit	1,348	-	2,686	-
Carrying amount at 31 December	**154,833**	**153,884**	**153,496**	**155,427**

The Group did not recognise the Group's share of loss of associate Technologijų ir Inovacijų Centras UAB because the amount of loss exceeded the value of the Group's investment.

The Group's share of loss not recognised in the Group's financial statements was as follows:

	Technologijų ir Inovacijų Centras UAB At 31 December 2013	Geoterma UAB At 31 December 2013
Comprehensive income (loss) of the associate	(2,510)	(14,424)
Group's share of comprehensive loss	(502)	(3,381)
Investment value	2	3,167
Group's share of loss of associate not recognised	(500)	(214)

8 Other non-current assets

The Group's and the Company's other non-current assets comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Right to receive emission allowances in future	33,498	33,498	33,498	33,498
Less: impairment	(15,648)	(15,648)	(9,775)	(9,775)
Carrying amount at 31 December	**17,850**	**17,850**	**23,723**	**23,723**

As at 31 December 2011, 400,000 units of emission allowances were lent under the provisions of the lending agreement signed with STX Services BV on 1 December 2009. The agreement expires in 2021. On 16 April 2012, additional 650,000 units of emission allowances were lent under the provisions of the lending agreement signed with CF Partners (UK) LLP on 13 April 2012. On 25 June 2013, this agreement was supplemented to extend the validity term of the agreement until 31 March 2015. Impairment of emission allowances was estimated with reference to the market prices of emission allowances as at 31 December 2013.

9 Inventories

The Group's and the Company's inventories comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Heavy fuel oil	20,740	20,740	54,434	54,434
Materials	5,878	4,959	6,804	4,577
Spare parts	4,373	4,373	11,600	11,600
Goods for resale	1,058	1,058	1,096	1,096
Less: write-down to net realisable value	(8,017)	(8,017)	(10,298)	(10,280)
Carrying amount	**24,032**	**23,113**	**63,636**	**61,427**

The cost of the Group's and the Company's inventories carried at net realisable value as at 31 December 2013 amounted to LTL 8,169 thousand (31 December 2012: LTL 11,431 thousand and LTL 11,410 thousand, respectively).

The Group's inventories expensed during the period ended 31 December 2013 amounted to LTL 56,654 thousand (2012: LTL 141,359 thousand). The Company's inventories expensed during the period ended 31 December 2013 amounted to LTL 37,352 thousand (2012: LTL 129,739 thousand).

Movements in impairment of inventories during the periods ended 31 December 2013 and 31 December 2012 are shown in the table below:

	Group 2013	Company 2013	Group 2012	Company 2012
Impairment of inventories at 1 January	10,298	10,280	10,755	10,737
Write-down of inventories during the reporting period	1,122	1,122	1,217	1,217
Write-off of impairment	(18)	-	(94)	(94)
Reversal of inventory write-down	(3,385)	(3,385)	(1,580)	(1,580)
Impairment of inventories at 31 December	**8,017**	**8,017**	**10,298**	**10,280**

The impairment charge and reversal of inventory write-down were included in operating expenses in the statement of comprehensive income. In 2013, the Group/Company made additional write-downs to net realisable value for obsolete and slow-moving spare parts stored at the warehouse. In 2013 and 2012, the Group/Company made reversals of inventory write-down for the goods, which were used or reclassified to the emergency reserve. The reversal of inventory write-down was accounted within operating expenses.

As at 31 December 2013, inventories pledged as collateral by the Group/Company amounted to LTL 6,000 thousand (31 December 2012: LTL 26,000 thousand) (Note 19).

10 Trade receivables

The Group's and the Company's trade receivables comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Receivables for sales of electricity in Lithuania	125,680	119,490	119,754	98,350
Other trade receivables	25,249	5	7,546	47
Unbilled accrued revenue from electricity sales *	11,280	11,280	159,180	159,180
Receivables for repair and design works	10,144		10,878	-
Receivables for sales of thermal energy	9,988	9,988	7,609	7,609
Receivables for exported electricity	1,819	1,819	2,213	2,213
Total	**184,160**	**142,582**	**307,180**	**267,399**
Less: allowance for doubtful receivables	(14,187)	(9,308)	(18,325)	(13,483)
Carrying amount	**169,973**	**133,274**	**288,855**	**253,916**

* As described in Note 3, no additional amounts receivable were recognised in relation to compensation for variable costs in 2013. In 2012 the Group/Company recognised additional amount of LTL 15,061 thousand in relation to PSO service fees receivable to compensate the differences in gas prices in 2012, and additional amount of LTL 48,089 thousand in relation to PSO service fees allocated for the construction of the Combined Cycle Block. All these amounts were received in 2013.

The carrying amount of trade receivables at the year-end is estimated with reference to the present value future payments using a 6% discount rate (as at 31 December 2013 and 31 December 2012). The difference between the fair value and the carrying amount was not recognised, because the fair value did not significantly differ from the carrying amount of trade receivables. The fair value of trade receivables is attributed to Level 3 in the fair value hierarchy.

Movements in impairment of trade receivables during the years ended 31 December 2013 and 31 December 2012 were as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Carrying amount at 1 January	**18,325**	**13,483**	**13,221**	**10,500**
Reversal of impairment for doubtful trade receivables	(3,896)	(3,553)	(185)	-
Write-off of doubtful trade receivables	(9,612)	(9,612)	-	-
Recognised as doubtful receivables during the reporting period	9,370	8,990	5,289	2,983
Carrying amount at 31 December	**14,187**	**9,308**	**18,325**	**13,483**

The impairment charge of doubtful receivables was included in other operating expenses in the statement of comprehensive income.

As at 31 December 2012, the Group's and the Company's trade receivables, in respect of which impairment was recognised, mostly comprised trade receivables from Ekranas AB (LTL 9,612 thousand), which was bankrupt as of the financial reporting date. In 2013, these receivables were written off. In 2013, additional impairment of LTL 6,859 thousand was established for amount receivable from Energijos Kodas UAB for electricity sold, and reversal of impairment in respect of recovered amount of LTL 2,730 thousand from Sky Energy UAB was recognised.

The ageing analysis of the Group's and the Company's trade receivables not past due or past due but not impaired is as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Not past due	165,132	129,525	279,336	250,764
Past due up to 30 days	2,514	4	3,537	284
Past due from 30 to 60 days	1,530	940	833	2
Past due from 60 to 90 days	220	-	457	-
Past due over 90 days	352	-	915	-
Carrying amount	**169,748**	**130,469**	**285,078**	**251,050**

10 Trade receivables (continued)

The ageing analysis of the Group's and the Company's trade receivables impaired is as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Not past due	121	-	191	-
Past due up to 30 days	33	-	35	-
Past due from 30 to 60 days	5,027	4,520	1,050	-
Past due from 60 to 90 days	2,949	2,767	707	90
Past due over 90 days	9,282	4,826	20,119	16,259
Carrying amount	**17,412**	**12,113**	**22,102**	**16,349**

Under the Credit Agreement signed with Nordea Bank Finland Plc Lithuanian Branch, the Group pledged part of its trade receivables amounting to LTL 1,249 thousand as at 31 December 2013 (31 December 2012: LTL 4,163 thousand).

11 Other amounts receivable

The Group's and the Company's other non-current amounts receivable comprised as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Unbilled accrued revenue from electricity sales*	19,082	19,082	9,103	9,103
Receivables for emission allowances lent	1,244	1,244	1,115	1,115
Receivables for apartments	623	623	709	709
Total	**20,949**	**20,949**	**10,927**	**10,927**

* In 2013 the Group/Company accounted for LTL 19,082 thousand relating to capacity reserve income, and in 2012 the Group/Company accounted to LTL 9,103 thousand relating to PSO service fees receivable to compensate the difference in variable costs.

Receivables for emission allowances lent represent future proceeds under the lending agreement signed with STX BV and CF Partners (UK) LLP. Receivables were estimated at the present value of future payments using a 6% discount rate (as at 31 December 2013 and 31 December 2012). The discount rate used represents the interest rate officially announced by the Bank of Lithuania on loans extended to non-commercial corporations and households. The fair value of amounts receivable for emission allowances lent is attributed to Level 3 in the fair value hierarchy.

Accrued revenue from electricity sales is attributed to Level 3 in the fair value hierarchy. The fair value of accrued revenue receivable did not differ significantly from the carrying amount.

The Group's and the Company's other current amounts receivable comprised as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Grant receivable for emission allowances*	5,366	5,366	1,380	1,380
Other amounts receivable	4,736	3,467	3,142	2,898
Excise receivable on heavy fuel	3,059	3,059	3,115	3,115
Grants receivable for the Syderių project	55	55	4,930	4,930
Receivables for IT and telecommunications services	40	38	306	306
VAT receivable from the state budget	-	-	12,691	12,691
	13,256	**11,985**	**25,564**	**25,320**
Less: allowance for doubtful receivables	(2,743)	(2,743)	(1,771)	(1,771)
Carrying amount	**10,513**	**9,242**	**23,793**	**23,549**

11 Other amounts receivable (continued)

*Grant receivable for emission allowances was accounted for in line with the European Commission Decision of 5 September 2013 No 2013/448/ES *Concerning national implementation measures for the transitional free allocation of greenhouse gas emission allowances in accordance with Article 11(3) of Directive 2003/87/EB of the European Parliament of the Council* and in line with the list of operators participating in the EU trading scheme of greenhouse gas emission allowances approved by the Ministry of Environment, under which a certain quantity of emission allowances were allocated to the Company free of charge for the period 2013-2020. The Company expects to receive this grant in March 2014.

Movements in impairment of doubtful other amounts receivable during the years ended 31 December 2013 and 31 December 2012 were as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Carrying amount at 1 January	**1,771**	**1,771**	**1,915**	**1,915**
Reversal of impairment	(35)	(35)	(144)	(144)
Write-off of doubtful receivables	(251)	(251)	-	-
Recognised as doubtful receivables during the reporting period	1,258	1,258	-	-
Carrying amount at 31 December	**2,743**	**2,743**	**1,771**	**1,771**

The impairment charge was included in other expenses in the statement of comprehensive income.

The ageing analysis of the Group's and the Company's other current amounts receivable not past due or past due but not impaired is as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Not past due	10,413	9,142	23,717	23,473
Past due up to 30 days	81	81	67	67
Past due from 30 to 60 days	1	1	-	-
Past due over 60 days	-	-	-	-
Carrying amount	**10,495**	**9,224**	**23,784**	**23,540**

The carrying amount of other amounts receivable at the year-end is estimated with reference to the present value future payments using a 6% discount rate (as at 31 December 2013 and 31 December 2012). The difference between the fair value and the carrying amount was not recognised, because the fair value did not significantly differ from the carrying amount of other amounts receivables. The fair value of other trade receivables is attributed to Level 3 in the fair value hierarchy.

The ageing analysis of the Group's and the Company's other amounts receivable impaired is as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Past due up to 30 days	20	20	-	-
Past due from 30 to 60 days	6	6	1	1
Past due over 60 days	2,735	2,735	1,779	1,779
Carrying amount	**2,761**	**2,761**	**1,780**	**1,780**

12 Cash and cash equivalents

The Group's and the Company's cash and cash equivalents comprised as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Cash at bank and in hand	219,746	178,087	33,055	6,867
Overnight deposit at Swedbank AB (contract currency LTL)	-	-	1,290	1,290
Carrying amount	**219,746**	**178,087**	**34,345**	**8,157**

12 Cash and cash equivalents (continued)

The fair value of the Group's and the Company's cash and short-term deposits approximates their carrying amount.

According to the Credit Agreement signed with DnB NORD Bankas AB, the Group/Company pledged to the bank its current and future cash inflows into the bank account (Note 19). As of 31 December 2012, the balance pledged with DnB NORD Bank AB amounted to LTL 11 thousand. As at 31 December 2013, the Credit Agreement had expired.

According to the syndicated loan agreement signed with Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch and DnB NORD Bankas AB, the Group/Company pledged current and future cash inflows into these bank accounts (Note 19). The balance pledged amounted to LTL 5,630 thousand as of 31 December 2013 (31 December 2012: LTL 11 thousand).

For the purposes of cash flow statement, cash and cash equivalents comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Cash and cash equivalents	219,746	178,087	34,345	8,157
Bank overdrafts (Note 19)	-	-	(63,890)	(57,428)
Carrying amount	**219,746**	**178,087**	**(29,545)**	**(49,271)**

13 Non-current assets held for sale

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Non-current assets of Kauno Energetikos Remontas UAB	131	-	603	-
	131	**-**	**603**	**-**

Non-current assets held for sale comprise buildings, machinery and equipment that are expected to be sold by the Group in 2014.

14 Share capital and share premium

As of 31 December 2013 and 31 December 2012, the Company's share capital amounted to LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The shares of Lietuvos Energijos Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange since 1 September 2011. The highest share price at the Stock Exchange trading session in 2013 was LTL 1.419 per share, and the lowest share price was LTL 1.243 per share. The total number of shareholders as at 31 December 2013 was 6,153.

The shareholders' structure of the Company is as follows:

	Share capital at 31 December 2013		Share capital at 31 December 2012	
Shareholders	**(LTL)**	**%**	**(LTL)**	**%**
Lietuvos Energija UAB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
Total	**635,083,615**	**100.00**	**635,083,615**	**100.00**

As of 31 December 2013, Lietuvos Energija UAB was wholly owned (100%) by the State of Lithuania represented by the Lithuanian Ministry of Finance.

	Share capital		Share premium	
	(shares)	**(shares)**	**(LTL)**	**(LTL)**
	2013	**2012**	**2013**	**2012**
Number of shares at the beginning of the period	**635,083,615**	**635,083,615**	**295,767,304**	**295,767,304**
Number of shares at the end of the period	**635,083,615**	**635,083,615**	**295,767,304**	**295,767,304**

15 Revaluation reserve

Revaluation reserve comprises increase in value on revaluation of property, plant and equipment.

Group	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2011	**16,156**	**(2,421)**	**13,735**
Depreciation of revaluation reserve	(1,264)	110	(1,154)
Adjustment of revaluation reserve	(619)	93	(526)
Balance at 31 December 2012	**14,273**	**(2,218)**	**12,055**
Balance at 31 December 2012	**14,273**	**(2,218)**	**12,055**
Depreciation of revaluation reserve	(1,059)	159	(900)
Adjustment of revaluation reserve	(3,796)	569	(3,227)
Balance at 31 December 2013	**9,418**	**(1,490)**	**7,928**

Company	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2011	**9,877**	**(1,482)**	**8,395**
Depreciation of revaluation reserve	(731)	110	(621)
Balance at 31 December 2012	**9,146**	**(1,372)**	**7,774**
Balance at 31 December 2012	**9,146**	**(1,372)**	**7,774**
Depreciation of revaluation reserve	(626)	94	(532)
Increase in revaluation reserve	(3,796)	569	(3,227)
Balance at 31 December 2013	**4,724**	**(709)**	**4,015**

16 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital.

As of 31 December 2013, the Group's legal reserve amounted to LTL 37,852 thousand and the Company's legal reserve amounted to LTL 37,540 thousand (31 December 2012: LTL 36,145 thousand and LTL 35,867 thousand, respectively). In 2013, the Group's subsidiaries transferred LTL 34 thousand (2012: LTL 173 thousand) to the legal reserve, and the Company transferred LTL 1,673 thousand to the legal reserve.

17 Other reserves

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

Group/Company	Reserve for share capital reduction due to transfer of heavy fuel oil storage facilities	Reserve for investments	Non-current asset-related reserves	Total
Balance at 31 December 2011	**(63,777)**	**116,883**	**664,669**	**717,775**
Reserves utilised	-	-	-	-
Balance at 31 December 2012	**(63,777)**	**116,883**	**664,669**	**717,775**
Balance at 31 December 2012	**(63,777)**	**116,883**	**664,669**	**717,775**
Reserves utilised			(40,000)	**(40,000)**
Balance at 31 December 2013	**(63,777)**	**116,883**	**624,669**	**677,775**

Upon the first-time adoption of IFRSs on 1 January 2004, the Company's equity increased by LTL 721,107 thousand. In order to impose restrictions on the ability to distribute this increase, a non-current assets-related reserve was established. As of 31 December 2012, the amount of this reserve attributable to the owners of the Company was equal to LTL 664,669 thousand. During the Genereal Meeting of Shareholders held in 2013, the decision was made to transfer LTL 40,000 thousand to retained earnings.

As of 31 December 2013 and 2012, the Company's reserve for investments amounted to LTL 116,883 thousand. It was established to accumulate funds for the construction and development of non-current assets. A decision on the use of these funds is to be made by the shareholders.

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

18 Dividends per share

The Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB was held on 29 April 2013 and resolved to pay out dividends of LTL 0.04 per share from retained earnings .

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

In 2012, the Company's shareholders did not make any decisions relating to distribution of dividends.

19 Borrowings

The Group's and the Company's borrowings by maturity term:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Non-current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bankas AB,) in EUR, to be repaid by 1 April 2018	45,687	45,687	59,940	59,940
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	204,291	204,291	224,720	224,720
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	237,818	237,818	259,438	259,438
Loand from Nordea Bank Finland, Lithuania branch, EUR, to be repaid by 1 December 2017	8,500	-	8,272	-
Loand from Nordea Bank Finland, Lithuania branch, EUR, to be repaid by 31 March 2027	10,465	10,465	-	-
Total non-current borrowings:	**506,761**	**498,261**	**552,370**	**544,098**
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch and DnB NORD Bankas AB,) in EUR, to be repaid by 1 April 2018	14,253	14,253	14,253	14,253
Bank overdrafts	-	-	63,890	57,428
Loan from Nordea Finance Lithuania UAB, in LTL, to be repaid by 27 March 2013	-	-	3,155	-
Loand from Nordea Bank Finland, Lithuania Branch, in EUR, to be repaid by 1 December 2017	600	-	300	-
Loand from DnB NORD Bankas AB, in EUR, to be repaid by 1 May 2013	-	-	1,857	1,857
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	21,620	21,620	21,620	21,620
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	20,429	20,429	20,429	20,429
Loan from the European Bank for Reconstruction and Development, accrued interest	827	827	905	905
Total current borrowings:	**57,729**	**57,129**	**126,409**	**116,492**

As of 31 December 2013, the Group's non-current and current borrowings comprised as follows:

On 1 July 2003, a loan agreement was concluded with the bank DnB NORD AB for the amount of EUR 3,765 thousand (LTL 13,000 thousand). The loan was repaid in 2013;

19 Borrowings (continued)

On 30 June 2004, a loan agreement and related amendments were concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc Lithuania Branch and DnB NORD AB for the amount of EUR 38,000 thousand (LTL 131,206 thousand) and the repayment date of 1 April 2018.

On 31 March 2010, a loan agreement was concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc Lithuania Branch, DnB NORD AB and Danske Bank A/S for the amount of EUR 81,400 thousand (LTL 281,058 thousand) and the repayment date of 3 June 2016.

On 18 February 2010, an agreement was concluded with the European Bank for Reconstruction and Development for the loan of EUR 71,000 thousand (LTL 245,149 thousand) and the repayment date of 18 February 2025.

Danske Bank A/S Lithuania Branch overdraft limit amounted to LTL 10,000 thousand. The overdraft agreement was valid until 30 March 2011. On 29 March 2011, the agreement was extended until 28 March 2012. On 2 February 2012 the agreement was extended until 28 March 2013, and the overdraft limit was increased to LTL 15 million. On 27 March 2013, the agreement was extended until 28 March 2014 and the overdraft limit was reduced down to LTL 7 million. As of 31 December 2013, the undrawn balance of the overdraft amounted to LTL 7,000 thousand (31 December 2012: LTL 8,538 thousand).

On 15 November 2012, an overdraft agreement was signed with SEB Bankas AB for the amount of LTL 160,000 thousand. The overdraft agreement was valid until 18 November 2013. On 24 January 2013 Amendment No 1 was signed to the overdraft agreement, under which the overdraft limit was increased up to LTL 190,000 thousand, and the term of the agreement was extended until 18 November 2014. As of 31 December 2012, the undrawn balance of overdraft was LTL 102,572 thousand. As of 31 December 2013, the overdraft was undrawn in full.

In 2012, a credit agreement was signed with Nordea Bank Finland Lithuania Branch for the amount of EUR 2,896 thousand. As of 31 December 2013, the withdrawn balance amounted to EUR 2,635 thousand (31 December 2012: EUR 2,482 thousand). The agreement expires on 1 December 2017.

In 2012, a factoring agreement was signed with Nordea Finance Lithuania UAB for the maximum amount of LTL 10,013 thousand. The agreement expired on 27 March 2013. As of 31 December 2012, the factoring balance from the bank amounted to LTL 3,155 thousand. As of 31 December 2013, the term of the agreement had expired.

On 26 June 2013, a credit agreement was signed with Nordea Bank Finland Plc for the credit amount of EUR 25,000 thousand (LTL 86,320 thousand) and for the term expiring on 31 March 2027. As of 31 December 2013, the withdrawn balance amounted to LTL 10,465 thousand.

As of 31 December 2013, the Group's undrawn balances of loans and overdrafts under the above-listed agreements amounted to LTL 272,855 thousand (31 December 2012: LTL 112,539 thousand). As of 31 December 2013, the Company's undrawn balances of loans and overdrafts amounted to LTL 265,855 thousand (31 December 2012: LTL 102,572 thousand). In 2013, the average interest rate on the Group's borrowings was 4.05% (2012: 3.85%). In 2013, the average interest rate on the Company's borrowings was 4.08% (2012: 3.92%).

The Company has assumed the following obligations under the loan agreements:

The Company has assumed an obligation to Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch, DnB NORD Bankas AB to pledge to the banks appropriate non-current assets with the carrying amount not lower than LTL 340 million (Note 5), inventories with the carrying amount of LTL 6,000 thousand (Note 6), all cash balances in all bank accounts held at banks registered in Lithuania (Note 12); it is also committed to carry out its operations only through the accounts held at these banks.

The Company has assumed an obligation to Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania branch to pledge the entire Project, i.e. immovable, tangible and intangible assets constituting 400 MW combined-cycle gas turbine block or developed in the course of the Project, all current and future cash inflows into all current and future accounts opened at these banks, and all property rights arising from property insurance contracts associated with the Project.

19 Borrowings (continued)

As of 31 December 2013, the fair value of the Group's borrowings was equal to LTL 618,404 thousand (31 December 2012: LTL 715,786 thousand). As of 31 December 2013, the fair value of Company's borrowings was equal to LTL 609,920 thousand (31 December 2012: LTL 697,685 thousand). The fair value was estimated using a 2.90% discount rate (as of 31 December 2012: 2.75% discount rate). The fair value of borrowings is attributed to Level 3 in the fair value hierarchy.

The table below presents data on the Group's borrowings by interest rate repricing intervals:

	Group At 31 December 2013	Company At 31 December 2013	Group At 31 December 2012	Company At 31 December 2012
1 to 3 months	9,927	827	76,522	58,333
3 to 6 months	554,563	554,563	602,257	602,257
Total borrowings	**564,490**	**555,390**	**678,779**	**660,590**

As of 31 December 2013 and 31 December 2012, the Company and the Group had no other committed undrawn credit facilities.

20 Finance lease liabilities

The Group's future minimum finance lease payments for equipment and other assets comprise as follows:

	At 31 December 2013		At 31 December 2012	
Group	**Minimum finance lease payments**	**Present value of minimum finance lease payments**	**Minimum finance lease payments**	**Present value of minimum finance lease payments**
Finance lease payments:				
No later than 1 year	10	8	331	327
Later than 1 year an no later than 5 years	38	36	47	44
Minimum finance lease payments	**48**	**44**	**378**	**371**
Less: future finance charges	(4)	-	(7)	-
Present value of minimum finance lease payments	**44**	**44**	**371**	**371**

The Group's finance lease liabilities are secured by the lessor's right into the lessee's assets acquired under finance lease (Note 5).

The Company did not have any finance lease liabilities as of 31 December 2013 and 31 December 2012.

The fair value of the finance lease liabilities approximates their carrying amount.

21 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movements on grants account in 2013 and 2012 were as follows:

	Assets-related grants			
Group/Company	**Fuel combustion equipment and other assets**	**Project for renovation, improvement of environmental and safety standards**	**Grants for emission allowances**	**Total**
Balance at 1 January 2012	**93,853**	**914,716**	**-**	**1,008,569**
Depreciation of immovable property, plant and equipment	(2,089)	(16,471)	-	(18,560)
Grants received	-	110,487	16,211	126,698
Grants repaid	(35)	-	-	(35)
Utilisation of grant for emission allowances	-	-	(16,211)	(16,211)
Balance at 31 December 2012	**91,729**	**1,008,732**	**-**	**1,100,461**
Balance at 1 January 2012	**91,729**	**1,008,732**	**-**	**1,100,461**
Depreciation of immovable property, plant and equipment	(4,244)	(34,844)	-	(39,088)
Grants received	1,379	-	6,406	7,785
Grants repaid	(22)	-	-	(22)
Utilisation of grant for emission allowances	-	-	(6,406)	(6,406)
Balance at 31 December 2013	**88,842**	**973,888**	**-**	**1,062,730**

In 2013, assets-related grants decreased by LTL 39,088 thousand, i.e. by the amount of depreciation of property, plant and equipment (2012: LTL 18,560 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

In 2012, the Company received a grant of LTL 37,420 thousand from the International Fund for Support of Decommissioning of Ignalina Nuclear Power Plant for the construction of a new 400 MW combined-cycle gas turbine block. In 2013, the Company received a grant of LTL 1,379 thousand for the construction of engineering infrastructure at Kruonis Industrial park.

In 2012, the Company received PSO service fees amounting to LTL 73,067 thousand for the construction of the Combined Cycle Block.

22 Other non-current accounts payable and liabilities

	Group at 31 December 2013	**Company at 31 December 2013**	**Group at 31 December 2012**	**Company at 31 December 2012**
Advance amounts of PSO service fees received	70,059	70,059	26,208	26,208
Non-current payables for material valuables	3,744	3,744	4,056	4,056
Provisions for pension benefits and indemnification for damages	1,978	1,828	2,114	1,880
Deferred revenue	1,488		1,609	-
Liability related to guarantees for Nordic Energy Link	-	-	259	259
Other	610	-	151	-
Total	**77,879**	**75,631**	**34,397**	**32,403**

Provisions for pension benefits represent payable amounts calculated in accordance with the Lithuanian laws. Each employee at retirement age is entitled to receive a payment of 2 monthly salaries upon retirement.

22 Other non-current accounts payable and liabilities (continued)

Current portion of advance amounts of PSO service fees received is included in advance amounts received (Note 25). As disclosed in Note 3, the Company accounted for refundable PSO amount of LTL 56,955 thousand as of 31 December 2013.

23 Income tax

Income tax expense as at 31 December 2013 and 31 December 2012 comprised as follows:

	Group 2013	Company 2013	Group 2012	Company 2012
Income tax expense components:				
Current income tax	7,007	4,516	7,395	5,935
Adjustment to previous year income tax	(1,095)	(1,095)	(1,329)	(1,329)
Deferred income tax (income)/expense	(11,467)	(10,706)	3,664	5,061
Income tax expense (income) for the reporting period	**(5,555)**	**(7,285)**	**9,730**	**9,667**

* Adjustment to previous year income tax is related to the investment relief applied to taxable profit for 2012 and 2011.

23 Income tax (continued)

Movements in deferred income tax assets and liabilities during the reporting period were as follows:

Group

Deferred income tax assets	PP&E revaluation (decrease in value)	Bad debts	Accrued charges	Deferred income	Impairment of assets	Differences in value of emission allowances	Total
At 31 December 2011	**158,446**	**1,983**	**8,475**	**-**	**198**	**-**	**169,102**
Recognised in the statement of comprehensive income	(7,001)	(21)	(5,861)	-	(42)	-	(12,925)
Recognised in other comprehensive income	-	-	-	-	-	-	-
At 31 December 2012	**151,445**	**1,962**	**2,614**	-	**156**	**-**	**156,177**
At 31 December 2012	**151,445**	**1,962**	**2,614**	**-**	**156**	**-**	**156,177**
Recognised in the statement of comprehensive income	(6,534)	(1,399)	(487)	12,264	(108)	10,285	14,021
Recognised in other comprehensive income	569	-	-	-	**-**	-	569
At 31 December 2013	**145,480**	**563**	**2,127**	**12,264**	**48**	**10,285**	**170,767**

Deferred income tax liabilities	PP&E revaluation (increase in value)	Differences in deprecia-tion rates	Tax relief on acquisition of PP&E	Other	Total
At 31 December 2011	**(202,798)**	**(1,705)**	**(11,466)**	**(74)**	**(216,043)**
Recognised in the statement of comprehensive income	10,790	(2,009)	448	32	9,261
Recognised in other comprehensive income	96	-	-	-	96
At 31 December 2012	**(191,912)**	**(3,714)**	**(11,018)**	**(42)**	**(206,686)**
At 31 December 2012	**(191,912)**	**(3,714)**	**(11,018)**	**(42)**	**(206,686)**
Recognised in the statement of comprehensive income	10,362	(12,947)	(235)	39	(2,781)
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(181,550)**	**(16,661)**	**(11,253)**	**(3)**	**(209,467)**
Net deferred income tax at 31 December 2011					**(46,941)**
Net deferred income tax at 31 December 2012					**(50,509)**
Net deferred income tax at 31 December 2013					**(38,700)**

23 Income tax (continued)

Company

Deferred income tax assets	**PP&E revaluation (decrease in value)**	**Bad debts**	**Accrued charges**	**Deferred income**	**Impairment of assets**	**Differences in value of emission allowances**	**Total**
At 31 December 2011	**158,153**	**1,443**	**7,481**	-	**196**	-	**167,273**
Recognised in the statement of comprehensive income	(7,001)	-	(6,674)	-	(42)	-	(13,717)
Recognised in other comprehensive income	-	-	-	-	-	-	-
At 31 December 2012	**151,152**	**1,443**	**807**	-	**154**	-	**153,556**
At 31 December 2012	**151,152**	**1,443**	**807**	**-**	**154**	**-**	**153,556**
Recognised in the statement of comprehensive income	(6,534)	(1,443)	(233)	12,264	(39)	10,285	14,300
Recognised in other comprehensive income	569	-	-	-	-	-	569
At 31 December 2013	**145,187**	**-**	**574**	**12,264**	**115**	**10,285**	**168,425**

Deferred income tax liabilities	**PP&E revaluation (increase in value)**	**Differences in deprecia-tion rates**	**Tax relief on acquisition of PP&E**	**Other**	**Total**
At 31 December 2011	**(200,162)**	**(1,586)**	**(11,356)**	**(71)**	**(213,175)**
Recognised in the statement of comprehensive income	10,185	(2,009)	448	32	8,656
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2012	**(189,977)**	**(3,595)**	**(10,908)**	**(39)**	**(204,519)**
At 31 December 2012	**(189,977)**	**(3,595)**	**(10,908)**	**(39)**	**(204,519)**
Recognised in the statement of comprehensive income	9,549	(12,947)	(235)	39	(3,594)
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(180,428)**	**(16,542)**	**(11,143)**	-	**(208,113)**
Net deferred income tax at 31 December 2011					**(45,902)**
Net deferred income tax at 31 December 2012					**(50,963)**
Net deferred income tax at 31 December 2013					**(39,688)**

23 Income tax (continued)

Deferred income tax assets and deferred income tax liabilities were offset in the Company‘s statement of financial position as they relate to the same fiscal authority. The Group’s deferred income tax assets related to operations of subsidiaries were not offset against the Company’s deferred income tax liabilities and were presented separately as non-current assets in the statement of financial position.

Deferred income tax recognised in the statement of financial position as at 31 December 2013 and 2012 comprised as follows:

	Group At 31 December 2013	Company At 31 December 2013	Group At 31 December 2012	Company At 31 December 2012
Deferred income tax assets	988	-	622	-
Deferred income tax liabilities	39,688	39,688	51,131	50,963
Deferred income tax liability, net	**38,700**	**39,688**	**50,509**	**50,963**

When calculating deferred income tax as at 31 December 2013 and 31 December 2012, income tax rate of 15 per cent was applied on those components which will be realised in 2014 and later periods.

The Company’s and the Group’s deferred income tax to be realised within 12 months amounts to LTL 1,825 thousand (31 December 2012: LTL 4,700 thousand).

As of 31 December 2013, the Group had LTL 9,961 thousand (31 December 2012: LTL 12,194 thousand) of accumulated unrealised tax losses on which no deferred tax asset was recognised. These tax losses are carried forward for indefinite period.

Income tax expense reported in the statement of comprehensive income relating to the result of operations during the current reporting period may be reconciled to income tax expense that would arise using the statutory income tax rate applicable to profit before income tax:

	Group 2013	Company 2013	Group 2012	Company 2012
Profit before income tax	**103,053**	**87,071**	**48,337**	**44,090**
Income tax at a tax rate of 15% (2011: 15%)	15,458	13,061	7,251	6,614
Adjustment to previous year income tax	(1,095)	(1,095)	(772)	(772)
Tax effects of non-taxable income and non-deductible expenses	(19,918)	(19,251)	3,160	3,825
Unrecognised deferred income tax on tax losses	-	-	91	-
Income tax	**(5,555)**	**(7,285)**	**9,730**	**9,667**

24 Trade payables

The Group's and the Company's trade receivables comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Amounts due for contractual works, other services	27,197	18,685	101,634	95,965
Payables for electricity and related services	52,643	52,642	30,233	25,474
Payables for gas and heavy fuel oil	2,868	2,868	4,342	4,342
Accrued liabilities for electricity	2,720	2,558	1,834	1,834
Payables for material valuables	-	-	515	515
Total	**85,428**	**76,753**	**138,558**	**128,130**

The fair values of trade payables approximate their carrying amounts.

25 Advance amounts received

The Group's and the Company's advance amounts received comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Advance amounts of PSO service fees received (Note 22)	25,114	25,114	13,104	13,104
Other advance amounts received	3,465	2,450	2,283	1,931
Deferred income on contract works in progress	910	-	608	-
Total	**29,489**	**27,564**	**15,995**	**15,035**

26 Provisions for emission allowances

As at 31 December 2013 and 2012, provisions for emission allowances comprised as follows:

	Group	Company
Balance at 31 December 2011	**61,931**	**61,931**
Emission allowances utilised (Note 4)	(16,268)	(16,268)
Provisions for emissions	13,915	13,915
Provisions for onerous contract	12,824	12,824
Reversal of provisions for onerous contract	(58,487)	(58,487)
Balance at 31 December 2012	**13,915**	**13,915**
Balance at 31 December 2012	**13,915**	**13,915**
Emission allowances utilised (Note 4)	(13,895)	(13,895)
Reclassification of other provisions	(20)	(20)
Provisions for emissions	9,745	9,745
Balance at 31 December 2013	**9,745**	**9,745**

***** For the purpose of the statement of comprehensive income, expenses of provision for emission allowances utilised were reported net of government grants (Note 21).

The emission allowances were acquired in 2012 under the conditions of onerous contract, therefore the reversal of provision was made by the Group/Company.

27 Other amounts payable and liabilities

The Group's and the Company's other amounts payable comprise as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
VAT payable to the state budget	10,570	10,570	5,199	4,771
Employment-related liabilities	6,285	2,548	4,441	2,319
Taxes payable	3,196	2,392	3,327	3,064
Other payables and current liabilities	2,755	1,123	2,203	1,441
Vacation reserve	2,294	2,294	4,013	2,135
Dividends payable	2,251	2,251	2,261	2,261
Accrued expenses from purchases of electricity	42	36	17,089	17,089
Derivative financial instrument	-	-	5,752	5,752
Carrying amount	**27,393**	**21,214**	**44,285**	**38,832**

The fair values of other accounts payable approximate their carrying amounts.

The derivative financial instrument arises from the agreement, which was concluded between Gazprom Marketing and Trading Limited and the Company on 20 October 2010 regarding the swap of emission allowances to CER units. The transaction date was on 21 March 2013.

28 Sales revenue

The Group's and the Company's sales revenue consists of revenue from sale of electricity and related services. Sales revenue for the periods ended 31 December is presented below:

	Group 2013	Company 2013	Group 2012	Company 2012
Sale of electricity in domestic market	943,131	934,713	1,162,530	987,578
Export of electricity	15,342	15,342	93,027	93,027
Capacity reserve	108,994	108,994	72,713	72,713
Revenue from sale of thermal energy	20,541	20,541	19,364	19,378
Total	**1,088,008**	**1,079,590**	**1,347,634**	**1,172,696**

29 Segment reporting

In 2013, the management distinguished operating segments based on the reports reviewed by the Board. The Board is the principal decision-making body on the Group level. With effect from 2012, the Board started analysing the operations in terms of profitability of the regulated activities and the commercial activities of the Company. Operating profit (loss) is a profitability measure analysed by the Board. The reports analysed by the Board are in line with the financial statements prepared in accordance with IFRSs, except for the format of presentation. Changes were made in segment information in view of how the Board analysed the Group's operations.

As of 31 December 2013 and 31 December 2012, the Group's management analysed the Group's operations by separating them into regulated activities and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, balancing and regulation, capacity reserve, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, export/import, electricity production at Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses, headcount and sales. The operations of Energijos Tiekimas UAB representing electricity supply constitute a separate segment. Other activities within the Group included repair services of energy facilities and IT services.

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

29 Segment reporting (continued)

Information on the Group's segments for the year ended 31 December 2013 is presented in the table below:

2013	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba AB		Energijos Tiekimas UAB (Group)		
	Regulated activities	Commercial activities			
Total revenue of segments	516,233	570,929	195,460	109,372	1,391,994
Inter-segment revenue			(186,557)	(6,041)	(192,598)
Revenue from external customers	**516,233**	**570,929**	**8,903**	**103,331**	**1,199,396**
Expenses after elimination of inter-company transactions within the Group	**(468,070)**	**(513,294)**	**(3,182)**	**(92,145)**	**(1,076,691)**
Whereof: depreciation and amortisation expenses	(59,633)	(19,060)	(47)	(12,850)	(91,590)
Operating profit	**48,163**	**57,635**	**5,721**	**11,186**	**122,705**
Finance income after elimination of inter-company transactions within the Group	**4**	**2,143**	**10**	**121**	**2,278**
Finance (costs) after elimination of inter-company transactions within the Group	**(20,474)**	**(2,400)**	**(23)**	**(381)**	**(23,278)**
Share of results of operations of associates and joint ventures				**1,348**	**1,348**
Profit before income tax	**27,693**	**57,378**	**5,708**	**12,274**	**103,053**
Income tax					**5,555**
Net profit					**108,608**

29 Segment reporting (continued)

Information on the Group's segments for the year ended 31 December 2012 is presented in the table below:

2012	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba AB		Energijos Tiekimas UAB (Group)		
	Regulated activities	Commercial activities			
Total revenue of segments	596,657	579,934	328,920	106,391	1,611,902
Inter-segment revenue			(153,982)	(14,106)	(168,088)
Revenue from external customers	**596,657**	**579,934**	**174,938**	**92,285**	**1,443,814**
Expenses after elimination of inter-company transactions within the Group	**(596,233)**	**(527,590)**	**(174,826)**	**(87,993)**	**(1,386,642)**
Whereof: depreciation and amortisation expenses	(45,798)	(17,563)	(1)	(14,049)	(77,411)
Operating profit	**424**	**52,344**	**112**	**4,292**	**57,172**
Finance income after elimination of inter-company transactions within the Group	**835**	**626**	**582**	**193**	**2,236**
Finance (costs) after elimination of inter-company transactions within the Group	**(12,517)**	**(937)**	**(96)**	**(207)**	**(13,757)**
Share of results of operations of associates and joint ventures				**2,686**	**2,686**
Profit before income tax	**(11,258)**	**52,032**	**598**	**6,964**	**48,337**
Income tax					**(9,730)**
Net profit					**38,607**

The Company/Group exports electricity to the EU Member States and Russia. Also, the Group exported metal constructions and repair services.

As at 31 December 2013 and 31 December 2012, the Group's and the Company's revenue by country was as follows:

Country	**Group 2013**	**Company 2013**	**Group 2012**	**Company 2012**
Lithuania	1,082,144	969,940	1,287,403	1,021,980
Norway	108,253	108,253	90,585	90,585
Estonia	6,933	6,928	10,429	10,015
Latvia	750	725	53,606	53,579
Other	1,316	1,316	1,791	432
Total	**1,199,396**	**1,087,162**	**1,443,814**	**1,176,591**

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

29 Segment reporting (continued)

Revenue from external customers accounting for 10% or more of the Group's total revenue:

2013	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba AB		Energijos Tiekimas UAB		
	Regulated activities	Commercial activities			
Lesto AB	127,374	279,514	-	-	406,888
Litgrid AB	68,152	93,790	-	-	161,942
Total	**195,526**	**373,304**	**-**	**-**	**568,830**

2012	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba AB		Energijos Tiekimas UAB		
	Regulated activities	Commercial activities			
Litgrid AB	427,645	89,882	-	-	517,527
Lesto AB	177,873	334,325	-	-	512,198
Total	**605,518**	**424,207**	**-**	**-**	**1,029,725**

30 Other operating income

As at 31 December 2013 and 31 December 2012, the Group's and the Company's other operating income comprised as follows:

	Group 2013	Company 2013	Group 2012	Company 2012
Repairs, data transmission and other services	99,708	-	86,638	-
Other income	11,664	7,556	9,542	3,895
Gain on disposal of property, plant and equipment	16	16	-	-
Total	**111,388**	**7,572**	**96,180**	**3,895**

30 Other operating income (continued)

Income from repair services represents income received by subsidiary Kauno Energetikos Remontas UAB under the contracts concluded (the Company had no income under the contracts). Information about contract works in progress as at 31 December 2013 and 31 December 2012 is presented in the table below:

	At 31 December 2013	At 31 December 2012
Expenses recognised on contract works in progress	39,693	34,903
Profit recognised (less loss) on contract works in progress	7,681	5,751
Total income recognised on contract works in progress	47,374	40,654
Accumulated loss arising on the completion of contract works in progress	-	-
Total amount billed on contract works in progress	47,225	41,122
Accrued income on contract works in progress	1,060	136
Deferred income on contract works in progress	910	608

Advance amounts received on contracts in progress totalled LTL 10,981 thousand as of 31 December 2013 (31 December 2012: LTL 246 thousand). Retention payments amounted to LTL 1,249 thousand as of 31 December 2013 (31 December 2012: LTL 4,435 thousand).

31 Finance income

2 As at 31 December 2013 and 31 December 2012, the Group's and the Company's finance income comprised as follows:

	Group 2013	Company 2013	Group 2012	Company 2012
Income of derivative financial instruments	1,837	1,837	-	-
Interest income	118	46	550	724
Other income	319	264	1,408	775
Foreign exchange positive effect	4	-	278	277
Dividends	-	2,000	-	3,000
Total finance income	**2,278**	**4,147**	**2,236**	**4,776**

32 Finance costs

As at 31 December 2013 and 31 December 2012, the Group's and the Company's finance costs comprised as follows:

	Group 2013	Company 2013	Group 2012	Company 2012
Interest expenses*	(23,130)	(22,839)	(9,148)	(8,971)
Expenses of derivative financial instruments	-	-	(4,114)	(4,114)
Foreign exchange negative effect and other expenses	(23)	(18)	(197)	(188)
Other finance costs	(125)	(17)	(298)	(181)
Total finance costs	**(23,278)**	**(22,874)**	**(13,757)**	**(13,454)**

* In addition to interest expenses recognised as finance costs as disclosed in Note 5, the Group's interest expenses capitalised as part of qualifying property, plant and equipment amounted to LTL 941 thousand in 2013 (2012: LTL 22,710 thousand).

33 Related-party transactions

Purchase and sale of goods and services :

The Group's transactions with related parties during 2013 and the balances arising on these transactions as at 31 December 2013 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Economy of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	75	35,879	420	435,827
Litgrid AB group	7,031	59,745	98,927	750,187
Lietuvos Energija UAB	-	124	25	662
Associates of the Group	1,351	400	13,873	2,798
Total	**8,457**	**96,148**	**113,245**	**1,189,474**

The Company's transactions with related parties conducted during 2013 and the balances arising on these transactions as at 31 December 2013 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales (including dividends)
Subsidiaries of the Company	1,652	34,428	5,298	188,450
Entities controlled by the Ministry of Economy of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	10	31,463	95	406,888
Litgrid AB group	6,415	57,406	92,746	725,254
Lietuvos Energija UAB	-	-	25	-
Associates of the Group	143	-	7,901	-
Total	**8,220**	**123,297**	**106,065**	**1,320,592**

The Group's transactions with related parties during 2012 and the balances arising on these transactions as at 31 December 2012 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Entities controlled by the Ministry of Economy of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	27	43,270	2,198	541,996
Litgrid AB group	7,428	33,709	351,032	627,411
Lietuvos Energija UAB	-	68	-	563
Associates of the Group	1,342	313	12,820	2,476
Total	**8,797**	**77,360**	**366,050**	**1,172,446**

*BALTPOOL UAB (subsidiary of Litgrid AB) does not recognise electricity purchases and sales as income and expenses. During 2012, the Group's sales of electricity to BALTPOOL UAB amounted to LTL 81,270 thousand and purchases of electricity amounted to LTL 243,688 thousand.

33 Related-party transactions (continued)

The Company's transactions with related parties conducted during 2012 and the balances arising on these transactions as at 31 December 2012 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	3,426	20,551	13,687	156,925
Entities controlled by the Ministry of Economy of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	8	39,971	234	512,197
Litgrid AB group	6,541	25,305	257,873	598,596
Lietuvos Energija UAB	-	-	-	-
Associates of the Group	62	-	8,365	7
Total	**10,037**	**85,827**	**280,159**	**1,267,725**

*BALTPOOL UAB (subsidiary of Litgrid AB) does not recognise electricity purchases and sales as income and expenses. During 2012, the Company's sales of electricity to BALTPOOL UAB amounted to LTL 81,270 thousand and purchases of electricity amounted to LTL 157,051 thousand.

The major sale and purchase transactions with related parties within the Group in 2013 and 2012 comprised transactions with the entities controlled by the Ministry of Economy and the Ministry of Energy of the Republic of Lithuania: Lesto AB, Litgrid AB. The Group's purchases from these entities mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

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

The Company sold capacity to its associate Nordic Energy Link AS, paid capacity, operation, transmission and balancing fees to this company, and purchased capacity from it.

There were no guarantees or pledges given or received in respect of the related-party payables and receivables, except for guarantees to the associate and the subsidiaries as disclosed in Note 36. Related-party payables and receivables are expected to be settled in cash or offset against payables/receivables to/from a respective related party.

Compensation to key management personnel

	Group 2013	Company 2013	Group 2012	Company 2012
Employment-related payments *	4,321	1,623	4,133	1,533
Termination benefits	302	-	114	-
Other significant payments to key management personnel	51	51	-	-
Number of key management personnel *	25	9	27	10

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

34 Basic and diluted earnings per share (in LTL)

Basic and diluted earnings per share as of 31 December 2013 and 2012 were as follows:

	2013	2012
Net profit for the year attributable to the owners	106,210	37,060
Weighted average number of shares (units)	635,083,615	635,083,615
Basic and diluted earnings per share (in LTL)	0.17	0.06

35 Financial risk management

In performing their activities, the Group companies are exposed to financial risks, i.e. credit risk, liquidity risk and market risk (foreign exchange risk, fair value interest rate risk and cash flows interest rate risk, and securities price risk). In managing these risks, the Group companies seek to mitigate the effect of factors which could have an adverse impact on the financial performance of the Group and the Company.

Financial instruments by category

Financial assets	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Trade receivables	169,973	133,274	288,855	253,916
Other receivables	10,513	9,242	11,102	10,858
Cash and cash equivalents	219,746	178,087	34,345	8,157
Other non-current amounts receivable	20,949	20,949	10,927	10,927
Loans and receivables	**421,181**	**341,552**	**345,229**	**283,858**
Other financial assets	86	-	20	-
Investments at fair value through profit and loss	**86**	**-**	**20**	**-**
Total	**421,267**	**341,552**	**345,249**	**283,858**

Financial liabilities	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Borrowings	564,490	555,390	678,779	660,590
Finance lease liabilities	44	-	371	-
Other non-current payables	4,354	3,744	4,466	4,315
Trade payables	85,428	76,753	138,558	128,130
Other amounts payable and liabilities	5,048	3,410	21,553	20,791
Financial liabilities measured at amortised cost	**659,364**	**639,297**	**843,727**	**813,826**
Other financial liabilities	**-**	**-**	-	-
Derivative financial instruments at fair value through profit and loss	**-**	**-**	**5,752**	**5,752**
Total	**659,364**	**639,297**	**849,479**	**819,578**

Credit risk

As at 31 December 2013 and 31 December 2012, items exposed to credit risk were as follows:

	Group at 31 December 2013	Company at 31 December 2013	Group at 31 December 2012	Company at 31 December 2012
Financial assets	421,267	341,552	345,249	283,858
Guarantees	-	-	259	259
Total	**421,267**	**341,552**	**345,508**	**284,117**

The maximum exposure to credit risk is equal to the carrying amount of each financial asset and the total amount of guarantees issued to the associate and the subsidiaries (Note 36).

The credit risk of the Group and the Company related to the accounts receivable is limited because the major buyers are reliable customers. As of 31 December 2013 and 31 December 2012, trade receivables neither past due nor impaired were of high credit quality as the majority of these receivables were due from operators of the distribution network and large industrial companies. The Group and the Company are exposed to significant credit risk concentration, because credit risks are shared among 7 main customers, which account for approximately 99 per cent of total trade receivables of the Group and the Company.

The credit risk relating to cash in banks is limited because the Group and the Company conduct transactions with the banks with high credit ratings assigned by international credit rating agencies.

The Group and the Company hold cash balances and term deposits in accounts of the major banks in Lithuania assigned with ‘A-‘ and higher external credit rating by the rating agency Fitch Ratings.

35 Financial risk management (continued)

Liquidity risk

The liquidity risk is managed by planning the cash flows of the Group. In order to manage the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and the short-term cash flows (inflows and outflows). Undrawn balances of loans are disclosed in Note 19.

The Group's current liquidity (total current assets / total current liabilities) and quick liquidity ((total current assets – inventories) / total current liabilities) ratios as of 31 December 2013 were 2.13 and 2.02, respectively (31 December 2012: 1.23 and 1.04, respectively). The Company's current liquidity (total current assets / total current liabilities) and quick liquidity ((total current assets – inventories) / total current liabilities) ratios as of 31 December 2013 were 1.87 and 1.75, respectively (31 December 2012: 1.13 and 0.93, respectively).

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to cover the liabilities. Balances with repayment terms up to 12 months approximate their carrying amounts, because the impact of discounting is insignificant.

Group	Within the first year	Within the second year	Within the third–fifth year	After five years
At 31 December 2013				
Borrowings	79,563	84,072	347,038	116,671
Finance lease liabilities	10	38	-	-
Trade and other amounts payable	90,476	922	936	2,496
At 31 December 2012				
Borrowings	149,749	78,523	388,555	172,929
Finance lease liabilities	331	47	-	-
Trade and other amounts payable	160,833	936	936	1,872

Company	Within the first year	Within the second year	Within the third–fifth year	After five years
At 31 December 2013				
Borrowings	77,838	83,009	340,897	116,671
Trade and other amounts payable	80,163	312	936	2,496
At 31 December 2012				
Borrowings	139,335	77,148	381,432	172,929
Trade and other amounts payable	149,492	936	936	1,872

Interest rate risk

Revenues and cash flows of the Group companies are affected by fluctuations in market interest rates as all borrowings of the Group companies were subject to variable interest rates as of 31 December 2012. Increase in interest rate risk is mostly affected by non-current borrowings. All borrowings bear variable interest rates which are linked with LIBOR-EUR. Intervals of repricing of interest rates are disclosed in Note 19.

If interest rates on withdrawn balances of borrowings of the Group companies had been higher/lower by 1 p.p., net profit for the year 2013 would have been LTL 2,079 thousand (2012: LTL 2,425 thousand) lower/higher. If interest rates on withdrawn balances of borrowings of the Company had been higher/lower by 1 p.p., net profit for the year 2013 would have been LTL 2,057 thousand (2012: LTL 2,380 thousand) lower/higher.

Foreign exchange risk

The Group companies conduct certain transactions that are denominated in foreign currencies. This leads to the concentration of foreign exchange risk.

With effect from 1 February 2002, the exchange rate of the litas is pegged to the euro. As a result, changes in exchange rates of the euro do not have a significant impact on the Company's equity. As of 31 December 2013, the Company/Group did not have any significant assets or liabilities denominated in currencies other than the litas and the euro.

The Group companies did not use any financial instruments to manage foreign exchange risk.

35 Financial risk management (continued)

Securities price risk

The Company has direct control over the subsidiaries and take part in management of associates (Note 7). In the Company's separate financial statements, investments in these companies are accounted for at acquisition cost, which is adjusted by impairment losses, if any. Investments in associates in the Group's consolidated financial statements are accounted for using the equity method by adjusting their carrying amounts by the Group's share of profits or losses. The increase/decrease in the carrying amount of these investments directly affects the financial results of the Group. The Company impacts the results of its subsidiaries and associates by taking part in the formation of the management policy of operations of these companies.

Fair value of financial assets and liabilities

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

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

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

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

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value.

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

36 Off-balance sheet commitments and contingencies

Guarantees issued and received

On 6 June 2013, the Company signed a guarantee agreement with Swedbank for the total amount of EUR 400 thousand to secure the fulfilment of the Company's obligations in relation to payments to Nord Pool Spot AS. On 12 July 2013, the guarantee amount was increased up to EUR 1,000 thousand.

On 20 December 2013, the Company signed a guarantee agreement with Swedbank for the total amount of EUR 195 thousand to secure the fulfilment of the Company's obligations in relation to participation in a tender for Fingrid Oyj and Elering AS.

As at 31 December 2013, Energijos Tiekimas UAB had guarantees from Danske Bank A/S Lithuania Branch for the total amount of LTL 1,918 thousand.

As at 31 December 2013, Kauno Energetikos Remontas UAB had bank guarantees in relation to participation in a tender, amounting to LTL 12,954 thousand (31 December 2012: LTL 2,773 thousand).

As at 31 December 2013 and 31 December 2012, the Company and Nordea Bank Finland Plc had an agreement on bank guarantee in relation to EUR 1,013 thousand guarantee issued by the Bank, the amount of which may be increased up to EUR 1,500 thousand upon the Company's request. The beneficiary of the guarantee is General Electric International Inc.

As at 31 December 2013 the Company had guarantees from other companies for the total amount of LTL 1,632 thousand. The guarantees are related to various tenders, received by the Company.

As at 31 December 2012, the guarantee was granted by the Company to Nordea Bank Finland Plc Lithuania Branch to provide an irrevocable and unconditional guarantee in favour of Kauno Energetikos Remontas UAB for the payment of EUR 1,883 thousand upon the initial written request by the Bank.

In 2005, the Company guaranteed under the guarantee agreements the fulfilment of 25 per cent of liabilities of Nordic Energy Link AS to Nordic Investment Bank (LTL 45,750 thousand) and to SEB Eesti Uhispank AB (LTL 26,759 thousand). In 2013, the associate repaid the loans to these banks, therefore, the Group/Company did not account for any additional provisions related to these guarantees as of 31 December 2013. The carrying amount of the guarantee obligations amounted to LTL 259 thousand as of 31 December 2012.

On 18 April 2011, the Company entered into guarantee agreement with Nordea Bank Finland Plc Lithuania Branch in relation to issue of guarantee for the amount of EUR 1,766 thousand under the guarantee agreement concluded by Kauno Energetikos Remontas UAB on 18 January 2007. Under this agreement, Lietuvos Energijos Gamyba AB guaranteed an appropriate fulfilment of obligations of Kauno Energetikos Remontas UAB, but not in excess of EUR 1,766 thousand.

Operating lease

The subsidiary Duomenų Logistikos Centas UAB has operating lease agreements for motor vehicles and administrative premises. These agreements provide for the right to change the scope of services rendered, as well as to terminate the agreement with at least 3 months' prior notice to the lessee without incurring any additional financial obligations. Infrastructural assets (data centers, technological facilities, infrastructure and communication channels) necessary for the provision of IT services are leased from related parties and third parties.

	2013	**2012**
Lease of infrastructure and related expenses	7,184	6,917
Lease of premises and related expenses	4,122	4,122
Lease of motor vehicles and fuel expenses	1,025	1,193

Lease expenses of infrastructure mostly comprise lease of optical fibre from LITGRID AB. The agreement is valid from 29 April 2011 to 29 April 2026, however, the Company has a right to terminate it with prior notice of 12 months.

Tax audits

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year inspect the books and accounting records and impose additional taxes or fines. The Group's/Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

37 Capital management

Capital consists of the total amount of equity reported in the statement of financial position.

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares. No changes were made concerning risk management objectives, policies or processes during the periods ended 31 December 2013 and 31 December 2012.

According to the Law on Companies of the Republic of Lithuania, the Company's equity must be not less than ½ of the amount of the authorised share capital. No other external capital requirements have been imposed on the Company. As of 31 December 2013 and 31 December 2012, the Company was not in breach of the above-mentioned requirement.

38 Events after the end of the reporting period

On 21 February 2014, Lietuvos Energijos Gamyba AB signed a loan agreement with SEB Bankas AB for the maximum loan amount of EUR 158,000,000. This agreement will be used to refinance three loans that were extended under the loan agreements signed with the banks operating in Lithuania and the European Bank for Reconstruction and Development.

These loans were used to finance the construction of gas turbine combined-cycle block, for the construction and mounting of equipment for flue-gas desulphurization and particulate matter removal, and other projects.

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