Lietuvos bankas
Žirmūnų street 151,
LT-09128 Vilnius

12-03-2014

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 21 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Aidas Ignatavičius, Chief Executive Officer of LESTO AB, and, Andrius Bendikas, Head of Finance and Administration, hereby do confirm that, to the best of our knowledge, the attached Consolidated Audited Financial Statements of the year 2013 of LESTO AB and the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flow of LESTO AB and its consolidated enterprises, and that the review of activities and business development as well as the condition of LESTO AB and its consolidated enterprises together with the description of the principle risks and uncertainties it faces has been described correctly in the LESTO AB and the Group Annual Report for the year 2013.

Chief Executive Officer — Aidas Ignatavičius

Head of Finance and Administration — Andrius Bendikas

LESTO AB

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2013 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED ANNUAL REPORT

The accompanying documents have been prepared in Lithuanian and in English. In all matters of interpretation of information, views or opinions, the Lithuanian version of this document takes precedence over the English version

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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 LESTO AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of LESTO AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 50, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2013 and the stand-alone and consolidated statements of profit or loss and other 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.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
T: +370 (5) 239 2300, F:+370 (5) 239 2301, Email: vilnius@lt.pwc.com, www.pwc.com/lt

Basis for Qualified Opinion

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3 to the financial statements, amendments to the legislation may have had a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The management has not reassessed fair values of property, plant and equipment with the carrying amounts of LTL 4,499 million in the Company and the Group as of 31 December 2013 (LTL 4,586 million in the Company and LTL 4,639 million in the Group as of 31 December 2012), or carried out a proper impairment test. It has not been possible to estimate reliably the effects of this non-compliance on the financial statements.

Qualified opinion

In our opinion, except for the effect of the matter described in the *Basis for Qualified Opinion* paragraph, 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 51 to 127 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

Vilnius, Republic of Lithuania
12 March 2014

STATEMENT OF FINANCIAL POSITION

	Notes	GROUP		COMPANY	
ASSETS		**31 December 2013**	**31 December 2012**	**31 December 2013**	**31 December 2012**
Non-current assets					
Property, plant, and equipment	4	4 644 520	4 733 676	4 499 476	4 585 537
Intangible assets	5	9 326	7 057	9 265	6 974
Prepayments for property, plant, equipment and intangible assets		118	7 394	118	7 394
Investments in subsidiaries	32	-	-	203 652	195 628
Investments in associates	31	19 490	18 020	19 084	19 082
Investment property	6	147 088	141 730	-	-
Deferred income tax assets	20	-	210	-	-
Non-current amounts receivable	7	2 319	2 183	1 939	2 183
		4 822 861	**4 910 270**	**4 733 534**	**4 816 798**
Current assets					
Inventories	8	10 582	9 981	6 671	4 900
Trade and other receivables	9	204 023	190 911	196 726	184 296
Prepayments, deferred charges and accrued income	10	22 294	22 003	21 824	21 638
Prepaid income tax		43	-	-	-
Term deposits	12	-	3 000	-	-
Cash and cash equivalents	12	26 590	30 066	8 050	9 581
		263 532	255 961	233 271	220 415
Non-current assets classified as held for sale		221	4 280	-	2 488
		263 753	**260 241**	**233 271**	**222 903**
Total assets		**5 086 614**	**5 170 511**	**4 966 805**	**5 039 701**
EQUITY					
Equity attributable to owners of the Company					
Share capital	13	603 945	603 945	603 945	603 945
Revaluation reserve	14	1 466 560	1 634 355	1 437 765	1 605 245
Legal reserve	14	60 394	60 450	60 394	60 394
Retained earnings		1 111 224	1 001 228	1 152 766	1 044 584
		3 242 123	**3 299 978**	**3 254 870**	**3 314 168**
Non-controlling interest		**126 979**	**131 452**	**-**	**-**
Total equity		**3 369 102**	**3 431 430**	**3 254 870**	**3 314 168**
LIABILITIES					
Non-current liabilities					
Borrowings	19	299 065	395 647	299 065	395 647
Deferred income tax liability	20	333 985	360 697	330 955	358 373
Deferred income	15	303 942	319 014	303 942	319 014
Grants and subsidies	16	48 468	45 940	48 468	45 940
Non-current employee benefits		4 494	3 220	4 342	3 220
Other non-current liabilities		128	322	128	322
		990 082	**1 124 840**	**986 900**	**1 122 516**
Current liabilities					
Borrowings	19	316 462	181 120	315 763	181 120
Trade and other payables	17	329 354	330 224	331 958	324 000
Advance amounts received, accrued charges and deferred income	18	75 071	84 486	70 771	79 722
Derivative financial instruments	11	-	1 558	-	1 558
Income tax payable		6 543	16 853	6 543	16 617
		727 430	**614 241**	**725 035**	**603 017**
Total liabilities		**1 717 512**	**1 739 081**	**1 711 935**	**1 725 533**
Total equity and liabilities		**5 086 614**	**5 170 511**	**4 966 805**	**5 039 701**

The notes on pages 9 to 50 form an integral part of these financial statements.
The financial statements on pages 5 to 50 were approved by LESTO AB Chief Executive Officer and Director of Finance and Administration Service on 12 March 2014.

Chief Executive Officer	Aidas Ignatavičius		
Director of Finance and Administration Service	Andrius Bendikas		
Director of Accounting Department	Zina Chmieliauskienė		

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GROUP		COMPANY	
		2013	**2012**	**2013**	**2012**
Revenue	21	2 431 162	2 283 653	2 398 395	2 253 120
Purchase of electricity		(1 667 913)	(1 594 288)	(1 667 913)	(1 594 288)
Depreciation and amortisation	4,5,16	(376 748)	(407 140)	(366 360)	(396 928)
Employee benefits and related social security contributions	22	(160 269)	(160 654)	(132 150)	(130 901)
Repair and maintenance expenses		(78 559)	(64 973)	(93 692)	(81 599)
Transportation expenses		(10 844)	(11 857)	(14 392)	(14 996)
Telecommunications and IT services		(22 727)	(22 984)	(21 134)	(21 192)
Rent and utility services		(10 686)	(9 684)	(9 745)	(10 428)
Result of valuation of other assets	32	3 142	-	4 264	-
Revaluation of property, plant and equipment	4	(415)	(532)	-	(372)
Effects of change in the value of investment property	6	575	(2 569)	-	-
Other expenses	24	(49 176)	(55 109)	(43 846)	(47 556)
Operating profit (loss)		**57 542**	**(46 137)**	**53 427**	**(45 140)**
Finance income	23	3 150	2 456	3 513	3 036
Finance costs	23	(7 012)	(9 689)	(6 870)	(9 694)
Finance costs – net		**(3 862)**	**(7 233)**	**(3 357)**	**(6 658)**
Gain (loss) on investments in associates	31	1 468	436	-	-
Profit (loss) before tax		**55 148**	**(52 934)**	**50 070**	**(51 798)**
Income tax	20	(7 502)	7 348	(6 698)	7 456
Net profit (loss) for the year		**47 646**	**(45 586)**	**43 372**	**(44 342)**
Other comprehensive income (expenses):					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property, plant and equipment	4	850	532	-	93
Effects of deferred income tax	20	(128)	(81)	-	(14)
Other comprehensive income (expenses)		**722**	**451**	**-**	**79**
Total comprehensive income (expenses) for the year		**48 368**	**(45 135)**	**43 372**	**(44 263)**
Net profit (loss) for the year attributable to:					
Owners of the Company		46 474	(45 932)	43 372	(44 342)
Non-controlling interest		1 172	346	-	-
		47 646	**(45 586)**	**43 372**	**(44 342)**
Total comprehensive income (expenses) for the year attributable to:					
Owners of the Company		47 221	(45 547)	43 372	(44 263)
Non-controlling interest		1 147	412	-	-
		48 368	**(45 135)**	**43 372**	**(44 263)**
Earnings (deficit) per share attributable to owners of the Company (in LTL)	25	0.077	(0.076)	0.072	(0.073)

The notes on pages 9 to 50 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP	Notes	Attributable to owners of the Company: Authorised share capital	Revaluation reserve	Legal reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2012		**603 945**	**1 837 060**	**60 465**	**1 014 492**	**3 515 962**	**127 380**	**3 643 342**
Comprehensive income								
Net profit (loss) for the year		-	-	-	(45 932)	**(45 932)**	346	**(45 586)**
Other comprehensive income (expenses)	14	-	385	-	-	**385**	66	**451**
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	14	-	(203 090)	-	203 090	**-**	-	**-**
Total comprehensive income (expenses) for the year		**-**	**(202 705)**	**-**	**157 158**	**(45 547)**	**412**	**(45 135)**
Transactions with owners		-	-	(70)	70	**-**	-	**-**
Transfers to reserves		-	-	55	(55)	**-**	-	**-**
Dividends relating to 2011	26	-	-	-	(170 313)	**(170 313)**	(238)	**(170 551)**
Total payments to owners		**-**	**-**	**(15)**	**(170 298)**	**(170 313)**	**(238)**	**(170 551)**
Changes in ownership interest in subsidiaries not resulting in the loss of control	32	**-**	**-**	**-**	(124)	**(124)**	124	**-**
Contribution of a non-controlling interest in the share capital of subsidiaries	32	**-**	**-**	**-**	-	**-**	3 774	**3 774**
Total transactions with owners		**-**	**-**	**-**	**(124)**	**(124)**	**3 898**	**3 774**
Balance at 31 December 2012		**603 945**	**1 634 355**	**60 450**	**1 001 228**	**3 299 978**	**131 452**	**3 431 430**
Balance as at 1 January 2013		**603 945**	**1 634 355**	**60 450**	**1 001 228**	**3 299 978**	**131 452**	**3 431 430**
Comprehensive income								
Net profit (loss) for the year		-	-	-	46 474	**46 474**	1 172	**47 646**
Other comprehensive income (expenses)	14	-	747	-	-	**747**	(25)	**722**
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	14	-	(168 542)	-	168 542	**-**	-	**-**
Total comprehensive income (expenses) for the year		**-**	**(167 795)**	**-**	**215 016**	**47 221**	**1 147**	**48 368**
Transactions with owners								
Utilisation of reserves		-	-	(56)	56	**-**	-	**-**
Dividends relating to 2012	26	-	-	-	(102 670)	**(102 670)**	-	**(102 670)**
Total payments to owners		**-**	**-**	**(56)**	**(102 614)**	**(102 670)**	**-**	**(102 670)**
Loss on acquisition of controlling interest	32	**-**	**-**	**-**	(2 406)	**(2 406)**	(5 620)	**(8 026)**
Total transactions with owners		**-**	**-**	**-**	**(2 406)**	**(2 406)**	**(5 620)**	**(8 026)**
Balance at 31 December 2013		**603 945**	**1 466 560**	**60 394**	**1 111 224**	**3 242 123**	**126 979**	**3 369 102**

COMPANY	Notes	Authorised share capital	Revaluation reserve	Legal reserve	Retained earnings	Total
Balance as at 1 January 2012		**603 945**	**1 803 976**	**60 394**	**1 060 429**	**3 528 744**
Net profit (loss) for the year		-	-	-	(44 342)	**(44 342)**
Other comprehensive income (expenses)	14	-	79	-	-	**79**
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	14	-	(198 810)	-	198 810	**-**
Total comprehensive income (expenses) for the year		**-**	**(198 731)**	**-**	**154 468**	**(44 263)**
Transactions with owners						
Dividends relating to 2011	26	-	-	-	(170 313)	**(170 313)**
Total transactions with owners		**-**	**-**	**-**	**(170 313)**	**(170 313)**
Balance at 31 December 2012		**603 945**	**1 605 245**	**60 394**	**1 044 584**	**3 314 168**
Balance as at 1 January 2013		**603 945**	**1 605 245**	**60 394**	**1 044 584**	**3 314 168**
Comprehensive income						
Net profit (loss) for the year		-	-	-	43 372	**43 372**
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	14	-	(167 480)	-	167 480	**-**
Total comprehensive income (expenses) for the year		**-**	**(167 480)**	**-**	**210 852**	**43 372**
Dividends relating to 2012	26	**-**	**-**	**-**	**(102 670)**	**(102 670)**
Total transactions with owners		**-**	**-**	**-**	**(102 670)**	**(102 670)**
Balance at 31 December 2013		**603 945**	**1 437 765**	**60 394**	**1 152 766**	**3 254 870**

The notes on pages 9 to 50 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	GROUP		COMPANY	
		2013	**2012**	**2013**	**2012**
Cash flows from operating activities					
Net profit (loss) for the year		47 646	(45 586)	43 372	(44 342)
Adjustments for:					
– Income tax expense/(income)		7 502	(7 348)	6 698	(7 456)
– Depreciation and amortisation	4,5	379 767	409 722	369 379	399 510
– Revaluation of property, plant and equipment	4	415	532	-	372
– Change in value of investment property	6	(575)	2 569	-	-
– Result of valuation of assets	32	(3 142)	-	(4 264)	-
– Amortisation of grants	16	(3 019)	(2 582)	(3 019)	(2 582)
– Gain/(loss) on disposal and write-off of property, plant and equipment		12 659	15 818	12 922	16 062
– (Profit)/loss on investments in associates	31	(1 468)	(436)	-	-
– Dividend income		-	-	-	(712)
– Finance income	23	(3 150)	(2 456)	(3 513)	(2 324)
– Finance costs	23	7 012	9 689	6 870	9 694
Changes in working capital:					
– Trade and other receivables		(18 008)	(12 325)	(13 735)	(3 861)
– Inventories, prepayments, deferred charges and accrued income		(925)	5 086	(1 815)	3 701
– Trade and other payables, advance amounts received, accrued charges and deferred income		(10 525)	(1 946)	(9 278)	(7 164)
Cash generated from operating activities		**414 189**	**370 737**	**403 617**	**360 898**
– Income tax paid		(44 487)	(35 870)	(44 190)	(35 892)
Net cash generated from operating activities		**369 702**	**334 867**	**359 427**	**325 006**
Cash flows from investing activities					
– Purchase of property, plant and equipment and intangible assets		(312 684)	(322 320)	(296 232)	(316 222)
– Proceeds from sale of property, plant and equipment and investment		1 132	1 018	109	20
– Acquisition of subsidiaries and associates		(1 275)	-	(1 275)	-
– Grants received		6 485	2 566	6 485	2 566
– Loan repayments received		456	394	456	394
– Term deposits		3 000	2 000	-	-
– Dividends received		-	-	-	712
– Interest received		393	940	741	818
Net cash used in investing activities		**(302 493)**	**(315 402)**	**(289 716)**	**(311 712)**
Cash flows from financing activities					
– Proceeds from borrowings		169 698	189 904	169 698	189 904
– Repayments of borrowings		(140 145)	(118 504)	(140 145)	(118 504)
– Dividends paid to the Company's shareholders		(102 386)	(169 860)	(102 386)	(169 860)
– Dividends paid to non-controlling interest		-	(238)	-	-
– Interest paid		(7 059)	(10 048)	(6 917)	(10 053)
Net cash used in financing activities		**(79 892)**	**(108 746)**	**(79 750)**	**(108 513)**
(Decrease) in cash and cash equivalents		**(12 683)**	**(89 281)**	**(10 039)**	**(95 219)**
Cash and cash equivalents at beginning of the year	12	(31 435)	57 846	(51 920)	43 299
Cash and cash equivalents at end of the year	12	**(44 118)**	**(31 435)**	**(61 959)**	**(51 920)**

The notes on pages 9 to 50 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Information about the Company

LESTO AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities on 27 December 2010. The Company started its activities with effect from 1 January 2011. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange since 17 January 2011. The address of its head office is:

Žvejų g. 14,
LT-09310 Vilnius,
Lithuania.

The Company was established following the reorganisation of Rytų Skirstomieji Tinklai AB (RST) and VST AB (VST) by way of merger. Under the terms and conditions of the reorganisation approved by the decisions of the extraordinary general meetings of shareholders of RST and VST dated 13 December 2010, a transfer-acceptance statement was signed on 31 December 2010, on the basis of which the Company took over all the assets, rights and obligations of RST and VST. The moment of the take-over of assets, rights and obligations by the Company was 1 January 2011, 00:00 am.

The Company's core lines of business include electricity supply and distribution. The Company operates a medium and low voltage electricity distribution network and it is a sole provider of electricity distribution services to consumers across the entire territory of Lithuania.

On 11 October 2013, the National Control Commission for Prices and Energy established the price caps for electricity distribution services for the year 2014 as follows:

• electricity distribution services via medium voltage network – 4.479 ct/kWh or 1.30 euro cents/kWh (2013: 4.747 ct/kWh or 1.37 euro cents/kWh; 2012: 4.88 ct/kWh or 1.41 euro cents/kWh);

• electricity distribution services via low voltage network – 6.162 ct/kWh or 1.78 euro cents/kWh (2013: 6.219 ct/kWh or 1.80 euro cents/kWh; 2012: 6.41 ct/kWh or 1.86 euro cents/kWh);

On 11 October 2013, the National Control Commission for Prices and Energy established the price cap of 0.452ct/kWh or 0.15 euro cents/kWh for public electricity supply services for the year 2014 (2013: 0.49 ct/kWh or 0.14 euro cents/kWh; 2012: 0.44 ct/kWh or 0.13 euro cents/kWh).

On 22 November 2013, the National Control Commission for Prices and Energy established the price cap of 31.616 ct/kWh (excl. VAT) to private consumers who receive electricity via medium voltage network (2013: 34.104 ct/kWh (excl. VAT); 2012: 31.24 ct/kWh (excl. VAT)), and the price cap of 37.778 ct/kWh (excl. VAT) to private consumers who receive electricity via low voltage network (2013: 40.323 ct/kWh (excl. VAT); 2012: 37.65 ct/kWh (excl. VAT)) for the year 2014.

The Company's activities are regulated by the Lithuanian Law on Energy, Lithuanian Law on Electricity and other regulatory legislation.

The shareholders' structure of the Company was as follows:

	At 31 December 2013		**At 31 December 2012**	
	Number of shares held	**Ownership interest, %**	**Number of shares held**	**Ownership interest, %**
Lietuvos Energija UAB (known as Visagino Atominė Elektrinė UAB until 30 August 2013)	499 026 209	82.63 %	499 026 209	82.63 %
E.ON Ruhrgas International AG (Germany)	71 040 473	11.76 %	71 040 473	11.76 %
Other shareholders	33 877 911	5.61 %	33 877 911	5.61 %
Total	**603 944 593**	**100 %**	**603 944 593**	**100 %**

As at 31 December 2013, Lietuvos Energija UAB (formerly known as Visagino Atominė Elektrinė UAB and officially renamed from 30 August 2013) was the parent of the Company. Lietuvos Energija UAB is wholly owned by the Lithuanian Government represented by the Lithuanian Ministry of Finance. Based on the Lithuanian Government's Resolution No 141 of 13 February 2013 *On the Transfer of State-owned Shares and the Amendment to the Lithuanian Government's Resolution No 826 On the Establishment of Private Limited Liability Company and Investments of State-owned Property*, state-owned shares of Visagino Atominė Elektrinė UAB (known as Lietuvos Energija UAB with effect from 30 August 2013), which previously were possessed by the Lithuanian Ministry of Economy by the right of trust, were transferred to the Ministry of Finance on 26 February 2013.

All shares of the Company with the nominal value of LTL 1 each are ordinary shares and they have been fully paid as at 31 December 2013 and 2012. The Company does not hold any shares other than those mentioned above, and its Articles of Association do not provide for any restrictions on shares or special control rights of shareholders. The Company and its subsidiaries do not hold own shares.

The consolidated group

The consolidated group (hereinafter "the Group") consists of the Company, its subsidiaries and associates. The subsidiaries and associates are listed below:

			The Group's ownership interest (%)		
Subsidiary or associate	**Country**	**Year of acquisition**	**At 31 December 2013**	**At 31 December 2012**	**Profile of activities**
ELEKTROS TINKLO PASLAUGOS UAB (On 7 January 2013, the Company and LITGRID AB entered into stock barter agreement under which the Company acquired 25.03% of shares of ELEKTROS TINKLO PASLAUGOS UAB)	Lithuania	2004	100 %	74.97 %	Construction, reconstruction, repair and maintenance of electricity facilities
NT Valdos UAB	Lithuania	2010	57.30 %	57.30 %	Real estate management services
Duomenų Logistikos Centras UAB (known as Technologijų ir Inovacijų Centras UAB until 4 November 2013)	Lithuania	2010	24.94 %	24.94 %	Information technology and telecommunication services
Respublikinis Energetikų Mokymo Centras VŠĮ (wholly owned by Duomenų Logistikos Centras UAB)	Lithuania	2010	24,94 %	24.94 %	Training services
Technologijų ir Inovacijų Centras UAB (a newly established company on 4 December 2013)	Lithuania	2013	20 %	-	Information technology, telecommunication and other services to shareholders
TETAS UAB (On 7 January 2013, the Company and LITGRID AB (code 302564383) entered into stock barter agreement under which the Company transferred 38.87% of shares to LITGRID AB)	Lithuania	2005	-	38.87 %	Power network engineering, construction, repair, maintenance and customer connection to the grid services

On 7 January 2013, the Company and LITGRID AB entered into stock barter agreement under which 38.87% ownership interest in TETAS UAB was transferred by the Company to LITGRID AB in return for 25.03% ownership interest in ELEKTROS TINKLO PASLAUGOS UAB transferred by LITGRID AB to the Company. Following the acquisition of shares, the Company became a sole shareholder of ELEKTROS TINKLO PASLAUGOS UAB.

During the General Meeting of Shareholders of Technologijų ir Inovacijų Centras UAB held on 25 October 2013, the decision was made 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 the reduction of its 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 annulling 17 606 226 ordinary registered shares and by proportionally reducing the number of shares held by all shareholders of this company. The value of the Company's investment did not change (Note 31).

On 25 November 2013, the Company together with Lietuvos Energija UAB, Lietuvos Energijos Gamyba AB and LITGRID AB signed an agreement on the establishment of 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 at 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, Lietuvos Energijos Gamyba AB, LITGRID AB hold 20%, 50%, 20% and 10% of shares, respectively.

As at 31 December 2013, the Group and the Company had 3 212 and 2 420 employees, respectively (31 December 2012: 3 384 and 2 555, respectively).

Approval of financial statements

The Company's management approved these financial statements on 12 March 2014. The Company's shareholders have a statutory right to approve or not to approve these financial statements and to require the preparation of a new set of financial statements.

2. Summary of significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by property, plant and equipment measured at revalued amount and investment property measured at fair value.

All amounts in these financial statements are presented in the litas and they have been rounded to the nearest thousand (in thousand LTL), unless otherwise stated.

The Company's and the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

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. These improvements had no significant impact on the Group's/Company's financial statements.

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:

- 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.

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.

2.2. Consolidation

(a) Subsidiaries

The consolidated financial statements of the Group include the Company and its subsidiaries and associates. The financial statements of the subsidiaries and associates have been prepared for the same reporting periods, using uniform accounting policies. For the purpose of the Company's financial statements, investments in subsidiaries and associates are accounted for using the cost method.

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

All inter-company transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated.

(b) Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for using the predecessor accounting. The difference between the consideration paid and the carrying amount of net assets acquired is recorded directly in other comprehensive income.

When transactions involving entities under common control do not meet the definition of a business combination (e.g. mergers), they are accounted for as a capital reorganisation, i.e. assets, liabilities, income and expenses of the merging entities for all the periods reported are consolidated as if these two entities had never existed separately.

(c) Associates

Associates are all entities over which the Group has significant influence but no control. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and they are initially recognised at cost. The Group's investment in associate includes goodwill (less accumulated impairment loss, if any) identified on the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits resulting from transactions between the Group and its associates are eliminated only to the extent of the Group's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3. 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 that makes strategic decisions.

According to the management, the Group and the Company have a single operating segment, i.e. supply and distribution of electric power. The Group and the Company have a single geographical segment – Republic of Lithuania. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of income and expenses, assets and liabilities.

2.4. Foreign currency translation

(a) Functional and presentation currency

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'). Items in the consolidated financial statements are presented in the litas, which is the functional currency of the Company.

With effect from 2 February 2002, Lithuanian litas has been pegged to the euro at a rate of 3.4528 litas to 1 euro.

(b) Transactions and balances

Foreign currency transactions are accounted for using the exchange rates prevailing at the dates of transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of profit or loss and other comprehensive income of the reporting period.

2.5. Property, plant and equipment

Property, plant and equipment is shown at fair value based on periodic valuations by external independent valuers, less subsequent accumulated depreciation and impairment. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to profit or loss.

Increases in the carrying amount that offset previous decreases are taken to the profit or loss account. All other increases in the carrying amount arising on revaluations of property, plant and equipment are recognised in other comprehensive income and credited to revaluation reserve directly in equity. Each year the difference between depreciation based on the revalued amount of the asset charged to profit or loss, 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.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the revalued amount of asset to its residual value over the following estimated useful lives:

Administrative buildings (at the Group)	60 years
Buildings	15–50 years
Whereof:	
Engineering constructions	50 years
35-110 kV transformer substation constructions	35 years
6-10 kV electricity distribution constructions	35 years
10/0.4 kV transformer constructions	35 years
Communication and operation system constructions	15–25 years
Structures, equipment and electricity networks	5–50 years
Whereof:	
35-110 kV transformer substation equipment (excl. constructions)	30 years
6-10 kV distribution equipment (excl. constructions)	30 years
10/0.4 kV capacity transformers	30 years
35 kV cables and lines	45 years
0.4-10 kV cables and lines	15–40 years
35-110 kV capacity transformers	40 years
Communication and operation system equipment (excl. constructions)	5–45 years
Hydrotechnical structures and equipment	50 years
Other property, plant and equipment	3–50 years

The useful life of property, plant and equipment reclassified from investment property and used by the Group is 60 years.

The residual values and useful lives of property, plant and equipment are reviewed regularly and adjusted, if appropriate, according to the procedure established at the Company.

When assets are written off or otherwise disposed, the acquisition cost and related depreciation charges are not further recognised in the financial statements, and gain or loss on such disposal is recognised in profit or loss. Gain or loss on disposal of property, plant and equipment is determined as the difference between proceeds and the net book value of assets disposed. Upon disposal of revalued asset, the corresponding amount included in revaluation reserve is transferred to retained earnings (deficit).

Construction in progress is reclassified to corresponding categories of property, plant and equipment when it is completed and ready for the intended use.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time (longer than 1 year) to get ready for their intended use, are added to the cost of those assets.

2.6. Investment property

Investment property consists of the Company's and the Group's buildings and constructions held to earn rentals or for capital appreciation. Investment property is initially recognised at cost and subsequently measured at fair value. Deprecation is not calculated with respect to investment property. For the purpose of the financial statements, gain or loss arising from changes in the fair value is included to profit or loss in the statement of profit or loss and other comprehensive income of the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in an asset's use. Some properties may be partially occupied by the Company and the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company and the Group can be sold separately, the Company and the Group account for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income is treated as investment property under IAS 40.

2.7. Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

(b) Other intangible assets

Intangible assets expected to provide economic benefits to the Group and the Company in future periods are stated at acquisition cost, less any accumulated amortisation and impairment losses. Amortisation is calculated on the straight-line method over estimated useful lives of 3 to 4 years.

2.8. Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9. Financial assets

Financial assets are classified by the Group and the Company as financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. Regular purchases and sales of financial assets are recognised on the trade date. Financial assets are initially recognised at fair value plus transaction costs, except for the financial assets at fair value through profit or loss.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when these assets are derecognised, impaired or amortised.

Impairment loss is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the amount receivable is impaired. The carrying amount of the asset is reduced, and the amount of the loss is recognised in profit or loss within 'other expenses'. When an amount receivable is uncollectible, it is written off against the allowance account for amounts receivable. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in profit or loss of the statement of profit or loss and other comprehensive income.

2.10. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group and the Company do not use hedging accounting, therefore, derivative financial instruments are recognised at fair value through profit or loss. Changes in the fair value of derivatives are recognised immediately in profit or loss in the statement of profit or loss and other comprehensive income within finance costs.

2.11. Investments in subsidiaries and associates in the Company's separate financial statements

Investments in subsidiaries and associates in the Company's separate financial statements are stated at cost less impairment loss.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) basis. Acquisition cost of inventories includes purchase price and related taxes (other than those subsequently recovered by the Company and the Group from tax authorities), transportation, handling and other costs directly associated with acquisition of inventories. The acquisition cost excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.13. 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.

2.14. Term deposits

Term deposits are short-term (up to 1 year) highly liquid investments with maturities longer than 3 months. Term deposits are stated at amortised cost using the effective interest rate method.

2.15. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities up to 3 months.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held in settlement bank accounts, and other short-term highly liquid investments with maturities up to 3 months, and bank overdrafts. In the statement of financial position, bank overdrafts are included in current borrowings.

2.16. Trade receivables

Trade payables are accrued when the other party has performed its obligations under the contract, and are initially recognised at fair value and subsequently estimated at amortised cost using the effective interest rate method.

2.17. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 month after the balance sheet date.

Borrowing costs that are attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time (longer than 1 year) to get ready for its intended use, are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses in profit or loss in the statement of profit or loss and other comprehensive income during the period when they are incurred.

2.18. Income tax

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

(a) Income tax

Current income tax assets and liabilities are recognised to the extent their recovery from or payment to tax authorities is probable. Income tax is determined using the tax rates (and laws) that have been enacted by the date of the statements of financial position.

The standard income tax rate in Lithuania was 15% in 2013 (2012: 15%).

(b) 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 it is probable that they will reduce the taxable profit in future. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from initial recognition of goodwill (or negative goodwill); or if they arise 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 statement of financial position 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 right to offset current tax assets and current tax liabilities.

(c) Current tax and deferred tax

Current tax and deferred tax are recognised as income and expenses and included in net profit or loss for the period, except to the extent that they relate to transactions or events that are recognised directly in equity in the same period, or business combinations.

2.19. Employee benefits

(a) Social security contributions

The Group and the Company 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 plan is a plan under which the Group and the Company pay 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 are included in payroll expenses. The Company paid social security contributions at a rate of 30.98% until 31 December 2013, and at a rate of 31.17% with effect from 1 January 2014.

(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 Group and the Company recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan and agreements signed with employees without possibility of withdrawal or providing 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 recognised at present value discounted using market interest rate.

(c) Pension benefits to employees of retirement age

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws. A liability for such pension benefits is recognised in the statement of comprehensive income and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the date of the statement of financial position is determined with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

2.20. Grants

Government grants are recognised at their fair value where there is a reasonable assurance that the subsidy will be received and the Group and the Company will comply with all attached conditions. Government grants relating to purchase of property, plant and equipment are included in non-current liabilities in the statement of financial position and are credited to profit or loss in the statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets.

Government grants received as a compensation for costs or unearned income for current or previous reporting period, and all grants other than those related to assets, are considered as grants related to income. Government grant receivable as a compensation for costs or losses incurred or provided as financial support to the entity without incurring any costs in future in relation thereto, is recognised as income of the reporting period, in which it will be receivable.

2.21. Operating lease

(a) Operating lease – where the Company and the Group are lessees

Lease is recognised as operating lease, when all the risks and rewards of ownership of the leased item remain with the lessor. Operating lease payments are recognised as expenses in profit or loss of the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(b) Operating lease – where the Company and the Group are lessors

Lease is recognised as operating lease, when the lessor retains all the rewards and risks of ownership of the leased item. Payments received under operating leases are recognised as income on a straight-line basis over the lease term.

2.22. 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 profit or loss in the statement of profit or loss and other 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 finance costs.

2.23. Revenue recognition

Revenue of the Company and the Group comprises the fair value of the consideration received or receivable for goods and services sold in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating inter-company sales in case of the Group's revenue.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and the Company and when specific criteria have been met for each of the Company's and the Group's activities, as described below.

(a) Revenue from sale of electricity

Revenue from sale of electricity to private customers is recognised in the period upon supply of electricity and receipt of payment for electricity supplied. At the end of each reporting period, revenue is accrued to account for electricity supplied but not paid yet.

Revenue from sale of electricity to business customers is recognised upon sale of electricity based on the actual consumption of electricity which is determined according to the readings of electricity meters.

(b) Revenue from connection of new customers

Fees for the connection of new customers, producers, and for the dislocation and reconstruction of electricity network objects or facilities on request of the customer, producer or other entity, which were received after 1 July 2009, are recognised as revenue upon connection.

The above-mentioned fees received before 1 July 2009 were initially recognised as deferred income and subsequently recognised as income on a proportionate basis over the useful life of the related property, plant and equipment. The related costs comprising the acquisition cost of property, plant and equipment and other costs have been capitalised and depreciated over the estimated useful life of the assets capitalised.

(c) Revenue from sale of services

Revenue from sale of services is recognised during the period in which the services have been rendered with reference to the stage of completion of the specific transaction which is determined as a percentage of services actually rendered as compared to the total services to be rendered.

(d) Revenue from sale of goods

Revenue from sale of goods is recognised when all the risks relating to loss of or damage to goods and all other incremental costs arising as a result of events occurring after the goods have been delivered to the agreed place, have been transferred by the Group to the Company's buyer in accordance with the standard sale terms and conditions (INCOTERMS) agreed with the buyer, and the collection of the related receivable amounts is certain.

(e) Interest income

Interest income is recognised on accrual basis (using the effective interest rate method). Interest received is recorded in profit or loss in the statement of profit or loss and other comprehensive income as finance income.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25. Earnings per share

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

2.26. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed 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

All subsequent events after the end of the reporting period (adjusting events) are accounted for in the financial statements if they relate to the reporting period and have significant impact on the financial statements.
All subsequent events that are significant but not adjusting events are disclosed in notes to the financial statements.

2.28. Inter-company offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, except for the cases when such offsetting is required in the specific standard.

3. Critical accounting estimates

Accounting estimates and judgements are regularly reviewed and evaluated with reference to past experience and other factors, such as the likelihood of future events, which is deemed to be reasonable under certain circumstances.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and contingencies. The main areas where accounting estimates were used when preparing these financial statements are described below:

(a) Revaluation and impairment of property, plant and equipment

The Group and the Company account for property, plant and equipment at a revalued amount in accordance with International Accounting Standard 16 'Property, plant and equipment'. The revalued amount of the majority of items of property, plant and equipment due to their specific nature was measured using a depreciated replacement cost approach at 31 December 2008.

If the value of assets is measured based on a depreciated replacement cost method, International Valuation Standards require that an adequate economic obsolescence test is performed. Accounting standards require a periodical review of property, plant and equipment for impairment. When the carrying amount of property, plant and equipment stated in the statement of financial position is higher than its value in use or fair value, less selling expenses, the value of property, plant and equipment should be reduced. In other words, the value of property, plant and equipment recorded in the statement of financial position should be written down to the higher of: present value of future benefits expected from the use of assets or the value proceeds expected from disposal of assets.

The previous version of the Lithuanian Law on Electricity effective as at 31 December 2008 stipulated that the price cap of the electricity transmission service was determined based on the value of assets used in the licensed activities of the service provider with values being established on the grounds of data reported in the service provider's financial statements (Regulated Assets Base).

According to the amendment effective from 1 June 2009, the Law now requires the price cap of the electricity transmission service to be determined based on the value of assets used in licensed activities of the service provider with values being estimated and approved by the National Control Commission for Prices and Energy ("the Commission") in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to Resolution No. 1142 of the Government of the Republic of Lithuania on the Methodology for the Determination of the Value of Assets used in the Licensed Activities of the Electricity Service Provider, the determination of the price cap of the electricity transmission service is to include the value of assets used in licensed activities of the service provider which is equal to net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of investments implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated by the Lithuanian Law on Income Tax.

Due to the reasons specified above, the values of property, plant and equipment reported in these financial statements may materially differ from those that would be determined if the valuation of assets were performed by independent valuers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative impact on the results of the Group's and the Company's operations and on the shareholders' equity reported in the financial statements for the years 2012 and 2013.

Based on the management's decision, the external independent valuers did not determine the fair values of property, plant and equipment as at 31 December 2012 and 2013 because of a significant reorganisation in the whole energy sector in 2010 and 2011, and due to uncertainties in 2012 and 2013 relating to the currently developed new model for the determination of prices of electricity and the term of its approval.

(b) Deferral of customer connection fees

Before 1 July 2009, the Company used to defer revenue received for the connection of new customers to the electricity network and recognise it as income over the period of 31 years, which is the average useful life of electricity equipment constructed by the Group and the Company for the purposes of connecting new customers. The Company is the only provider of electricity distribution service to the customers in the whole territory of Lithuania, therefore, management believes that the period of rendering services to customers is unlimited. As a result, the average useful life of electricity equipment constructed by the Group or the Company for customer connection was used as the best estimate of the period over which connection fees paid customers are recognised as income. For further details, see Note 15. With effect from 1 July 2009, connection fees received from customers are recognised as income upon the connection of customers.

(c) Accrued income

Revenue received from private customers is recognised based on the payments received, therefore at the end of each reporting period the amount of the revenue earned but not yet paid by private customers is estimated and accrued by the management. Unbilled revenue is estimated as 1/3 of payments for electricity received in December. Such estimate is based on the Company's historical experience and average term of settlement for electricity supplied to private customers. The management has estimated that the majority of private customers declare and make payment for the electricity used on approx. 20th day of the month, while electricity is supplied for a full month (30 or 31 days). Consequently, the volume of electricity used over the remaining 10 days is proportionally estimated based on the total volume of electricity supplied to the electricity supply network during the month (an actually known variable) and the total volume of electricity declared by private customers during December and multiplying the difference by the average rate per 1 kWh (Note 10).

(d) Provision for impairment of accounts receivable

Impairment loss of accounts receivable was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on indicators of significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the management could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

The Company's amounts receivable are assessed to determine their value and impairment individually or collectively in a group of similar receivables. In case of individually assessed receivables for impairment, the Company takes into account the available or accessible data from external sources of information on market trends and forecasts, the possible credit enhancements (collateral) provided for receivables and events providing evidence of impairment of receivables such as, for example, fulfilment of contractual terms, the borrower's actual performance, etc. The Company reviews annually whether the provisioning rates used for collectively assessed receivables are in line with the historical data of impairment of receivables and approves the provisioning rates for collectively assessed receivables for the upcoming year. Based on the Company's estimates, with effect from 2013 receivables not past due are also assessed, the recovery of a certain percentage of which is not probable in the future. For further details, see Note 9.

(e) Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and physical wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group and the Company. The following key factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

(f) Tax audits

The tax authorities may at any time inspect the accounting registers and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The management is not aware of any circumstances that might result in a potential material liability in this respect.

(g) Usage of overdeclared electricity

With effect from the beginning of 2013 and 2012, the Company increased electricity prices. As a result, a part of private customers declared higher usage of electricity than their actual usage for the purpose of paying a lower price. The Company estimated the overdeclared amount based on the change in usage of electricity that was calculated as the difference between electricity received to the network during the restated period and electricity received to the network during the same period last year. In 2013, the difference estimated was recognised as amounts receivables and in 2012 and 2011 as advance amounts received (Note 18).

From the beginning of 2014, the Company decreased electricity prices. Based on the Company's estimates, in 2013 there was no significant difference between the volume of electricity declared and the volume of electricity actually used by private customers.

4. Property, plant, and equipment

GROUP	Note	**Land**	**Buildings**	**Structures and machinery**	**Motor vehicles**	**Other property, plant and equipment**	**Construc-tion in progress**	**Total**
At 31 December 2011								
Cost or revalued amount		453	404 243	5 052 711	70 297	124 856	61 046	5 713 606
Accumulated depreciation		-	(43 387)	(776 632)	(26 981)	(42 635)	-	(889 636)
Net book amount at 1 January 2012		**453**	**360 856**	**4 276 079**	**43 316**	**82 220**	**61 046**	**4 823 970**
Additions		-	164	7 500	12 552	327	318 822	339 365
Disposals		-	(233)	(87)	(149)	(8)	-	(477)
Write-offs		-	(432)	(14 957)	-	(27)	(664)	(16 080)
Revaluation		-	280	(252)	12	(40)	-	-
Reclassifications between groups, transferred to intangible assets and inventories		-	6 553	297 575	-	13 841	(317 991)	(22)
Transferred from/to investment property	6	-	(5 230)	(527)	-	-	-	(5 757)
In-kind contributions		-	1	92	(25)	(13)	-	55
Depreciation charge		-	(19 603)	(363 028)	(6 322)	(18 425)	-	(407 378)
Net book amount at 31 December 2012		**453**	**342 356**	**4 202 395**	**49 384**	**77 875**	**61 213**	**4 733 676**
At 31 December 2012								
Cost or revalued amount		453	404 570	5 319 492	80 907	135 695	61 213	6 002 330
Accumulated depreciation		-	(62 214)	(1 117 097)	(31 523)	(57 820)	-	(1 268 654)
Net book amount at 1 January 2013		**453**	**342 356**	**4 202 395**	**49 384**	**77 875**	**61 213**	**4 733 676**
Additions		-	241	3 150	10 851	308	290 994	305 544
Disposals		-	(43)	(98)	(561)	-	-	(702)
Write-offs		-	(179)	(12 325)	(2)	(57)	(370)	(12 933)
Revaluation		-	497	(416)	314	40	-	435
Reclassifications between groups, transferred to intangible assets, inventories, assets held for sale		-	4 109	288 454	-	6 270	(298 482)	351
Transferred from/to investment property	6	-	(3 452)	(34)	-	-	(1 297)	(4 783)
Depreciation charge		-	(18 816)	(334 951)	(6 821)	(16 480)	-	(377 068)
Net book amount at 31 December 2013		**453**	**324 713**	**4 146 175**	**53 165**	**67 956**	**52 058**	**4 644 520**
As 31 December 2013								
Cost or revalued amount		453	399 163	5 580 418	85 879	140 945	52 058	6 258 916
Accumulated depreciation		-	(74 450)	(1 434 243)	(32 714)	(72 989)	-	(1 614 396)
		453	**324 713**	**4 146 175**	**53 165**	**67 956**	**52 058**	**4 644 520**

COMPANY	Land	Buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construc-tion in progress	Total
At 31 December 2011							
Cost or revalued amount	273	305 515	5 043 977	390	119 212	59 837	5 529 204
Accumulated depreciation	-	(39 932)	(773 112)	(146)	(40 004)	-	(853 194)
Net book amount at 1 January 2012	**273**	**265 583**	**4 270 865**	**244**	**79 208**	**59 837**	**4 676 010**
Additions	-	150	7 017	-	-	317 181	324 348
Disposals	-	-	(39)	-	(2)	-	(41)
Write-offs	-	(432)	(14 941)	-	(11)	(663)	(16 047)
Revaluation	-	1	(252)	12	(40)	-	(279)
Reclassifications between groups, transferred to intangible assets and inventories	-	6 634	297 477	-	13 880	(317 991)	-
In-kind contributions in subsidiaries	-	(57)	(802)	(219)	(189)	-	(1 267)
Depreciation charge	-	(17 625)	(361 816)	(7)	(17 739)	-	(397 187)
Net book amount at 31 December 2012	**273**	**254 254**	**4 197 509**	**30**	**75 107**	**58 364**	**4 585 537**
At 31 December 2012							
Cost or revalued amount	273	311 656	5 309 959	118	130 223	58 364	5 810 593
Accumulated depreciation	-	(57 402)	(1 112 450)	(88)	(55 116)	-	(1 225 056)
Net book amount at 1 January 2013	**273**	**254 254**	**4 197 509**	**30**	**75 107**	**58 364**	**4 585 537**
Additions	-	241	2 619	-	99	290 760	293 719
Disposals	-	(43)	(94)	-	-	-	(137)
Write-offs	-	(179)	(12 280)	(1)	(43)	(367)	(12 870)
Reclassifications between groups, transferred to intangible assets and inventories	-	4 078	288 064	-	6 270	(298 482)	(70)
Depreciation charge	-	(17 108)	(333 784)	(6)	(15 805)	-	(366 703)
Net book amount at 31 December 2013	**273**	**241 243**	**4 142 034**	**23**	**65 628**	**50 275**	**4 499 476**
As 31 December 2013							
Cost or revalued amount	273	315 693	5 574 626	109	136 299	50 275	6 077 275
Accumulated depreciation	-	(74 450)	(1 432 592)	(86)	(70 671)	-	(1 577 799)
	273	**241 243**	**4 142 034**	**23**	**65 628**	**50 275**	**4 499 476**

Write-offs mainly represent write-offs of structures and electricity network equipment which had been replaced during the reconstruction (repair).

Revaluation of property plant and equipment at 31 December 2013

On 31 December 2013, the revaluation of property, plant and equipment of ELEKTROS TINKLO PASLAUGOS UAB, the Company's subsidiary, was performed by independent property valuer Kovertas UAB using the comparable sales and cost methods.

On 31 December 2013, the revaluation of buildings of NT Valdos UAB, the Company's subsidiary, was performed by independent property valuer Inreal UAB using the comparable sales method.

The summary of gain and loss on revaluation in 2013 is presented below:

GROUP	Recognised in other comprehensive income and revaluation reserve	Recognised in profit or loss	Total revaluation gain (loss)
Increase (decrease) in carrying amount	850	(415)	435

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

Revaluation of property plant and equipment at 31 December 2012

On 31 December 2012, the revaluation was performed with respect to the Company's property, plant and equipment that were transferred as an in-kind contribution on 31 January 2012 to the authorised share capital of subsidiary NT Valdos UAB. The revaluation was performed by independent property valuer Inreal UAB using the comparable sales method.

On 31 December 2012, the revaluation of buildings of NT Valdos UAB, the Company's subsidiary, was performed by independent property valuer Inreal UAB and the Company's property valuers using the comparable sales method.

The summary of gain and loss on revaluation in 2012 is presented below:

GROUP	**Recognised in other comprehensive income and revaluation reserve**	**Recognised in profit or loss**	**Total revaluation gain (loss)**
Increase/(decrease) in carrying amount	532	(532)	-
COMPANY			
Increase/(decrease) in carrying amount	93	(372)	(279)

If no revaluation had been carried out for property, plant and equipment, the net book values of the Group's and the Company's property, plant and equipment would have been as follows as at 31 December 2013 and 2012:

GROUP	**Land**	**Buildings**	**Structures and machinery**	**Motor vehicles**	**Other property, plant and equipment**	**Construc -tion in progress**	**Total**
As 31 December 2013	556	186 062	2 660 078	52 844	67 050	52 120	**3 018 710**
At 31 December 2012	556	242 274	2 548 812	51 254	76 275	61 302	**2 980 473**

COMPANY	**Land**	**Buildings**	**Structures and machinery**	**Motor vehicles**	**Other property, plant and equipment**	**Construc -tion in progress**	**Total**
As 31 December 2013	376	152 637	2 652 869	15	64 762	50 337	**2 920 996**
At 31 December 2012	376	159 131	2 535 968	21	73 506	58 452	**2 827 454**

Measurement of the fair value of property, plant and equipment

On 31 December 2013, the fair value of property, plant and equipment of ELEKTROS TINKLO PASLAUGOS UAB, the Company's subsidiary and buildings of NT Valdos UAB, the Company's subsidiary, was established by the independent property valuers.

The distribution of the fair value of the Group's property, plant and equipment according to the hierarchy levels is as follows as at 31 December 2013 (levels of the fair value hierarchy are described in Note 27):

	Level 1	Level 2	Level 3	
GROUP	**Quoted prices in active markets**	**Other directly or indirectly observable inputs**	**Unobservable inputs**	**Total**
Property, plant, and equipment				
-buildings	-	81 750	134	**81 884**
-structures	-	2 884	3 089	**5 973**
-motor vehicles	-	1 893	993	**2 886**
-other property, plant and equipment	-	204	71	**275**
Total	**-**	**86 731**	**4 287**	**91 018**

The fair values of property, plant and equipment of NT Valdos UAB, the Company's subsidiary, established using directly or indirectly observable data are within Level 2 of the fair value hierarchy. The sale prices of comparable objects selected by the valuers were adjusted taking into account specific characteristics of the object being measured, e.g. area, location. Items of buildings within Level 3 of the fair value hierarchy were measured using the income method.

The property, plant and equipment of ELEKTROS TINKLO PASLAUGOS UAB, the Company's subsidiary, which is within Level 2 of the fair value hierarchy, was measured using the comparable sales method. This method was used for the measurement of all items of real estate, the majority of non-special purpose motor vehicles and other items of movable property in respect of which sale transactions or offer examples were observable in the market. Items of property, plant and equipment within Level 3 of the fair value hierarchy were measured using the cost method. This method was used for the measurement of the values of engineering communications and a part of special purpose movable property in respect of which no sale or offer market data was available. In calculating the value of measured structures under the cost method, the creation costs of objects (construction values) indicated in the price lists of Real Estate Recovery Costs (RERC) prepared by third party were used. The straight-line depreciation method was used for valuation purposes assuming that the value of property being measured is written off in proportion to the number of years. Property recovery costs were calculated on the grounds of the above-mentioned levels of creation costs.

5. Intangible assets

GROUP	Patents and licenses	Computer software	Other intangible assets	Projects in progress	Total
At 31 December 2011					
Cost	69	10 384	161	392	11 006
Accumulated depreciation	(2)	(5 251)	(25)	-	(5 278)
Net book amount at 1 January 2012	**67**	**5 133**	**136**	**392**	**5 728**
Additions	-	13	10	3 650	3 673
Transferred from property, plant and equipment	-	1 545	-	(1 545)	-
Amortisation charge	(23)	(2 289)	(32)	-	(2 344)
Net book amount at 31 December 2012	**44**	**4 402**	**114**	**2 497**	**7 057**
At 31 December 2012					
Cost	69	11 762	171	2 497	14 499
Accumulated depreciation	(25)	(7 360)	(57)	-	(7 442)
Net book amount at 1 January 2013	**44**	**4 402**	**114**	**2 497**	**7 057**
Additions	-	-	-	4 908	4 908
Transfers between groups	-	3 379	100	(3 409)	70
Write-offs	-	(4)	(6)	-	(10)
Amortisation charge	(23)	(2 629)	(47)	-	(2 699)
Net book amount at 31 December 2013	**21**	**5 148**	**161**	**3 996**	**9 326**
As 31 December 2013					
Cost	69	14 835	256	3 996	19 156
Accumulated depreciation	(48)	(9 687)	(95)	-	(9 830)
	21	**5 148**	**161**	**3 996**	**9 326**

COMPANY	Patents and licenses	Computer software	Other intangible assets	Projects in progress	Total
At 31 December 2011					
Cost	69	10 326	161	392	10 948
Accumulated depreciation	(2)	(5 249)	(25)	-	(5 276)
Net book amount at 1 January 2012	**67**	**5 077**	**136**	**392**	**5 672**
Additions	-	-	-	3 625	3 625
Transferred from property, plant and equipment	-	1 545	-	(1 545)	-
Amortisation charge	(23)	(2 270)	(30)	-	(2 323)
Net book amount at 31 December 2012	**44**	**4 352**	**106**	**2 472**	**6 974**
At 31 December 2012	-	-	-	-	-
Cost	69	11 685	161	2 472	14 387
Accumulated depreciation	(25)	(7 333)	(55)	-	(7 413)
Net book amount at 1 January 2013	**44**	**4 352**	**106**	**2 472**	**6 974**
Additions	-	-	-	4 907	4 907
Transfers between groups	-	3 378	100	(3 408)	70
Write-offs	-	(4)	(6)	-	(10)
Amortisation charge	(23)	(2 608)	(45)	-	(2 676)
Net book amount at 31 December 2013	**21**	**5 118**	**155**	**3 971**	**9 265**
As 31 December 2013					
Cost	69	14 764	246	3 971	19 050
Accumulated depreciation	(48)	(9 646)	(91)	-	(9 785)
	21	**5 118**	**155**	**3 971**	**9 265**

6. Investment property

The Group's investment property comprises buildings and structures of the subsidiary NT Valdos UAB that are not used for the Group's own needs but are held for rental yields.

The summary of movement on investment property account is presented below:

GROUP	Investment property
At 1 January 2012	**135 588**
Additions	3 725
Disposals	(405)
Change in fair value	(2 569)
Transferred to assets held for sale	(366)
Transferred from property, plant and equipment after the change in an asset's use	5 757
At 31 December 2012	**141 730**
At 1 January 2013	**141 730**
Change in fair value	575
Transferred from property, plant and equipment after the change in an asset's use	4 783
As 31 December 2013	**147 088**

On 31 December 2013, the value of the investment property was established based on the reports on the establishment of the market value of real estate presented by independent property valuers InReal UAB and Resolution Valutions UAB. The valuation of the property was performed using the comparable sales method and the income method.

On 31 December 2012, the revaluation of real estate of NT Valdos UAB was performed by independent property valuer Inreal UAB and property valuers of NT Valdos UAB using the comparable sales method.

Measurement of the fair value of investment property

On 31 December 2013, the fair value of buildings of NT Valdos UAB, the Company's subsidiary, was established by the independent property valuers.

The distribution of the fair value of the Group's investment property according to the hierarchy levels is as follows as at 31 December 2013 (levels of the fair value hierarchy are described in Note 27):

	Level 1	Level 2	Level 3	
GROUP	**Quoted prices in active markets**	**Other directly or indirectly observable inputs**	**Unobservable inputs**	**Total**
Investment property				
-buildings	-	143 976	513	**144 489**
-structures	-	2 568	31	**2 599**
Total	**-**	**146 544**	**544**	**147 088**

Property within Level 2 of the fair value hierarchy was measured using the comparable sales method. The sale prices of comparable objects selected by the valuers were adjusted taking into account specific characteristics of the object being measured, e.g. area, location. Items of assets within Level 3 of the fair value hierarchy were measured using the income method.

7. Non-current receivables

Non-current receivables consist of mortgage loans which were granted to individuals for a period of 25 years. The mortgage loans are repayable in instalments till 2027. These loans are secured over residential housing property. In 2013, the current portion of these loans amounted to LTL 300 thousand (2012: LTL 319 thousand) and was accounted for under trade and other receivables (Note 9). These loans were issued at a fixed interest rate ranging from 0.1 to 1 per cent.

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Fair value of mortgage loans granted	2 835	3 908	2 835	3 908
Carrying amount of mortgage loans granted	2 239	2 502	2 239	2 502

Non-current portion of mortgage loans is presented below:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Non-current portion of mortgage loans granted	1 939	2 183	1 939	2 183
Other non-current receivables	380	-	-	-
Total	**2 319**	**2 183**	**1 939**	**2 183**

Fair value of mortgage loans was estimated based on cash flows discounted at a rate of 2.51% as at 31 December 2013 (31 December 2012: 3.03%). The discount rate corresponds to the interest rate on loans granted to non-financial entities and households as published by the Bank of Lithuania. The fair value of mortgage loans is within Level 3 of the fair value hierarchy (refer to Note 27 for more detail). The weighted average effective interest rate used by the Group and the Company for discounting of mortgage loans was 7.65% as at 31 December 2013 (2012: 7.61%).

8. Inventories

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Raw materials and spare parts	10 628	12 328	4 361	4 798
Electricity meters	3 257	2 508	3 257	2 508
Fuel	278	248	147	103
Other	2 996	2 027	2 018	1 386
Less: write-down of inventories	(6 577)	(7 130)	(3 112)	(3 895)
Total	**10 582**	**9 981**	**6 671**	**4 900**

The Group's and the Company's inventories recognised as expenses during the year amounted to LTL 50 901 thousand and LTL 14 607 thousand, respectively as at 31 December 2013 (31 December 2012: LTL 55 375 thousand and LTL 19 231 thousand, respectively). These expenses were included in repairs and maintenance expenses in the statement of profit or loss and other comprehensive income.

Movement on inventory write-down account in 2013 and 2012 was as follows:

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Inventory write-down at 1 January 2013	**7 130**	**4 879**	**3 895**	**4 453**
Increase in inventory write-down during the year	815	2 855	585	46
Reversal of inventory write-down	(1 368)	(604)	(1 368)	(604)
Inventory write-down at 31 December 2013	**6 577**	**7 130**	**3 112**	**3 895**

Write-down with respect to certain inventories was reversed as inventories were written off or utilised.

9. Trade and other receivables

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Trade receivables	221 283	199 207	219 318	197 045
Trade and other receivables from related parties (Note 29)	19 307	21 185	13 344	17 565
Current portion of mortgage loans	300	319	300	319
Other receivables	3 414	4 730	3 399	3 572
Less: impairment of doubtful receivables	(40 281)	(34 530)	(39 635)	(34 205)
Total	**204 023**	**190 911**	**196 726**	**184 296**

Other receivables amounting to LTL 1 196 thousand for the Group and LTL 1 067 thousand for the Company as at 31 December 2013 (31 December 2012: LTL 2 524 thousand for the Group and the Company) are not financial instruments.

The fair values of trade and other receivables approximate their carrying amounts.
Impairment provision for trade receivables is recognised when it is probable that the debtor will enter bankruptcy, fails to fulfil obligations or the payment is overdue. Based on the Company's estimates, with effect from 2013 receivables not past due are also assessed, the recovery of a certain percentage of which is not probable in the future.

Current portions of mortgage loans are disclosed at a discounted value and are not past due.

The Group's and the Company's trade and other receivables not classified as doubtful included as follows:

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Not past due	183 758	172 205	177 845	168 917
Past due up to 1 month	11 304	12 049	10 324	9 003
Past due from 1 to 2 months	3 769	3 112	3 703	2 853
Past due longer than 2 months	4 892	3 204	4 554	3 204
Total	**203 723**	**190 570**	**196 426**	**183 977**

For the ageing analysis of receivables from related parties refer to Note 29.

Trade receivables are non-interest bearing and are normally settled with the term of 25 to 35 days.

The ageing of the Group's and the Company's trade and other receivables that were provided for is as follows:

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Past due up to 3 months	6 235	3 747	6 224	3 698
Past due from 3 to 6 months	3 103	1 593	3 032	1 487
Past due from 6 to 12 months	6 892	4 632	6 642	4 471
Past due longer than 1 year	24 051	24 580	23 737	24 549
Total	**40 281**	**34 552**	**39 635**	**34 205**

Movements on the Group's and the Company's provision for impairment of trade and other receivables in 2013 and 2012 were as follows:

	GROUP	COMPANY
Balance at 1 January 2012	**40 427**	**40 399**
Provision for impairment	7 988	7 691
Written off	(13 885)	(13 885)
Balance at 31 December 2012	**34 530**	**34 205**
Provision for impairment	11 801	11 478
Written off	(6 050)	(6 048)
Balance at 31 December 2013	**40 281**	**39 635**

10. Prepayments, deferred charges and accrued income

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Unbilled revenue from electricity supplied	21 735	21 593	21 735	21 593
Prepayments for services	128	44	32	6
Other prepayments, deferred charges, other accrued income	431	366	57	39
Total	**22 294**	**22 003**	**21 824**	**21 638**

11. Derivative financial instruments

In order to manage interest rate risk, the Group and the Company used derivative financial instruments. To this end, the Company had entered into the interest rate swap agreement enabling it to convert floating interest flows into fixed.

The term of the interest rate swap agreement expired on 11 November 2013. As at 31 December 2012, the nominal value of the interest rate swap amounted to LTL 69 056 thousand.

At the end date of the transaction, i.e. 11 November 2013, the net settlement amount was a liability of LTL 800 thousand. As at 31 December 2012, the fair value of the interest rate swap amounted to LTL 1 558 thousand.

12. Cash and cash equivalents, and term deposits

Cash and cash equivalents

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Cash at bank	26 590	30 066	8 050	9 581
Total	**26 590**	**30 066**	**8 050**	**9 581**

Presented below is the analysis of the credit quality of balances of cash and cash equivalents based on ratings established by the rating agency Moody's:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Aa3	8 650	5 627	2 605	5 612
A1	16 728	7 254	4 232	1 991
A2	-	17 180	-	1 973
Baa1	1 212	2	1 212	2
Baa2	-	3	-	3
Total	**26 590**	**30 066**	**8 050**	**9 581**

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Cash and cash equivalents	26 590	30 066	8 050	9 581
Bank overdraft (Note 19)	(70 708)	(61 501)	(70 009)	(61 501)
Total	**(44 118)**	**(31 435)**	**(61 959)**	**(51 920)**

Term deposits

As at 31 December 2013, the Group had no term deposits at bank (31 December 2012: the Group had a short-term deposit at bank for the amount of LTL 3 000 thousand with maturity longer than 3 months, subject to weighted interest rate of 1.16% and assigned with the credit rating "A2" by the rating agency Moody's).

13. Share capital

As at 31 December 2013, the Company's authorised share capital comprised 603 944 593 (2012: 603 944 593) ordinary registered shares with the nominal value of LTL 1 each. All the shares are fully paid. The number of shares did not change during 2013 and 2012.

14. Reserves

Legal reserve

A legal reserve is a compulsory reserve under 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 at 31 December 2013 and 2012, the legal reserve was fully established.

Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the value increase. This reserve cannot be used to cover losses.

GROUP	Note	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 1 January 2012		**2 161 956**	**(324 896)**	**1 837 060**
Gains/(losses) on revaluation of property, plant and equipment during the year	4	532	(81)	451
Transferred from revaluation reserve to retained earnings during the year (depreciation, write-offs, disposals)		(238 931)	35 841	(203 090)
Non-controlling interests' share of reserve of subsidiaries		(78)	12	(66)
Balance at 31 December 2012		**1 923 479**	**(289 124)**	**1 634 355**
				(0)
Balance at 1 January 2013		**1 923 479**	**(289 124)**	**1 634 355**
Gains/(losses) on revaluation of property, plant and equipment during the year	4	850	(128)	722
Transferred from revaluation reserve to retained earnings during the year (depreciation, write-offs, disposals)		(198 285)	29 743	(168 542)
Non-controlling interests' share of reserve of subsidiaries		30	(4)	26
Balance at 31 December 2013		**1 726 074**	**(259 514)**	**1 466 560**

COMPANY	Note	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 1 January 2012		**2 122 359**	**(318 383)**	**1 803 976**
Gains/(losses) on revaluation of property, plant and equipment during the year	4	93	(14)	79
Transferred from revaluation reserve to retained earnings during the year (depreciation, write-offs, disposals)		(233 894)	35 084	(198 810)
Balance at 31 December 2012		**1 888 558**	**(283 313)**	**1 605 245**
				-
Balance at 1 January 2013		**1 888 558**	**(283 313)**	**1 605 245**
Transferred from revaluation reserve to retained earnings during the year (depreciation, write-offs, disposals)		(197 035)	29 555	(167 480)
Balance at 31 December 2013		**1 691 523**	**(253 758)**	**1 437 765**

Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit.

15. Deferred income

	GROUP/COMPANY	
	31 Dec 2013	**31 Dec 2012**
Deferred income from customer connection fees	302 832	317 861
Deferred income from public service obligations (PSO) electricity sales	1 110	1 153
Total	**303 942**	**319 014**

Deferred income from customer connection fees

	GROUP/COMPANY	
	2013	**2012**
Opening balance	**332 890**	**347 919**
Recognised as income in the statement of profit or loss and other comprehensive income	(15 029)	(15 029)
Closing balance	**317 861**	**332 890**

	GROUP/COMPANY	
	31 Dec 2013	**31 Dec 2012**
Non-current portion	302 832	317 861
Current portion (Note 18)	15 029	15 029
Total	**317 861**	**332 890**

With effect from 1 July 2009, all income from the connection of new customers to electricity equipment and from dislocation of electricity lines are recognised in the period in which works are performed. Before 1 July 2009, accrued income used to be recognised as income over an average useful life of non-current assets concerned

16. Grants

Movements on the Group's and the Company's grants in 2013 and 2012 were as follows:

	GROUP/COMPANY
Balance at 31 December 2011	**46 370**
Received	2 566
Reversed	(414)
Amortisation charge	(2 582)
Balance at 31 December 2012	**45 940**
Received	5 547
Amortisation charge	(3 019)
Balance at 31 December 2013	**48 468**

Grants consist of funds received from the EU Funds for the purpose of acquisition and construction of structures and electricity networks and of property, plant and equipment received at no consideration from the Government of the Republic of Lithuania.

Amortisation of grants is accounted for under depreciation and amortisation in the statement of profit or loss and other comprehensive income and depreciation charges of the related property, plant and equipment are reduced by their amount.

17. Trade and other payables

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Trade payables	152 815	154 765	137 014	134 215
Trade payables to subsidiaries (Note 29)	-	-	21 369	17 172
Trade payables to related parties (Note 29)	160 241	158 901	159 751	158 427
Total trade payables	**313 056**	**313 666**	**318 134**	**309 814**
Taxes (other than income tax)	2 598	1 982	1 042	557
Employment-related liabilities	4 288	4 195	3 396	3 248
Other current liabilities	9 412	10 381	9 386	10 381
Total other amounts payable	**16 298**	**16 558**	**13 824**	**14 186**
Trade and other payables	**329 354**	**330 224**	**331 958**	**324 000**

Other amounts payable amounting to LTL 6 951 thousand for the Group and LTL 4 477 thousand for the Company as at 31 December 2013 (31 December 2012: LTL 7 498 thousand for the Group and LTL 5 124 thousand for the Company) are not financial instruments.

Trade payables

Terms and conditions of the above financial liabilities:

– Trade payables are non-interest bearing and are normally settled within the term of 60 days.
– Other payables are non-interest bearing and have an average settlement term of 6 months.

18. Advance amounts received, accrued charges and deferred income

	GROUP		COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued charges	19 588	19 459	15 704	15 084
Current portion of deferred income from connection of new customers (Note 15)	15 029	15 029	15 029	15 029
Current portion of other deferred income	42	138	42	43
Accrued charges	40 412	49 860	39 996	49 566
Total	**75 071**	**84 486**	**70 771**	**79 722**

As at 31 December 2013, advance amounts received mostly comprise advances received for the connection of new customers (31 December 2012: advances received for the connection of new customers and effects of overdeclared electricity amounting to LTL 7 559 thousand resulting from increased prices for electricity with effect from 1 January 2013). The overdeclared amount as at 31 December 2012 was accounted for within advance amounts received.

19. Borrowings

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Non-current borrowings				
Borrowings from banks	299 065	395 647	299 065	395 647
Current borrowings				
Bank overdraft	70 708	61 501	70 009	61 501
Borrowings from banks	245 754	119 619	245 754	119 619
	316 462	181 120	315 763	181 120
Total borrowings	**615 527**	**576 767**	**614 828**	**576 767**

All borrowings of the Group and the Company bear variable interest rate with repricing period up to 6 months. No assets have been provided as collateral for borrowings.

The maturity of non-current borrowings was as follows:

	Group		Company	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Within 1 to 2 years	55 850	218 386	55 850	218 386
Within 2 to 5 years	243 215	171 809	243 215	171 809
After 5 years	-	5 452	-	5 452
Total	**299 065**	**395 647**	**299 065**	**395 647**

The average interest rates (%) at the date of preparation of the financial statements were as follows:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Bank overdraft	0.78	0.84	0.78	0.84
Borrowings from banks	1.21	1.02	1.21	1.02

The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
LTL	70 708	61 501	70 009	61 501
EUR	544 819	515 266	544 819	515 266
Total	**615 527**	**576 767**	**614 828**	**576 767**

The Group and the Company have the following undrawn borrowing facilities:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Borrowings bearing a variable interest rate and maturing within one year	52 292	67 499	48 991	67 499

20. Deferred income tax

The Group's and the Company's income tax expense/(income) for 2013 and 2012 comprised as follows:

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Current year income tax	34 132	24 058	34 116	23 822
Adjustment of previous year income tax	-	6	-	6
Deferred income tax (income)/expense	(26 630)	(31 412)	(27 418)	(31 284)
Total	**7 502**	**(7 348)**	**6 698**	**(7 456)**

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	20 153	18 150	15 738	15 093
Deferred income tax assets to be recovered within 12 months	3 385	4 953	3 107	4 478
Total	**23 538**	**23 103**	**18 845**	**19 571**
Deferred income tax liabilities:				
Deferred income tax liabilities to be recovered after more than 12 months	(326 069)	(350 277)	(320 295)	(345 567)
Deferred income tax liabilities to be recovered within 12 months	(31 454)	(33 313)	(29 505)	(32 377)
Total	**(357 523)**	**(383 590)**	**(349 800)**	**(377 944)**

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are presented in the table below:

GROUP **Deferred income tax assets**	**New customer connection income**	**Impairment of assets**	**Accrued charges**	**Tax loss carry-forwards**	**Tax goodwill arising on business exchange transaction**	**Electricity overdecla-ration**	**Total**
Balance at 1 January 2012	**11 319**	**7 463**	**2 025**	**2 027**	**92**	**1 526**	**24 452**
Income tax (expense)/income recognised in profit or loss	(587)	(1 043)	89	617	(33)	(392)	(1 349)
Balance at 31 December 2012	**10 732**	**6 420**	**2 114**	**2 644**	**59**	**1 134**	**23 103**
Income tax (expense)/income recognised in profit or loss	(587)	1 666	277	246	(33)	(1 134)	435
Balance at 31 December 2013	**10 145**	**8 086**	**2 391**	**2 890**	**26**	**-**	**23 538**

GROUP **Deferred income tax liabilities**	**Revaluation of PP&E and differences due to different depreciation rates**	**Investment relief**	**Total**
Balance at 1 January 2012	**(398 193)**	**(18 077)**	**(416 270)**
Income tax (expense)/income recognised in profit or loss	31 023	1 738	32 761
Recognised in other comprehensive income	(81)	-	(81)
Balance at 31 December 2012	**(367 251)**	**(16 339)**	**(383 590)**
Income tax (expense)/income recognised in profit or loss	22 879	3 316	26 195
Recognised in other comprehensive income	(128)	-	(128)
Balance at 31 December 2013	**(344 500)**	**(13 023)**	**(357 523)**

COMPANY Deferred income tax assets	New customer connection income	Impairment of assets	Accrued charges	Overdeclaration of electricity	Total
Balance at 1 January 2012	**11 319**	**7 414**	**1 725**	**1 526**	**21 984**
Income tax (expense)/income recognised in profit or loss	(587)	(1 373)	(61)	(392)	(2 413)
Balance at 31 December 2012	**10 732**	**6 041**	**1 664**	**1 134**	**19 571**
Income tax (expense)/income recognised in profit or loss	(587)	634	361	(1 134)	(726)
Balance at 31 December 2013	**10 145**	**6 675**	**2 025**	**-**	**18 845**

COMPANY Deferred income tax liabilities	Revaluation of PP&E and differences due to different depreciation rates	Investment relief	Total
Balance at 1 January 2012	**(393 550)**	**(18 077)**	**(411 627)**
Income tax (expense)/income recognised in profit or loss	31 959	1 738	33 697
Recognised in other comprehensive income	(14)	-	(14)
Balance at 31 December 2012	**(361 605)**	**(16 339)**	**(377 944)**
Income tax (expense)/income recognised in profit or loss	24 828	3 316	28 144
Balance at 31 December 2013	**(336 777)**	**(13 023)**	**(349 800)**

The amount of income tax expenses reported in the statement of profit or loss and other comprehensive income attributable to the operating result for the year can be reconciled against the amount of income tax expenses that would result from applying the statutory income tax rate of 15 per cent to profit before tax:

	GROUP		COMPANY	
	2013	2012	2013	2012
Profit before tax	55 148	(52 934)	50 070	(51 798)
Income tax at a rate of 15% (2012: 15%)	8 272	(7 940)	7 511	(7 770)
Expenses not deductible for tax purposes	217	2 856	122	2 585
Income not subject to tax	(987)	(2 264)	(935)	(2 271)
Total	**7 502**	**(7 348)**	**6 698**	**(7 456)**

21. Revenue

	GROUP		COMPANY	
	2013	2012	2013	2012
Electricity transmission and distribution	2 322 868	2 180 701	2 326 647	2 184 277
New customer connection income	58 383	45 141	58 383	45 156
Lease of premises and motor vehicles	19 198	17 030	-	-
Other income	30 713	40 781	13 365	23 687
Total	**2 431 162**	**2 283 653**	**2 398 395**	**2 253 120**

The companies of the Group provide services of operating lease of motor vehicles and real estate by entering into lease agreements for a specified term which can span from few hours to several years. Income from operating lease of motor vehicles and real estate is recognised as income in the statement of profit or loss and other comprehensive income using the straight-line method over the term of lease.

22. Employee benefits and related social security contributions

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Wages and salaries	105 998	108 659	86 597	88 103
Termination benefits	5 491	2 509	5 189	2 287
Social security contributions	34 593	34 499	28 464	28 055
Vacation accrual	10 819	11 440	9 076	9 511
Social security contributions on vacation accrual	3 368	3 547	2 824	2 945
Total	**160 269**	**160 654**	**132 150**	**130 901**

23. Finance income and costs

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Finance income				
Late-payment interest on trade receivables	2 109	1 318	2 511	1 308
Interest income from credit institutions	263	859	224	737
Interest income on loans granted	20	279	20	279
Derivatives – interest rate swaps	758	-	758	-
Dividends income	-	-	-	712
Total	**3 150**	**2 456**	**3 513**	**3 036**
Finance costs				
Interest paid on loans	(6 895)	(9 609)	(6 846)	(9 599)
Derivatives – interest rate swaps	-	(47)	-	(47)
Foreign exchange (loss)	(10)	(8)	(1)	-
Other (costs)	(107)	(25)	(23)	(48)
Total	**(7 012)**	**(9 689)**	**(6 870)**	**(9 694)**
Net finance costs	**(3 862)**	**(7 233)**	**(3 357)**	**(6 658)**

24. Other expenses

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Finance income				
Write-offs of property, plant and equipment	12 933	16 080	12 870	16 047
Business trips	265	284	194	215
Consultation services	417	788	160	362
Personnel development	1 118	902	1 001	742
Stationery	289	335	211	254
Public relations and marketing	2 108	1 997	1 948	1 789
Asset management costs	96	295	96	295
Customer service costs	8 204	7 943	8 168	7 901
Checking of equipment and devices	768	928	740	933
Taxes (other than income tax)	9 440	9 693	7 200	7 561
Impairment provision for accounts receivable (Note 9)	11 801	7 988	11 478	7 691
Payments under the collective agreement and other additional payments	877	642	787	687
Insurance	990	472	113	198
Charges and dues	43	166	43	164
Medical care	123	150	92	115
Other expenses	(296)	6 446	(1 255)	2 602
Total	**49 176**	**55 109**	**43 846**	**47 556**

25. Basic and diluted earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Net profit/(loss) attributable to shareholders of the Company (in LTL thousands)	46 474	(45 932)	43 372	(44 342)
Weighted average number of shares (thousands)	603 945	603 945	603 945	603 945
Basic earnings/(loss) per share (in LTL per share)	**0.077**	**(0.076)**	**0.072**	**(0.073)**

Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2013, the Company had no dilutive potential ordinary shares issued.

26. Dividends per share

Approved dividends per share were as follows:

	2013	**2012**
Approved dividends (in LTL thousand)	102 670	170 313
Weighted average number of shares (thousands)	603 945	603 945
Approved dividends per share (in LTL per share)	**0.170**	**0.282**

During the Ordinary Meeting of Shareholders held on 30 April 2013, the Company's shareholders made a decision to distribute dividends of LTL 102 670 thousand.

27. Financial risk management

Credit risk

There is no significant credit risk concentration in the Group and in the Company. Credit risk or the risk of counterparties defaulting, is controlled by the application of credit terms and monitoring procedures.

The Group does issue guarantees to secure the fulfilment of obligations of third parties. The maximum exposure to credit risk is represented by the carrying amount of each item of financial asset. Therefore, the management believes that the maximum exposure to credit risk is equal to the amount of mortgage loans, loans, trade and other receivables and cash at bank less recognised impairment loss at the date of the statement of financial position.

Because of the specific nature of the Group's and the Company's operations no collateral is required from customers.

Pursuant to the Articles of Association free liquid funds can be invested only in low-risk money market instruments and debts securities, i.e. term deposits, bonds of reliable financial institutions, securities of Governments. The priority objective of investing activities is to ensure the security of funds and maximise return on investments in pursuance of this objective. Funds can be invested only in debt financial instruments of financial institutions and states assigned with a long-term borrowing rating not lower than "A-" according to the rating agency Fitch Ratings (or a corresponding rating of other rating agencies)..

As at 31 December 2013, the maximum exposure to credit risk of the Group and the Company amounted to LTL 253 612 thousand and LTL 227 383 thousand, respectively (31 December 2012: LTL 245 229 thousand and LTL 215 129 thousand, respectively).

Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

All the Group's and the Company's borrowings bear variable interest rate linked with EURIBOR, EUR LIBOR and VILIBOR and expose the Group and the Company to the interest rate risk.

The Group and the Company managed the interest rate risk by entering into interest swap agreements by changing a variable interest rate into a fixed interest rate. The Company takes long-term borrowings from banks with the variable interest rate and concluded respective interest rate swap agreements for changing the variable interest rate to fixed interest rate thus ensuring lower fixed interest rates as compared to those which would have been applicable if the loan agreements with the fixed rate were directly concluded with the banks.

As at 31 December 2012, borrowings of the Group and the Company, interest rate risk of which is managed by interest rate swaps, amounted to LTL 69 056 thousand. The term of the interest rate swap agreement expired on 11 November 2013.

The following table demonstrates the sensitivity of the Group's and the Company's profit before tax to potential shift in interest rates, taking into account the effect of interest rate swaps, with all other variables held constant (by changing the interest rate). There is no impact on the Group's and the Company's equity, other than current year profit impact.

	GROUP		**COMPANY**	
	Increase/ decrease in percentage points	**Impact on profit before tax**	**Increase/ decrease in percentage points**	**Impact on profit before tax**
2013				
EUR	+0.25	(1 211)	+0.25	(1 211)
EUR	-0.25	1 211	-0.25	1 211
LTL	+0.15	(105)	+0.15	(105)
LTL	-0.15	(105)	-0.15	(105)
2012				
EUR	+0.25	(1 096)	+0.25	(1 096)
EUR	-0.25	1 096	-0.25	1 096
LTL	+0.15	(92)	+0.15	(92)
LTL	-0.15	92	-0.15	92

Foreign exchange risk

All monetary assets and liabilities of the Group and the Company are denominated in litas or the euro, and the exchange rate of the latter is fixed against the litas; therefore, the Group and the Company practically are not exposed to the foreign exchange rate risk.

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amounts of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (total current assets / total amounts payable within one year and current liabilities) and quick ratios ((total current assets – inventories) / total amounts payable within one year and current liabilities) as at 31 December 2013 were 0.36 and 0.35, respectively (31 December 2012: 0.42 and 0.41, respectively). The Company's liquidity (total current assets / total amounts payable within one year and current liabilities) and quick ratios ((total current assets – inventories) / total amounts payable within one year and current liabilities) as at 31 December 2013 were 0.32 and 0.31, respectively (31 December 2012:

0.37 and 0.36, respectively). In order to minimise balances of cash in bank accounts, the Company is using credit lines.

As at 31 December 2013, the Group‘s and the Company‘s current liabilities exceeded their current assets by LTL 463 677 thousand and LTL 491 764 thousand, respectively (31 December 2012: LTL 353 794 thousand and LTL 382 396 thousand, respectively). The Group's and the Company's cash flows from operating activities were positive and in the year ended 31 December 2013 amounted to LTL 369 702 thousand and LTL 359 427 thousand, respectively (31 December 2012: LTL 334 867 thousand and LTL 325 006 thousand, respectively). During the year 2013, the Group‘s and the Company‘s repayments of borrowings amounted to LTL 140 145 thousand (2012: LTL 118 504 thousand) and proceeds from additional borrowings amounted to LTL 169 698 thousand (2012: LTL 189 904 thousand). Based on the recent forecasts of the Company, cash flows from operating activities in 2014 will remain at the similar level compared to the data of 2013. The Company has launched a tender for additional borrowings.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments.

GROUP

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest bearing borrowings and other liabilities and accrued interest payable	84 973	236 549	306 177	-	627 699
Trade and other payables	322 403	-	128	-	322 531
At 31 December 2013	**407 376**	**236 549**	**306 305**	**-**	**950 230**
Interest bearing borrowings and other liabilities and accrued interest payable	82 456	101 893	396 282	5 478	586 109
Trade and other payables	322 725	-	322	-	323 047
At 31 December 2012	**405 181**	**101 893**	**396 604**	**5 478**	**909 156**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments.

COMPANY

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest bearing borrowings and other liabilities and accrued interest payable	84 267	236 549	306 177	-	626 993
Trade and other payables	327 481	-	128	-	327 609
At 31 December 2013	**411 748**	**236 549**	**306 305**	**-**	**954 602**
Interest bearing borrowings and other liabilities	82 456	101 893	396 282	5 478	**586 109**
Trade and other payables	318 876	-	322	-	**319 198**
At 31 December 2012	**401 332**	**101 893**	**396 604**	**5 478**	**905 307**

Fair values of financial instruments

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

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. The fair value of a financial asset or financial liability is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

To increase consistency and comparability in fair value measurements and related disclosures, a fair value hierarchy is established that categorises into three levels the inputs to valuation techniques used to measure fair value.

Level 1 inputs (the highest level of accuracy) are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount of the Group's and the Company's financial assets and financial liabilities approximates their fair value except for mortgage loans as it is disclosed in Note 7. The fair value valuation method is attributed to Level 3 in the fair value hierarchy.

The fair value of borrowings is estimated based on discounted probable future cash flows using prevailing interest rates. The fair value of loans and other financial assets is estimated using market interest rates. The fair value of interest rate swap contracts is estimated using valuation techniques established for swap contracts.

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

a) The carrying amount of current trade receivables and other receivables, current trade and other payables and current borrowings approximates their fair value.
b) The fair value of non-current borrowings is estimated based on the quoted market price for the same or similar loan or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

Financial instruments by category

GROUP	**Loans and receivables**	**Total**
At 31 December 2013		
Non-current receivables (Note 7)	2 319	**2 319**
Trade and other receivables	202 827	**202 827**
Accrued income	21 876	**21 876**
Cash and cash equivalents	26 590	**26 590**
	253 612	**253 612**
At 31 December 2012		
Non-current receivables (Note 7)	2 183	**2 183**
Deposits	3 000	**3 000**
Trade and other receivables	188 313	**188 313**
Accrued income	21 667	**21 667**
Cash and cash equivalents	30 066	**30 066**
	245 229	**245 229**

	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**Total**
At 31 December 2013			
Borrowings	615 527	-	**615 527**
Trade and other payables	322 403	-	**322 403**
Other liabilities	128	-	**128**
	938 058	**-**	**938 058**
At 31 December 2012			
Borrowings	576 767	-	**576 767**
Trade and other payables	322 726	-	**322 726**
Derivative financial instruments	-	1 558	**1 558**
Other liabilities	322	-	**322**
	899 815	**1 558**	**901 373**

COMPANY	Loans and receivables	Total
At 31 December 2013		
Non-current receivables (Note 7)	1 939	**1 939**
Trade and other receivables	195 659	**195 659**
Accrued income	21 735	**21 735**
Cash and cash equivalents	8 050	**8 050**
	227 383	**227 383**
At 31 December 2012		
Non-current receivables (Note 7)	2 183	**2 183**
Trade and other receivables	181 772	**181 772**
Accrued income	21 593	**21 593**
Cash and cash equivalents	9 581	**9 581**
	215 129	**215 129**

	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Total
At 31 December 2013			
Borrowings	614 828	-	**614 828**
Trade and other payables	327 481	-	**327 481**
Other liabilities	128	-	**128**
	942 437	**-**	**942 437**
At 31 December 2012			
Borrowings	576 767	-	**576 767**
Trade and other payables	318 876	**-**	**318 876**
Derivative financial instruments	-	1 558	**1 558**
Other liabilities	322	-	**322**
	895 965	**1 558**	**897 523**

28. Commitments and contingencies

Buyout of electricity equipment

According to Order No 4-450 of 3 December 2003 of the Minister of Economy, as amended by Order No 4-72 of 15 February 2005, the Company conducted the buyout from individuals and companies electricity distribution equipment jointly used by them and the Company. The Company was able to buy out such equipment in one of the following ways: either by transferring its newly issued shares to the owners of the equipment, the issue price of which would be paid by in-kind contributions (i.e. electricity equipment under common use), or by signing agreements on sale-purchase of electricity equipment under common use (monetary contributions).

Under Order No.1-243 of 9 December 2009 of the Lithuanian Minister of Energy, a new version of the Procedure for the buyout and maintenance of electricity equipment for common use designated for the transmission and/or distribution of electricity that was installed using the funds of users (natural and legal persons) prior to the effective date of the Lithuanian Law on Energy, which became effective from 1 January 2010 (the Procedure).

According to Resolution No. 1281 of 5 December 2007 of the Government of the Republic of Lithuania, the following deadlines for the submission of documents by homestead cooperatives were established: applications to energy companies with the requests to buyout equipment had to be submitted by 1 July 2009. In 2011, LESTO AB, a company formed as a result of merger of RST and VST, continued the simplified procedure of buyout of electricity objects (electricity networks) installed for common use using the funds of homestead owners in line with the deadlines stipulated in Resolution No. 1257 of 31 August 2010 of the Lithuanian Government *On the establishment of deadlines for the buyout from cooperatives the electricity transmission and distribution lines, transformer substations, electric facilities and other equipment designated for the transmission and distribution of electricity and installed in the territory of homestead owners using the funds of such homestead owners*, i.e. by 1 July 2011.

In 2013, the Company continued the simplified procedure of buyout of electricity objects (electricity networks) installed for common use using the funds of homestead owners, if the requests for buyout were submitted before 1 July 2011. During the year 2013, 19 electricity networks of common use for the value of LTL 737 thousand (2012: 28 electricity networks for the value of LTL 474 thousand) were bought out. Since the beginning of the buyout until 31 December 2013, 934 electricity networks of common use of homestead cooperatives for the value of LTL 11 621 thousand were bought out. As at 31 December 2013, 20 applications with the requests to buyout equipment on concessionary terms remained submitted.

Capital expenditure commitments

As at 31 December 2013, the Group‘s and the Company‘s capital expenditure commitments assumed under the contracts as at the date of the financial statements but not accounted for in the financial statements amounted to LTL 46 050 thousand (31 December 2012: LTL 33 104 thousand).

29. Related-party transactions

The Company's related parties in 2013 and 2012 were as follows:

- Lietuvos Energija UAB (known as Visagino Atominė Elektrinė UAB until 30 August 2013) (the main shareholder of the Company) and its subsidiaries and associates;
- Subsidiaries of the Company;
- Associates of the Company;
- Management of the Company including companies in which they hold executive positions or companies which are controlled by them or over which a significant influence is exercised;
- All companies which are owned by the state or over which the state exercises a significant influence (transactions with these companies are disclosed when they are material).

Transactions with related parties are presented below:

Sales of goods and services to:

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Subsidiaries	-	-	4 255	8 425
Associates	5 624	11 416	160	288
Companies of Lietuvos Energija UAB group (excluding LITGRID AB)	2 617	2 669	270	393
LITGRID AB group	18 397	74 872	3 042	63 862
Total	**26 638**	**88 957**	**7 727**	**72 968**

Purchases of goods, services and property, plant and equipment from:

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Subsidiaries	-	-	88 445	83 960
Associates	29 101	74 885	27 578	73 092
Companies of Lietuvos Energija UAB group (excluding LITGRID AB)	409 568	518 962	407 623	517 486
LITGRID AB group	980 593	879 064	980 537	879 063
Total	**1 419 262**	**1 472 911**	**1 504 183**	**1 553 601**

In 2013, the number of the Company‘s and the Group's key management personnel was 9 (2012: 9). In 2013 and 2012, the Company‘s (and the Group's) key management personnel included the Chief Executive Officer, Chief Accountant and Directors of the Services.

Compensation of key management personnel

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Salaries and other short-term employee benefits	2 053	1 934	2 053	1 934
Termination benefits	287	-	287	-
Total	**2 340**	**1 934**	**2 340**	**1 934**

Balances arising from transactions with related parties are presented below:

Amounts receivable from related parties

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Subsidiaries	-	-	446	598
Associates	1 192	2 512	45	15
Companies of Lietuvos Energija UAB group (excluding LITGRID AB)	445	272	29	24
LITGRID AB group	17 670	18 401	12 824	16 928
Total	**19 307**	**21 185**	**13 344**	**17 565**

Amounts payable to related parties:

	GROUP		COMPANY	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Subsidiaries	-	-	21 369	17 172
Associates	4 305	17 577	4 142	17 284
Companies of Lietuvos Energija UAB group (excluding LITGRID AB)	31 967	40 152	31 663	39 972
LITGRID AB group	123 969	101 172	123 946	101 171
Total	**160 241**	**158 901**	**181 120**	**175 599**

The ageing analysis of amounts receivable from related parties as at 31 December 2013 is presented below:

	Amounts receivable neither past due nor impaired	Amounts receivable past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
COMPANY	13 344	-	-	-	-	-	**13 344**
GROUP	18 699	32	-	-	19	557	**19 307**

The ageing analysis of amounts receivable from related parties as at 31 December 2012 is presented below:

	Amounts receivable neither past due nor impaired	Amounts receivable past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
COMPANY	17 565	-	-	-	-	-	**17 565**
GROUP	20 574	14	22	22	22	531	**21 185**

30. Capital risk management

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 100 thousand and the shareholders' equity should not be lower than 50 per cent of the company's authorised share capital. As at 31 December 2013 and 31 December 2012, the Group and the Company complied with these requirements.

When financing its business activities, the Group and the Company follow an optimal capital structure management policy seeking to make sure that the equity ratio (equity to assets ratio) exceeds 40 per cent. For the purpose of capital management the Group's and the Company's management define capital as shareholders' equity.

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Equity	3 242 123	3 299 978	3 254 870	3 314 168
Assets	5 086 614	5 170 511	4 966 805	5 039 701
Equity ratio (equity to assets ratio)	**64%**	**64%**	**66%**	**66%**

31. Investments in associates

In 2012, the Company's Board passed a decision regarding the sale of its ownership interest in Tetas UAB. As a result of this decision, Tetas UAB was reclassified to assets held for sale in 2012.

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 the reduction of its 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 annulling 17 606 226 ordinary registered shares and by proportionally reducing the number of shares held by all shareholders of this company. The value of the Company's investment remained unchanged.

On 25 November 2013, the Company together with Lietuvos Energija UAB, Lietuvos Energijos Gamyba AB and LITGRID AB signed an agreement on the establishment of Technologijų ir Inovacijų Centras UAB to be engaged primarily in the provision of IT, telecommunication and other services to their shareholders. On 4 December 2013, Technologijų ir Inovacijų Centras UAB was established and registered with the Register of Legal Entities at 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, Lietuvos Energijos Gamyba AB, LITGRID AB hold 20%, 50%, 20% and 10% of shares, respectively.

Movements in investments in associates are summarised below:

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
Opening balance	**18 020**	**21 194**	**19 082**	**21 570**
Acquisition of associates	2	-	2	-
Transfer of the associate to assets held for sale	-	(3 610)	-	(2 488)
Gain/(loss) on investments in associates	1 468	436	-	-
Closing balance	**19 490**	**18 020**	**19 084**	**19 082**

Financial results of operations of associates are presented below:

Name	Country	Assets	Liabilities	Sales revenue	Profit/ (loss) for the year	Ownership interest (%)
2012						
Duomenų Logistikos Centras UAB (known as Technologijų ir Inovacijų Centras UAB until 4 November 2013)	Lithuania	69 499	13 299	56 844	3 730	24.94
Tetas UAB (until October 2012)	Lithuania	36 237	26 928	45 128	(631)	38.87
2013						
Duomenų Logistikos Centras UAB (known as Technologijų ir Inovacijų Centras UAB until 4 November 2013)	Lithuania	74 647	12 322	65 662	5 373	24.94
Technologijų ir Inovacijų Centras UAB (a company established on 4 December 2013)	Lithuania	14 989	17 493	2	(4)	20.00

The Grouo did not account for decrease in equity of the associate Technologijų ir Inovacijų Centras UAB (a company established on 4 December 2013) attributable to the Group as the amount of the decrease exceeded the value of the Group's investment

	31 Dec 2013
Changes in equity attributable to the Group	(502)
Value of investment	2
Changes in equity not recognised	(500)

32. Investments in subsidiaries

In the Company's financial statements:

	2013	2012
Opening balance	**195 628**	**191 018**
Increase in the controlling interest in the subsidiary	8 024	-
Contribution to share capital	-	4 610
Closing balance	**203 652**	**195 628**

In the Group's financial statements:

On 1 January 2012, the Company transferred to subsidiary Elektros Tinklo Paslaugos UAB property, plant and equipment with the carrying value of LTL 708 thousand and inventories and other current assets with the value of LTL 3 343 thousand in exchange for newly issued shares. Following this in-kind contribution, the Company's ownership interest increased from 71.13% to 74.97%. In the consolidated financial statements the transaction is disclosed as purchases from non-controlling interest. Following this in-kind contribution, equity attributable to non-controlling interest decreased and equity attributable to shareholders of the Company increased by LTL 124 thousand.

On 31 January 2012, the authorised share capital of NT Valdos UAB was increased by LTL 4 338 thousand through the issue of 43 381 ordinary registered shares with par value of LTL 100 each. The Company acquired 5 591 newly issued shares of NT Valdos UAB. Purchase consideration for the shares acquired comprised in-kind contribution of non-current assets with the carrying value of LTL 559 thousand. As a result of this transaction, the Company's ownership interest changed from 57.93% to 57.30%. In the consolidated financial statements, the transaction is disclosed as the sale to non-controlling interest. The other portion of newly issued shares (37 790 shares) was acquired by Lietuvos Energija AB through in-kind contribution with the value of LTL 3 774 thousand. Property, plant and equipment and investment property transferred to the Group amounted to LTL 55 thousand and 3 719 thousand, respectively. In total, the Group's equity increased by LTL 3 774 thousand. The increase was attributed to non-controlling interest.

On 7 January 2013, the Company and LITGRID AB entered into the stock barter agreement under which 38.87% ownership interest in TETAS UAB was transferred by the Company to LITGRID AB in return for 25.03% ownership interest in ELEKTROS TINKLO PASLAUGOS UAB transferred by LITGRID AB to the Company. Following the acquisition of shares, the Company became the sole shareholder of ELEKTROS TINKLO PASLAUGOS UAB. As a result of the share exchange transaction, the value of shares of TETAS UAB held by the Company, the value of which was equal to LTL 3 610 thousand for the Group and LTL 2 488 thousand for the Company before the transaction, was established to be equal to LTL 6 752 thousand resulting in gain on revaluation amounting to LTL 3 142 thousand for the Group and LTL 4 264 thousand for the Company. The value of shares of ELEKTROS TINKLO PASLAUGOS UAB being exchanged was equal to LTL 8 024 thousand.

Presented below is the calculation of the loss on increase in controlling interest in the subsidiary.

	2013
Consideration received – non-controlling interest attributable to the Company after the acquisition of ownership interest in the subsidiary	5 618
Value of ownership interest acquired in the subsidiary	(8 024)
Loss on increase in controlling interest in the subsidiary	**(2 406)**

33. Non-monetary transactions

The following main non-monetary items were eliminated for the purpose of the cash flows statement:

In 2013

In the Company's financial statements:

On 7 January 2013, the Company and LITGRID AB entered into the stock barter agreement under which 38.87% ownership interest in TETAS UAB was transferred by the Company to LITGRID AB for the LTL 6 751 thousand in return for 25.03% ownership interest in ELEKTROS TINKLO PASLAUGOS UAB transferred by LITGRID AB to the Company for LTL 8 024 thousand. The resulting difference in the values of shares equal to LTL 1 273 thousand was paid by the Company in cash. Following the acquisition of shares, the Company became the sole shareholder of ELEKTROS TINKLO PASLAUGOS UAB.

In 2012

In the Company's financial statements:

The transfer of property, plant and equipment with the carrying value of LTL 1 267 thousand and inventories and other current assets with the carrying value of LTL 3 343 thousand as a consideration for the newly issued shares of subsidiaries of Elektros Tinklo Paslaugos UAB and NT Valdos UAB (see Note 32).

In the Group's financial statements:

The in-kind contribution of Lietuvos Energijos Gamyba AB (non-controlling interest) in return for shares of subsidiary NT Valdos UAB by transferring property, plant and equipment (LTL 55 thousand) and investment property (LTL 3 719 thousand) (see Note 32).

AB LESTO group Consolidated annual report, 2013

12 March 2014

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CEO ADRESS TO COMPANY'S SHAREHOLDERS

Ladies and gentlemen,

The year 2013 was very successful for the electricity distribution network operator LESTO - a group was profitable for the first time since the inception and earned a net profit of LTL 47.646 million. We have achieved the highest ever electricity supply reliability, customer satisfaction indicators. In addition, the distribution network were the most effective by now – the company had the lowest technological losses in the distribution network and more energy was provided to users. Not once LESTO achievements were assessed by shareholders, market participants, customers, the public and the media.

The increase in effectiveness of LESTO group determine growing EBITDA margin (Earnings Before Interest, Taxes, Depreciation and Amortization) – during 2013 it was 18.86 % when in the same period of 2012 – 17.12 %. EBITDA of the group increased by 17.3 % comparing with 2012 and reached LTL 458.582 million. At the time LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market, operating in one of the most stable - energy – sector.

Several reasons influence better LESTO results. We review internal processes, improve them, therefore, more efficient activities keeps the operating costs low. Timely investments made, lead to lower electricity losses in technological devices. Significant impact on the company's results makes up the recovery of national economy – the volume of network service rises, the number of new customers increases, consequentially the revenue of the company's raises.

LESTO continues to focus on increasing the efficiency of its activities in 2014. Currently, the long-term investment strategy, which includes the modernisation of distribution network, construction of cable lines that are resistant to the effects of natural disasters, installation of smart meters, information technologies and other important areas, is reviewed. By increasing the efficiency of business services, not only the company's costs reduce, but also the quality of customer service is improved.

We invest in modernisation and automation of the electricity metering devices – we get the records in a remote way from more than 20 thousand electricity meters installed to business clients, this allows us to account for more than half of electricity network service in a remote way. Investments in the modernization of metering devices created preconditions for development of Lithuania's electricity exchange, the formation of the free electricity market, in which users can choose the lowest price and independent power suppliers who provide the best service.

In 2015, as expected, the electricity price regulation model will change – the preparation of a new regulation model (LRAIC) introduction is in progress. LRAIC - an electricity transmission and distribution price control method, which is based on the long-run average incremental cost forecasting and the virtual optimal network model satisfying the *needs of users. LESTO, whose activities are regulated by the State for Prices and Energy Control Commission, is preparing for forthcoming changes consistently and purposefully.*

There is the other future challenge - The European Union has provided obligations on efficiency of energy use for the member countries. According to the requirements of EU Directive the obligatory energy savings are calculated for Lithuania for the period of 2014-2020. This directive means for LESTO obligations to invest in new energy-saving measures each year. We also are preparing for this change in advance and are planning investments in increasing the energy efficiency.

Last year LESTO was given National Responsible Business Award – the Company in the category of large Lithuanian companies was recognized as "Most social company". LESTO presided over the National Responsible Business Network (NAVĮT) and initiated the establishment of Lithuanian Responsible Business Association (LAVA) – the association not only will continue the previous activities of the network, but also will actively promote the development of responsible business enterprises and organizations to contribute to the creation of favorable conditions for the sustainable country's development. It commits to continue the socially responsible activities to stimulate sustainable development ideas.

LESTO, while fulfilling the mission to supply electricity reliably, will continue to make every effort to increase the value received by shareholders, the public and employees. Thank you to everyone who contributes to our success stories.

Respectfully,
Aidas Ignatavičius
Chief Executive Officer of AB LESTO

GENERAL INFORMATION

Reporting period covered by the report

Report covers January to December of 2013.

Key data on issuer

Company name	AB LESTO
Company code	302577612
Authorised capital	LTL 603 944 593
Registered address	Žvejų str. 14, LT-09310 Vilnius
Telephone	+370 5 277 7524
Fax	+370 5 277 7514
E-mail	info@lesto.lt
Website	www.lesto.lt
Legal- organisational form	Joint-stock company
Date and place of registration	27 December 2011, Register of Legal Entities of the Republic of Lithuania
Register in which data on the company is collected and stored	Register of Legal Entities
Register manager	State Enterprise Centre of Registers

Information availability

This report and other documents based on which it has been prepared are available at the company's office at Žvejų str. 14, Vilnius, Corporate Communication department (office No.418) from 7.30 to 16.30 Monday to Thursday and from 7.30 to 15.15 on Fridays. Report is available on company's website (www.lesto.lt) and on Stock exchange market NASDAQ OMX Vilnius website (http://www.nasdaqomxbaltic.com).

Public announcements that AB LESTO must announce according to the valid Laws of the Republic of Lithuania, are published via Register of Legal Entities electronic edition for public announcements. Company also publishes announcements via company's website (www.lesto.lt) and Stock exchange market NASDAQ OMX Vilnius website (www.nasdaqomxbaltic.com).

Persons responsible for the information provided in the report

Office	Name, surname	Telephone
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Director of Finance and Administration division	Andrius Bendikas	+370 5 277 7524
Director of Finance department	Artūras Paipolas	+370 5 277 7524
Director of Accounting department	Zina Chmieliauskienė	+370 5 277 7524

Report is prepared in accordance with Law on Securities of the Republic of Lithuania, decision of the Board of the Bank of Lithuania No. 03-48 (28 February, 2013) on Rules of Drawing up and the Submission of the Periodic and Additional Information, and other valid laws and legal acts.

Report signature date

Report was prepared and signed on 12 March, 2014.

LESTO activities

AB LESTO (hereinafter – LESTO, Company) was established on the basis of reorganized Lithuanian electricity distribution companies Rytų skirstomieji tinklai AB and "VST" AB that were merged and on 31 December, 2010, finished their activity as legal entities. LESTO took over assets, rights and obligations of merged companies and since 1 January, 2011 started its activity as electricity distributor and public supplier.

LESTO is Lithuanian distribution network operator. Company's main responsibilities include: provision of network service for customers; satisfaction of customers needs; effective connection of new users; exploitation, maintenance, management and expansion of distributive network; assurance of network security; optimization of operating costs and reduction of technological losses. LESTO geographical market is Lithuania.

LESTO values

COOPERATION: We work and take responsibility as a team.

RESPECT: We respect each individual and the surrounding environment.

DEDICATION: We are proud to represent energy sector and serve our community.

POSITIVE ATTITUDE: We are always looking ahead and constantly spread good mood.

INNOVATIVENESS: We are seeking perfection and initiating changes.

LESTO mission

Reliable electricity for a meaningful life of everyone

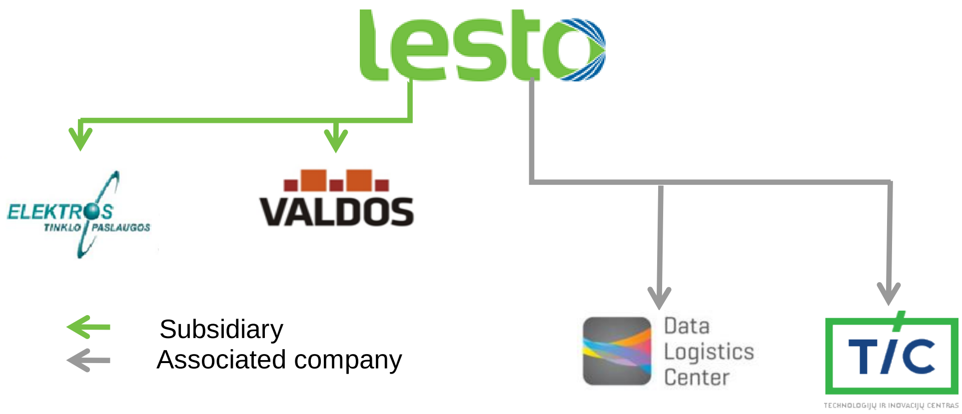
LESTO vision

A model company that the public has confidence in

- Serviced territory 65.3 thousands km^2
- Number of customers 1,608,898
  - Number of residential customers 1,545,204
  - Number of business customers 63,694
- Length of electricity lines 121,698 km

LESTO company group

On the report signature date, LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdos UAB and associated companies Technologijų ir inovacijų centras UAB and Duomenų logistikos centras UAB (On report signature date Technologijų ir inovacijų centras UAB had 100% Respublikinio energetikų mokymo centras VsI, 0,59% NT Valdos, UAB capital), make up LESTO company group (hereinafter – LESTO group).



Key data on subsidiaries and associated companies

	Elektros tinklo paslaugos UAB	NT Valdos UAB	Duomenų logistikos centras UAB	Technologijų ir inovacijų centras UAB
Address	Motorų str. 2, Vilnius	Geologų str. 16, Vilnius	A.Juozapavičiaus str. 13, Vilnius	A.Juozapavičiaus str. 13, Vilnius
Registration date	8 December 2004	18 January 2007	9 July 2010	4 December 2013
Company code	300072351	300634954	302527488	303200016
Telephone	+370 5 210 6809	+370 5 210 6539	+370 5 278 2272	+370 5 278 2272
Fax	+370 5 216 7875	+370 5 210 6543	+370 5 278 2299	+370 5 278 2299
E-mail	etp@etpa.lt	info@valdos.eu	info@etic.lt	info@etic.lt
Website	www.elektrostinklopaslaugos.lt	www.valdos.eu	www.etic.lt	www.etic.lt
LESTO ownership, %, on 31 December, 2013	100	57.30	24.94	20
Profile of activities	Power network engineering, construction, repair, maintenance and customer connection to the grid services.	Real estate and transport rental and administration services.	Data transfer and data centre rental services.	IT services and maintenance for the companies operating in the sector of electric energy.

LESTO management

In the beginning of the reporting period (1 January, 2013) LESTO management bodies consisted of General Meeting of Shareholders, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

On 26 July, 2013, LESTO Extraordinary General Meeting of Shareholders approved a new version of the Articles of Association of the Company. The Articles of Association were registered on 31 July, 2013.

On the report signature date according the Articles of Association LESTO management bodies includes General Meeting of Shareholders, a collegiate supervisory body – Supervisory Board, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

General Meeting of Shareholders

General Meeting of Shareholders is a supreme body of the Company.

The competence of the General Meeting of Shareholders and the procedure for convening the meeting and adopting decisions are governed by the law, other legal acts and Articles of Association.

During the reporting period shareholders of the Company had equal rights (property and non-property) defined in the law, other legal acts and Articles of Association. None of the LESTO shareholders had any special rights of control.

The managing bodies of the Company provided adequate conditions for exercise of the rights of the Company's shareholders during the reporting period.

Three General Meetings of Shareholders took place in the year 2013. The Company's CEO participated and participates in all General Meetings of Shareholders. Members of the Supervisory Board had not attended in the General Meetings of Shareholders.

Supervisory Board

LESTO Supervisory Board is a collegiate supervisory body.

The competence of the Supervisory Board, the procedure for adoption of decisions, election and recall of members are governed by the law, other legal acts and Articles of Association. LESTO Supervisory Board consists of three members who are elected by the General Meeting of Shareholders for the term of four years. At least one-third of LESTO Supervisory Board composes of independent members. The Supervisory Board members elect the chairman of the Supervisory Board out of its members.

On 26 July, 2013, the General Meeting of Shareholders elected Ilona Daugėlaitė and Darius Kašauskas as LESTO Supervisory Board members. The third member of the Supervisory Board was not elected by the decision of the General Meeting of Shareholders.

On 30 September, 2013, the General Meeting of Shareholders elected Petras Povilas Čėsna as an independent LESTO Supervisory Board member.

On 18 November, 2013, the Supervisory Board elected Darius Kašauskas as a chairman of the Supervisory Board.

On the report signature date the Supervisory Board consists of the chairman of the Supervisory Board Darius Kašauskas and the Supervisory Board members Ilona Daugėlaitė and Petras Povilas Čėsna (independent Supervisory Board member).

Beginning of term of the Supervisory Board is 31 July, 2013, i. e. the registration date of the new version of the Articles of Association. Ending of term of the Supervisory Board is 31 July, 2017.

In 2013 three meetings of the Supervisory Board took place which were attended by all the members of the Supervisory Board.

Board

LESTO Board is a collegiate managing body of the Company.

The competence of the Board, the procedure for adoption of decisions, election and recall of members are governed by the law, other legal acts and Articles of Association. The Board consists of five Board members that are elected by the General Meeting of Shareholders for the term of four years. The Board members elect the chairman of the Board out of its members.

In the beginning of the reporting period (1 January, 2013) the Board consisted of the Chairman of the Board Darius Maikštėnas (the independent member of the Board) and the Board members: Arvydas Tarasevičius, Edita Jonikienė (the independent member of the Board) and Paulius Martinkus.

On 30 April, 2013, the General Meeting of Shareholders elected Ramutė Ribinskienė as a member of the Board until the current Board's term of office (13 December, 2014).

On 27 August, 2013, independent member of the Board Edita Jonikienė and member of the Board Paulius Martinkus gave the applications on the resignation from the members of the Board. Based on articles of the Law on Companies of the Republic of Lithuania, the mandate of the members of the Board Edita Jonikienė and Paulius Martinkus expired on 11 September, 2013.

On 17 September, 2013, the Supervisory Board made a decision to recall the Board of the Company *in corpore* and elected Aidas Ignatavičius, Virgilijus Žukauskas, Andrius Bendikas, Sergejus Ignatjevas and Dalia Andrulionienė as members of the Board.

On 17 September, 2013, the Board elected Aidas Ignatavičius as a Chairman of the Board.

On the report signature date the Board of the Company consists of the chairman of the Board Aidas Ignatavičius and the Board members:Virgilijus Žukauskas, Andrius Bendikas, Sergejus Ignatjevas and Dalia Andrulionienė.

Beginning of term of the Board is 17 September, 2013. Ending of term of the Board is 17 September, 2017.

Chief Executive Officer

Chief Executive Officer (hereinafter – CEO) is an one-person managing body of the Company.

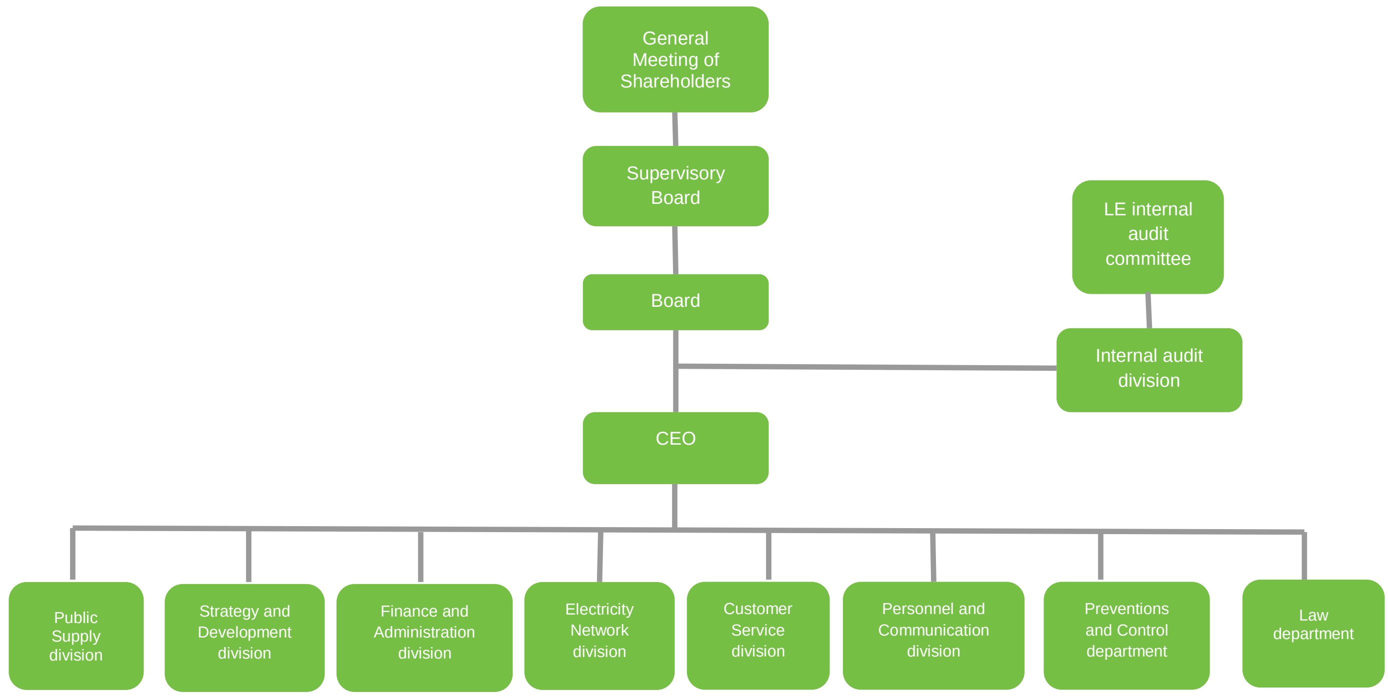
The competence of the Managing Director and the procedure for election and recall thereof are governed by the law, other legal acts and Articles of Association. CEO is elected and recalled by the Board of the Company. CEO organises the Company's activities, manages the Company, acts on behalf of the Company and unilaterally conclude transactions, except for the cases the Company's Articles of Association and other legal acts provide.

On 28 May, 2013, the Board recalled Arvydas Tarasevičius from the position of CEO from 21 June, 2013, because of reaching retirement age. Arvydas Tarasevičius was elected as a CEO of LESTO on 13 December, 2010.

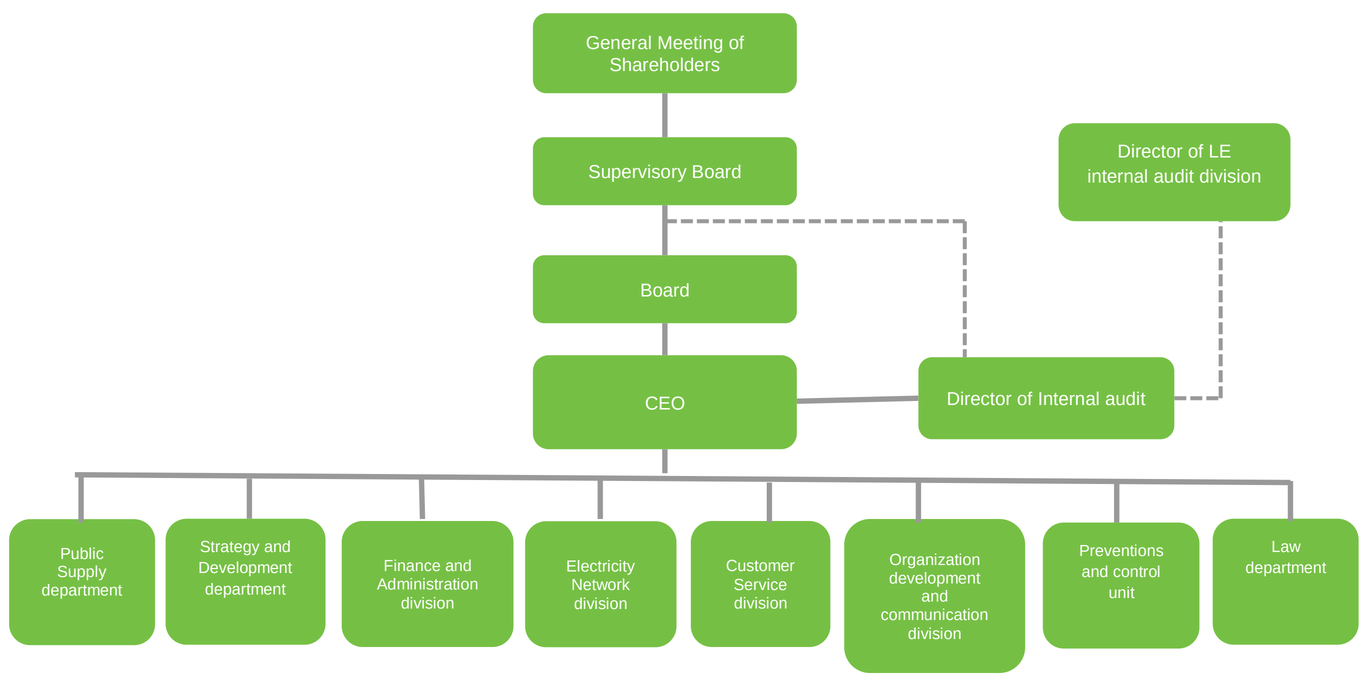
On 19 June, 2013, the Board of LESTO made a decision to appoint Virgilijus Žukauskas as temporary acting CEO from 22 June, 2013, till the Board elects constantly acting CEO. Virgilijus Žukauskas was currently the acting director of Electricity Grid Division and vice CEO of LESTO.

On 17 September, 2013, the Board elected Aidas Ignatavičius as CEO who started the office from 23 September, 2013.

LESTO management structure till 31 December, 2013



LESTO management structure from 1 January, 2014



LESTO Supervisory Board

Darius Kašauskas (born in 1972)
Chairman of the Supervisory Board

In this position:
Since 31 July, 2013
Ending of term:
31 July, 2017

Education:
ISM University of Management and Economics,
BI Norwegian Business school,
Master in Management
Vilniaus university,
Master in Economics.

Main occupation:
UAB „Lietuvos energija“,
Director of Finance and Treasury

Ilona Daugėlaitė (born in 1970)
Member of the Supervisory Board

In this position:
Since 31 July, 2013
Ending of term:
31 July, 2017

Education:
Vilnius university,
Master in Hydrogeology and Engineering Geology.

Main occupation:
UAB „Lietuvos energija“,
Director of Organizational Development

Petras Povilas Čėsna (born in 1945)
Independent member of the Supervisory Board

In this position:
Since 30 September 2013
Ending of term:
31 July, 2017

Education:
Vilnius university ,
Qualification of Economist

Main occupation:
Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board

LESTO Board and CEO

Aidas Ignatavičius (born in 1974)
Chairman of the Board
CEO

In the position of Chairman:
Since 17 September, 2013
Ending of term:
17 September, 2017

In the position of CEO:
Since 23 September, 2013

Education:
Vilnius university,
Master in Business Administration and Management

Main occupation:
LESTO, CEO

Andrius Bendikas (born in 1973)
Member of the Board

In this position:
Since 17 September, 2013
Ending of term:
17 September, 2017

Education:
Baltic Management Institute (BMI),
Master in Business Administration

Main occupation:
LESTO, Director of Finance and Administration division

Dalia Andrulionienė (born in 1971)
Member of the Board

In this position:
Since 17 September, 2013
Ending of term:
17 September, 2017

Education:
Vilnius university,
Master in Economics.
ISM University of Management and Economics,
Master in Executives

Main occupation:
LESTO, Director of Organization Development and Communications division

Virgilijus Žukauskas (born in 1961)
Member of the Board

In this position:
Since 17 September, 2013
Ending of term:
17 September, 2017

Education:
Kaunas University of Technology,
Master in Electricity Supply for Industry, Cities and Agriculture.

Main occupation:
LESTO, Director of Electricity Network division-vice CEO

Sergejus Ignatjevas (born in 1965)
Member of the Board

In this position:
Since 17 September, 2013
Ending of term:
17 September, 2017

Education:
Vilnius university,
Master in Finance and Credit

Main occupation:
LESTO, Director of Customer Service division

Information on LESTO Supervisory Board, Board and administration members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes

Name, surname	Name of organisation, position	Capital held, %	Share of votes, %
	Supervisory Board		
Darius Kašauskas	LESTO, chairman of the Supervisory Board	-	-
	„Lietuvos energija“, UAB, member of the Board, Director of Finance and Treasury	-	-
	NT valdos, UAB, member of the Board	-	-
	LitGas, UAB, member of the Board	-	-
	Kauno energetikos remontas, UAB, member of the Board	-	-
Ilona Daugėlaitė	LESTO, member of the Supervisory Board	-	-
	„Lietuvos energija“, UAB, member of the Board, Director of Organizational Development	-	-
	Duomenų logistikos centras, UAB, member of the Board	-	-
	Technologijų ir inovacijų centras, UAB, chairman of the Board	-	-
	Elektros tinklo paslaugos, UAB, member of the Board	-	-
Petras Povilas Čėsna	LESTO, indepedent member of the Supervisory Board	-	-
	Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board	-	-
	Republic of Lithuania Seimas, public assistant of parliamentary I. Šiaulienė	-	-
	Board		
Aidas Ignatavičius	LESTO, chairman of the Board, CEO	-	-
	Technologijų ir inovacijų centras, UAB, member of the Board	-	-
Virgilijus Žukauskas	LESTO, member of the Board, Director of Electricity Network division-vice CEO	0,000012	0,000012
Andrius Bendikas	LESTO, member of the Board, Director of Finance and Administration division	-	-
Sergejus Ignatjevas	LESTO, member of the Board, Director of Customer Service division	-	-
	Pylimo str. 36 Association of the First block of flats owners, chairman	-	-
Dalia Andrulionienė	LESTO, member of the Board, Director of Personnel and Communications division	-	-
	Administration		
Aidas Ignatavičius	Look for the information above	-	-
Zina Chmieliauskienė	LESTO, Chief Accountant, Director of Accounting department	-	-

Information on payments to LESTO Supervisory Board members*, Board members, CEO and Director of Accounting department over reporting period******

	Salaries, LTL	Members of the Board and Supervisory Board salaries***, LTL
CEO Arvydas Tarasevičius (from 1 January, 2013, to 21 June, 2013)	234,508*****	-
Temporary acting CEO Virgilijus Žukauskas (from 22 June, 2013, to 22 September, 2013)	52,500	-
CEO Aidas Ignatavičius (since 23 September,2013)	49,016	-
Chairman of the Board Aidas Ignatavičius	-	17,381
Chairman of the Board Darius Maikštėnas	-	23,100
Member of the Board Edita Jonikienė	-	12,450
Member of the Board Dalia Andrulionienė	-	10,429
Member of the Board Virgilijus Žukauskas	-	10,429
Member of the Board Andrius Bendikas	-	10,429
Member of the Board Sergejus Ignatjevas	-	10,429
Member of the Supervisory Board Petras Povilas Čėsna	-	1,500
Director of Accounting department Zina Chmieliauskienė	172,048	-
Members of the Administration total	508,072	96,147

* LESTO Articles of Association indicates: „Agreements with members of the Supervisory Board can be signed for factual work in the Supervisory Board; rights, duties and responsibilities are set out in such agreements. Independent members of the Board can get remuneration for their work in the Supervisory Board by the decision of the General Meeting of Shareholders. The terms of the Supervisory Board members‘ agreements and the criteria of independence are determined by the General Meeting of Shareholders in accordance with requirements of legal acts and good corporate governance practices“. On 2 August, 2013 the agreements of the Supervisory Board member‘s factual work were signed with Darius Kašauskas and Ilona Daugėlaitė. On 30 September, 2013 the agreement of the Supervisory Board independent member‘s factual work was signed with Petras Povilas Čėsna.

**LESTO Articles of Association indicates: „Agreements with members of the Board can be signed for factual work in the Board before taking up the position; rights (including the right to get remuneration for the work in the Board, if there is a decision to remunerate), duties and responsibilities are set out in such agreements. The Supervisory Board determines the conditions of agreements with the members of the Board“. On 17 September, 2013 the agreements of the Board members‘ factual work were signed with Andrius Bendikas, Sergejus Ignatjevas, Virgilijus Žukauskas and Dalia Andrulionienė. On 17 September, 2013 the agreement of the Board chairman‘s factual work was signed with Aidas Ignatavičius.

***Bonus are not paid for the members of the Supervisory Board and for the members of the Board. Only hourly/monthly wages are paid for them.

****LESTO has not transferred any assets to members of management bodies. There were no loans, guarantees and sponsorship granted to the management bodies by the Company.

*****From this amount redundancy and vacation compensation contributed to LTL 109,808.

Agreements between the Issuer and members of its management bodies, members of its committees or employees providing for compensation in case of resignation or dismissal without a valid reason or of termination of work due to changes in the ownership of the Issuer

No such agreements between the Issuer and member of its management bodies or employees were made.

Strategy and goals of the Company

LESTO long-term strategy till the year 2020 provides for the aspiration of the Company to become an efficient company, which optimally uses resources, is oriented to satisfy its clients and has confidence of the society. By its performance LESTO strives to contribute to the aims set forth by the strategy of Lietuvos energija, UAB, the National Energy Strategy, and the initiatives of European Union, namely – to save energy, protect the environment, integrate into the united energy market, supply safe, reliable and accessible energy as well as dynamically adapt to volatile internal and external surroundings.
The Company strives to increase its value by acting in the following directions:

- increasing efficiency and quality of service provided to clients;
- creating a modern organizational culture oriented towards changes, application up-to-date management methods, establishing more effective performance processes;
- minimizing loss of electricity network, ensuring incorporation of new consumers, and reliable operation of the network.

For implementation of long-term strategy, two performance priorities are selected:

- increasing the efficiency of activities;
- introducing new technologies.

During the year 2013, LESTO implemented the following measures:

- the functionality of self-service website “My electricity” was extended by implementing 28 new services, which enabled the clients to receive LESTO services in a more comfortable way;
- in order to organize work more efficiently, the functions of the networks were centralized.

Efficiency of activities

During forthcoming years, most attention will be paid to increase the efficiency of activities. Drafted innovative means for optimization of activities will allow reduction of costs and guarantee a sufficient level of investments intended for renewal and modernization of the network. At the same time, the Company will strive to ensure the quality of service rendered to its clients, which will be no worse than the average of the European Union.
With reference to growing consciousness of the consumers as well as the increase of expectations concerning quality, the electronic channels will be developed further, intended for providing service and advice to the clients; more and more services for clients will be provided in most comfortable way.
Given intense changes, employees with high competence are needed as well as organizational culture directed at on-going changes. In order to achieve these goals, the programmes are created to increase employees’ competence, efficiency, and motivation, as well as programmes for strengthening performance in a team-work.

Technologies

After the stage of intensive activities optimization, further improvement of electrical grids becomes possible by placing investments into new technologies intended for reducing loss in electrical grids, namely, to decisions concerned with automation of electrical grids, advanced electrical grids’ disconnection and administration systems, modern engineering and technologic decisions on the network development, etc. LESTO constantly assesses benefits provided by the new technologies; it strives and will strive for applying them in its performance.
Development of new technologies in electric energy sector will have great importance for performance of the Company by way of integrating electrical grids producing energy from renewable resources into the network: wind, sun, water and biofuel, with the view of development of electromobiles’ charging system and introducing smart meters.

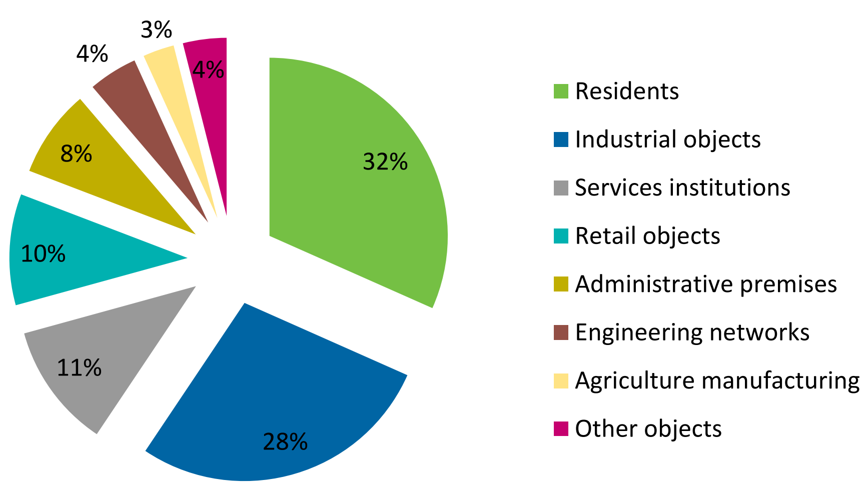
Electricity distribution network

Development and expansion of the activities

Activity indicators	2013	2012
Amount of electricity received to the distribution network, million kWh	8,874	8,804
Technological losses in the distribution network, million kWh	664	691
Volume of network service, million kWh	8,209	8,113
Amount of electricity sold, million kWh	3,061	3,609
Electricity quality indicators:		
SAIDI, minutes (with "force majeure")	153.9	288.1
SAIFI, times (with "force majeure")	1.43	1.83

During the twelve months of 2013 the amount of LESTO network service reached 8,209 million kWh. Electricity sales made up 37.3 % of this amount, to the rest customers LESTO granted only network service. Comparing with the same period of 2012, the amount of electricity sold decreased by 15.2 %, while the volume of network service increased by 1.2 %. Such a decline of sold electricity was due to the fact that more consumers have opted independent suppliers. Technological losses experienced by the Company during the twelve months of 2013 amounted to 664 million kWh and this totalled to 7.5 % from the amount of electricity received while during the same period of 2012 technological losses totalled to 7.8 % from the amount of electricity received.

Structure of network service volumes by objects



32 % of electricity network service volume was allocated to residents. Industrial and service institutions consumed 28 % and 11 % respectively. In comparison with 2012 data, the structure of electricity network service has not changed.

LESTO pays much attention to the development and maintenance of the electricity network. This guarantees that society is provided with economic and social benefits, that the reliability and the quality of the electricity supply are increased, that the more rational use of energy is facilitated, all of which contributes to the Company's environmental policy.

In the twelve months of 2013, LESTO investments in electricity network expansion and modernization reached LTL 298.5 million. This is 7.6 % less compared to the investment during the same period of 2012.

Comparing with the twelve months of 2012, the biggest decrease was in investment in the reconstruction of 0.4 - 10 kV electricity network (24 %) and in investment in the reconstruction of 110/35/10 kV transformer substations and 10 kV distribution subsections (23.8 %). Investment in the buyout of electricity objects has increased by 18.2 % compared with the same period of 2012.

LESTO investment, LTL thousand

	2013	2012	Change, %	Structure, %	
				2013	2012
Investments in expansion	**175,453**	**163,234**	**7.5**	**58.8**	**50.6**
Connection of new customers	173,442	161,532	7.4	58.1	50.0
Buyout of electricity objects	2,011	1,702	18.2	0.7	0.6
Investments in maintenance	**123,007**	**159,608**	**-22.9**	**41.2**	**49.4**
Low voltage electricity grid	70,841	93,242	-24.0	23.7	28.9
Medium voltage electricity grid	41,809	54,883	-23.8	14.0	17.0
Other investments	10,357	11,483	-9.8	3.5	3.5
Total	**298,460**	**322,843**	**-7.6**	**100.0**	**100.0**

During the twelve months of 2013, LESTO has connected 20,649 objects of new customers, 13.9 % more than in the same period of 2012 when it had 18,130 objects connected. The permissible power for new customers was equal to 297.4 MW, which is 25.6 % more than in the twelve months of 2012, when the permissible power was 236.8 MW.

During the year 2013, LESTO continued redemption of networks from communities of the gardeners in order to satisfy increased electricity consumption demands of the gardeners as well as demands to maintain infrastructure. The goal was to ensure reliable and safe electricity supply and modernization of the networks. During 2013 LESTO acquired electricity networks from 19 communities of the gardeners. Since the start of the acquisition process (in 2003), LESTO has acquired 934, or 97 % of power networks from the communities of the gardeners.

On 27 December, 2013 the implementation of contract for administration and funding of the project “AB LESTO distributive network’s development and electrification of rural homesteads” (project’s code No VP2-4.2-ŪM-01-K-03-001) was fully finished, which had been signed with Ministry of Economy of the Republic of Lithuania and the LVPA (Lithuanian business support agency) on 29 March, 2012. Subject of this contract was technical works for connecting 31 unelectrified homesteads to electricity network – these works were performed in the Western part of Lithuania. Electricity supply lines of 29.26 km length were built for reaching this goal, including 16 transformers mounted in accordance with the contract.

On 10 October, 2013 implementation of the contract for administration and funding of the project “Modernization of electricity networks of Joint Stock Company “VST” (project’s code No VP2-4.2-ŪM-01-K-03-004) was fully finished, which had been signed with Ministry of Economy of the Republic of Lithuania and the LVPA (Lithuanian business support agency) on 19 November, 2009. Subject of this contract was construction of new transformers, distributive stations and transformer substations, changing electricity supply airlines by underground cables, reconstruction of distributive networks and extension of SCADA system. For reaching this goal, 5 transformer substations were equipped or modernized, new electricity lines of 46.27 km length were built, and reliability of electricity supply was improved for 27 thousand electricity consumers.

On 13 December, 2013 the Company signed the contract for administration and funding of the project “Replacement of complex transformer-stations of LESTO AB by post transformer-stations”, which had been signed with the Ministry of Economy of the Republic of Lithuania and the LVPA (Lithuanian business support agency). According to this contract, the sum intended for funding of this project from the EU structural funds amounted to LTL 7.769 million. Total value of the project, which will run until 28 August, 2015, amounts to LTL 19.423 million. The unique code of the project is VP2-4.2-ŪM-01-K-04-001. By executing modernization works on distributive networks during the project, 724 complex transformer-stations already showing natural and moral wear-and-tear will be replaced by modern post transformer-stations. This will allow satisfying the increasingly rising loads as well as requirement of electricity supply reliability and quality. The works will be done all over Lithuania. During the project under implementation uninterrupted electricity supply to the consumers will be ensured. All consumers living in the project's implementation territory will be able to use benefits created by the project results, namely - the consumers, who are connected to modernized transformer-stations. Target project also will contribute to the development of the regions.

By implementing the contract for administration and funding of the project "Modernization and development of AB LESTO electricity distributing networks in the communities of the gardeners" (project's code VP2-4.2-ŪM-01-K-04-002), which had been signed on 29 March, 2012 between Ministry of Economy of the Republic of Lithuania, Public body Lithuanian business support agency and the LESTO for modernization and development of electricity networks in 76 communities of the gardeners located in the territory of Lithuania and served by LESTO, modernization and development works on electricity networks were finally finished in 30 communities of the gardeners during the year 2013. The sum intended to fund the project from the EU structural funds amounts to LTL 9.147 million.

In 2013, the Company continued the works that were partially funded by the EU structural funds. On 28 December, 2012 (in the year 2013, agreements on contract amendments were signed) three administration and funding contracts were signed between the Ministry of Economy of the Republic of Lithuania, the LBSA and LESTO in order to implement these projects:

- "Modernization and development of AB LESTO electricity distributing networks in communities of the gardeners" (project's code VP2-4.2-ŪM-01-K-04-004). The project was intended for modernization and development of electricity networks in 17 communities of the gardeners located in the territory of Lithuania and served by LESTO. For the funding of the project, LTL 3.48 million from EU structural funds was supposed to be used. During the year 2013, LESTO has selected contractors and signed contracts with all 17 communities of the gardeners with the aim to modernize and develop electricity networks and fully finished these works at 8 objects: in communities of the gardeners "Spengiai", "Santaka", "Dainava", "Tarpučiai", "Vairas", "Kiškėnai", "Nemunas" and "Dobilas".
- "Replacement of electricity airlines of AB LESTO by cables system" (project's code VP2-4.2-ŪM-01-K-04-002) (36 objects). For funding of this project LTL 5.048 million from the EU structural funds was supposed to be used. Per the year 2013, the modernization and development works were fully finished at 26 objects.
- "Modernization of LESTO AB transformer substations" (project's code VP2-4.2-ŪM-01-K-04-003). 7 substations were modernized according to the project. The EU structural funds granted LTL 13.2 million for the funding of this project.

Totally per year 2013, 877 transformer stations of 10/0.4 kV voltage were modernized. In order to avoid vulnerability of the airlines and damages due to natural disasters, LESTO continued laying underground cables for electricity transmission. During twelve months of the year 2013, LESTO laid 1,326 kilometres of cable lines of 10/6/0.4 kV voltage. Cable lines notably reduce number of failures during exploitation, exploitation itself of such lines is cheaper and, if airlines are changed to the cables, the landscape becomes lovelier.

Business environment

The European Commission's economic forecast shows that Europe's economy is slowly recovering. Banks' analysts are of the opinion that Lithuania's economy will grow in the year 2014; it is expected that Lithuania's gross domestic product will grow from 3.5 % to 3.7 %[1] in 2014. Since electricity consumption is closely related to the gross domestic product growth, the economic growth will affect the results of LESTO: it is expected the growth of the amount of electricity received to the distribution network and the volume of network service in 2014.

[1] SEB bank. Lithuanian Macroeconomic Review No. 54, December, 2013; Lietuvos bankas. Economic Outlook for Lithuania, 26 November, 2013; „Swedbank" Economic Overview, 21 January, 2014.

Change of LESTO network service‘s volume effect on LESTO income*

Change of network service, %	Change of income, LTL thousand
+1%	24,000
-1%	-24,000

*Supposing that the tariffs established by the National Control Commission For Prices and Energy for 2013 are apllied

The governmental policy regarding electricity prices is significant to the Company’s activities. Service prices are controlled, price caps are set and controlled by the National Control Commission For Prices and Energy. On 11 October, 2013 the National Control Commission for Prices and Energy established the following price caps of the electricity distribution service for 2014:

- Electricity distribution service received via medium voltage network – 4.479 ct/kWh or 1.30 euro cents/kWh (2013 – 4.747 ct/kWh or 1.37 euro cents/kWh);
- electricity distribution service received via low voltage network – 6.162 ct/kWh or 1.78 euro cents/kWh (2013 – 6.219 ct/kWh or 1.80 euro cents/kWh).

On 11 October, 2013 the National Control Commission for Prices and Energy established the price cap of 0.52 ct/kWh or 0.15 euro cents/kWh for 2014 on public electricity supply services (2013 – 0.49 ct/kWh or 0.14 euro cents/kWh).

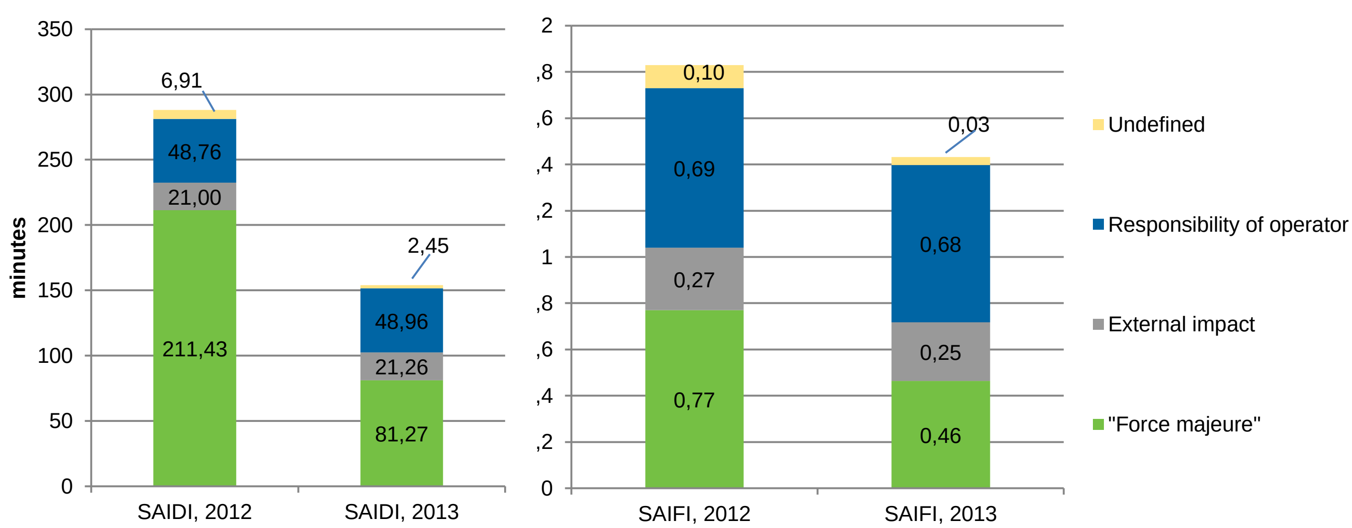
On 22 November, 2013 the National Control Commission for Prices and Energy established the price cap of 31.616 ct/kWh (excluding VAT) for private customers who receive electricity via medium voltage network and the price cap of 37.778 ct/kWh (excluding VAT) for private customers who receive electricity via low voltage network on public electricity prices for 2014 (2013 – 34.104 ct/kWh, excl. VAT, 2012 – 31.24 ct/kWh, excl. VAT and 2013 – 40.323 ct/kWh, excl. VAT, 2012 – 37.65 ct/kWh, excl. VAT, respectively).

If the predicted economic growth confirms, the price changes will not have a significant impact on the Company’s financial results.

Distribution network reliability indexes

In the twelve months of 2013, regardless of the influence of natural disasters (“force majeure”) the system average interruption duration index (SAIDI) per customer amounted to 72.67 minutes and, compared with the same period of 2012, it has improved (SAIDI for the twelve months of 2012 was equal to 76.67 minutes), the system average interruption frequency index (SAIFI) per customer reached 0.96 times and, compared with the same period of 2012, it has slightly improved (SAIFI for the twelve months of 2012 amounted to 1.06 times).

Quality of electricity supply (SAIDI, SAIFI) 2013 January – December and 2012 January – December



LESTO personnel

The main asset of the Company is its employees, the most important link when pursuing the set objectives. The Company's personnel policy is oriented towards training of professional abilities of the employees and formation of organization's culture, which ensures creating value for clients, partners and the society.

In order to increase the Company's efficiency, during the first three months of 2013 LESTO centralized the network defecting function by implementing network service strategy and created defecting groups in the regions by accumulating best specialists in this field. Such modification did not have any influence on the number of LESTO employees, because all employees were selected within the Company and transferred to new structural divisions from other divisions.

During the second quarter of the year 2013, LESTO implemented the project concerned with management of warehouses and inventories, which cleared the functions of the warehouses: warehouses of inventories and electricity metering devices were combined. With the refusal to use useless storage areas, costs of lease of the premises were reduced. The Company began minimizing fixed value of the resources stored in warehouses. After implementing of this project, total number of LESTO personnel was reduced by 11 positions.

In order to increase the efficiency of the Company during the third quarter of the year 2013, LESTO in its service centres the second stage of the project in order to centralize functions unrelated to rendering service to clients was implemented, and as a result the number of LESTO staff was reduced by 26 positions. Electricity network division started implementing the project of centralizing electricity network maintenance functions – as a result network maintenance functions were transferred to regional network management departments. The project for the implementing of unified control and management system and for extension of territories served by strategic teams continued as well - by implementing these projects, the number of LESTO personnel was reduced by 55 positions.

During the fourth quarter of the year 2013, the Company finished the project on centralization of network maintenance functions and continued projects for implementing unified control and management system as well as extending territories serviced by strategic teams - by implementing these projects total number of LESTO staff during the fourth quarter of the year 2013 was reduced by 63 positions.

These changes had an influence on the number of LESTO employees. Number of employees since the beginning of the year was reduced by 5.3 % - from 2,555 employees on 1 January, 2013 to 2,420 employees on 31 December, 2013. In LESTO group, the number of employees was reduced by 5.1 % - from 3,384 employees on 1 January, 2013 to 3,212 employees on 31 December, 2013.

LESTO employees by categories

Category	Number of employees		Change, %
	31 12 2013	31 12 2012	
Top-level managers	8	9	-11.1
Middle-level managers and specialists	1,997	2,075	-3.8
Workers	415	471	-11.9
Total	2,420	2,555	-5.3

The structure of the Company's employees by their education was as follows: 58.1 % of the employees had higher education, 23 % had post-secondary education, and 18.9 % had secondary or specialized-secondary education.

Training

LESTO organizes training of different type for the employees of the Company. Professional qualification of employees is raised by mandatory training – after completion of training the employees obtain certificates that permit more effective special works.

1,313 persons participated in mandatory training during the year 2013. The employees participated in training of special driving licences (C, CE, BE), manager of high-scaler works, operator of traveller managed from the ground, electro-technical personnel operating tasks under voltage on current-carrying parts, trees, bushes, branches, mower at protection zones, safety and fire signalization, first aid and hygiene skills, etc.

During the year 2013, 1,640 persons participated in general training with the aim to train general competencies. This training was organized both for forming inner groups of the Company and sending single employees to seminars and conferences (in Lithuania and abroad) organized by outer suppliers. The Company pays high attention to quality of serving the clients; therefore, during the year 2013 training for employees of Electricity network division (for electromounters of strategic team and dispatchers) was organized in order to manage critical and conflict situations; for employees of Customer service division, who contact clients directly – training in order to manage conflict situations and to negotiate conflicts; for managers of Customer service division – for individual working with employees in order to ensure achievements of the goals prescribed to client services. Once the operating manuals started to work at the Company, attention was paid to management of projects, improvement of processes and training masters for them; therefore, during the current years, training for masters of the processes was organized, namely on how processes might be managed efficiently by improving them; for managers of projects, who are liable for well-timed implementation of engineering processes within electricity network service.

The Company pays high attention to its best employees; therefore, already few years successively talent management system is developed. In 2013 employees included to certified talent's list of the Company participated in various training programmes organized by competence training and education centres.

The programme of inner lectors has been running successfully in the Company for successive three years – training for their colleagues has been conducted by the Company's employees themselves. Inner teachers have trained their colleagues on ABC of electro technique, using MS Excel programme, culture of correct speech, efficient communication and other skills. 14 leaning themes training general competences were prepared along with some more themes training special professional competences. Training was conducted by more than 25 inner teachers. 1,391 persons participated in inner training during the year 2013.

The Company also constantly collaborates with manufacturers and equipment suppliers delivering their knowledge to LESTO electricity network service employees doing the work for free – presenting the trends of market and innovations in sphere of the energy. 536 employees participated in such training in 2013.

In order to ensure the quality of organized training and prepare training programmes, the Company constantly collaborates with training suppliers and surveys for evaluating the training are performed.

In order to manage training-related data and information efficiently, the training is organized by using DSIS (work safety information system) created at the beginning of 2013.

Payment system

Remuneration policy was introduced by LESTO the implementation of which placed LESTO among other most progressive companies of the country, which remunerate their employees for the work performed according to the results achieved, value created for the organization and the team. The remuneration system was developed on the basis of "Hay Group" methodology ensuring objective evaluation of the employee's offices according to the required education, complexity of the problems, and level of responsibility of the specific office. This system supports efficiency management of the Company's expenses and ensures that strategic goals and business management logics of LESTO would be reflected in the payroll system.

The Company's employee remuneration package consists of financial, non-financial and emotional rewards. Financial reward system includes a monthly paid fixed salary indicated in the employment contract, as well as the variable part of the salary paid for the reached results of performance and other premium (for overtime, night work, etc.) paid according the collective agreement and other internal legal acts. Non-financial rewards are an indirect of employee remuneration, which is used by the Company to promote its employees' effort, involvement and loyalty, employee well-being and enrichment activities in the Company. These rewards includes various events, greetings for special occasions, recognition and evaluation by awarding employees for their especially high results, health promotion, employee development and training. Emotional rewards are the factor that is hardly measured but very important for employees' involvement in the Company's operations, it includes the Company's reputation, organizational culture and values, career opportunities, various internal communication programmes that allows employees to share their ideas, ask questions, get acquainted with colleagues with the support of an internal website.

Average wages of LESTO employees

Employee category	Average gross wage, LTL	Average gross wage, LTL	Change, %
	2013	2012	
Top-level managers	18,641	17,903	4.1
Middle-level managers and specialists	3,337	3,154	5.8
Workers	2,772	2,883	-3.9
Total	3,288	3,156	4.2

Collective agreement

The collective agreement was passed at the Conference of LESTO employees on March 10, 2011. The purpose of this agreement is to ensure effective activities of the Company and represent the rights of all employees of the Company and their legitimate interests. The collective agreement specifies the scheme of remuneration of the employees, social, economic and occupational conditions and the guarantees that are not regulated by laws and other legal acts. The employees are offered additional guarantees (allowances in the cases of accidents, illness, death of immediate family members, birth of a child support, additional days of paid leave following the birth, marriage, and in other cases).

Internship

LESTO actively collaborates with educational institutions and creates conditions for university or college students for application of theoretical knowledge and acquisition of professional skills. Since the beginning of the year 2013, 92 students were exercising their practice in LESTO. The Company received not only the students coming for the mandatory internship, but also LESTO was searching and selecting motivated and enthusiastic students in order to provide them opportunity to exercise practice in the Company on a voluntary basis. Given the demand of new employees, the Company remembers most enthusiastic trainees, and most relevant of them are invited to join the team of LESTO Company. Even 12 trainees exercising practice from the beginning of the year 2013 were employed according to terminable or termless employment contract.

Customer Service

Customer satisfaction

Satisfaction of clients is measured once per year by running a survey of clients' satisfaction. In the year 2013, satisfaction level of LESTO clients, which was estimated according to GCSI research methodology[2], was by 9 points higher than comparative GCSI index of European energy companies. LESTO index equals to 76, whereas average of European energy companies equals to 67 points of the index. This research shows the fact that quality of service and servicing provided by LESTO exceeds the expectations of the clients and is rated better by 1 point than a year before.

[2] *For the research of LESTO client's satisfaction Global Customer Satisfaction, index (GCSI) methodology was invoked, which is based on American Customer Satisfaction Index (ACSI). GCSI is a global franchise of ASCI research methodology. The instrument consists of 17 questions that are summarized to 6 rate groups: expectations of clients, assessment of quality, assessment of understood value, satisfaction of clients, loyalty of clients and complaints of clients. Investigation of satisfaction of LESTO clients within the period of September-November, 2013 was performed by UAB "SYNOPTICOM". Controlled sampling was comprised of 1106 private clients and 921business clients.*

After evaluating research results, LESTO annually prepares schedule of the measures, the application of which improves servicing of the clients and the services provided. In the course of last year, changes of the website www.manoelektra.lt were implemented, clients servicing system was rearranged, processes of the Company enabling more speedy and comfortable provision of usual services were optimized, and centralized briefing of the clients about occurring failures and planned duration for their elimination was implemented.

The Number of the Customers Serviced

On 31 December, 2013 LESTO had 1.545 million contracts with private clients and 63.7 thousand contracts with business clients (on 31 December, 2012 it had 1.528 million contracts with private clients and 64.6 thousand contracts with business clients).

Service Channel Development

In 2013 the number of customers who uses the remote service channels (self-service website “Mano elektra” and customer service 1802) increased, while the flow of electrical energy users in LESTO customer service centers of smaller towns is decreasing. Due to changing customer needs, the Company consistently invests and expands the services provided by the telecommunications and internet channels.

In 2013 many important services were introduced in self-service website „Mano Elektra“ (www.manoelektra.lt). From now on customers can submit applications for increasing or decreasing the capacity, changing the category of reliability or connection (movement) of new installations. The business customers can notify about a new or changed contract with independent supplier in efficient manner in self-service system. The new self-service website’s www.manoelektra.lt version was introduced on June in 2013. Customers are welcomed by a new self-service user experience and modern standards conforming appearance as well as modern services. During the third quarter of 2013 the service of an application for signing or terminating the purchase / sale agreement, there is an ability to order a certificate of payment. The announcement about the debt payment has become easier. Customers can find all ever sent notices, signed drafts and debt payment / peace agreements in self-service website. Intensive self-service site www.manoelektra.lt functionality development project was completed in the fourth quarter of 2013. From now on self-service site provide more than 30 services for private and business customers. The campaign of www.manoelektra.lt awareness raising on TV and radio was implemented at the end of the year (from October to December); the campaign attracted new users and led to greater use of installed services. The declaration of meter readings is the most often used service. This service is used by more than 50 % of regular visitors of the system.

Currently 385 thousand of users registered themselves in the system, including 334 thousand domestic users.

During 2013, the number of visitors of the website www.manoelektra.lt (by comparing data of the year 2012) increased from 1.711 million to 2.462 million; proportionately, unique visitors increased from 0.891 million to 1.098 million.

During 2013, by short client service telephone 1802 information was provided to more than 937 thousand clients (during relevant period of the year 2012, information was provided to 902 thousand clients), more than 380 thousand requests of the clients on various questions were received and solved (during relevant period of 2012, 517 thousand requests of the clients were received and solved).

During 2013, more than 284 thousand clients were served by client service centres located in the five largest Lithuanian cities.

Maintenance and Development of Accounting for Electricity

During the year 2013, the Company replaced 113,608 pieces of metrologically outdated electricity metering devices; out of them 69 % were used for electric energy metering in single-phase alternating current systems, and 31 % - of three-phase systems. The Company mounted 21,557 pieces of power account equipment for new clients; from them 33 % were intended for recording power of single-phase alternating current systems, and 67 % of three-phase systems. By constant modernization of electricity metering devices the Company has reduced the number of metering failures by 20% during 2013. In comparison with the year

2012, the Company performed more than 890 thousand inspections of electricity metering devices jointly with same number of reading control operations.

By putting investments into modernization and automation of electricity metering devices during the year 2013, the Company connected 2,294 pieces of electricity metering devices to computer-assisted power recordings reading system by such means of increasing number of electricity metering devices reading the records in a remote way up to 20,067 of units. Automation of power account equipment provides possibility to invoice automatically the client on electricity amount gone per period instead of declaring amount by clients themselves.

During the year 2013, the Company began implementing experimental project for introducing power account control appliances estimating power amount in parts of the system. This project was intended for reduction of electricity loss in the networks.

Customer Settlement Management

The clients have been using electronic means of settlement more and more often. At the end of reporting period, nearly 40 % of all payments for energy consumption were performed by electronic channels.

Direct debit means one method of payment for the consumed energy and it becomes more and more popular in Lithuania. Following this method, the client pays equal sum for electricity each month and this amount is automatically deducted from client's bank account. More than 12.5 % of LESTO customers are paying by direct debit already. Each client, who pays for electricity by means of direct debit, is personally informed about individual contribution amount settled individually. On request of LESTO clients, who selected to pay by direct debit, after carrying periodical inspections of meter readings the amount of contributions is recalculated, and also when the price of the electricity is changed. Moreover, clients themselves can select the most comfortable payment's date, when invoice for consumed electricity is settled automatically.

Clients have the possibility to declare energy consumption readings on self-service website www.manoelektra.lt, which is periodically updated.

Market liberalization

On 31 December, 2013 independent suppliers delivered electricity to 108,700 objects. According to plan for development of Lithuanian power market signed by the Government of the Republic of Lithuania on 8 July, 2009, on 31 December, 2013 independent electricity supplier has been chosen accordingly:

- About 86 % of objects with permissible power of 400 kW and more;
- About 57 % of objects with permissible power of 100 kW and more;
- About 33 % of objects with permissible power of 30 kW and more;
- About 47 % of objects with permissible power less than 30 kW.

The remaining objects are supplied with electricity by the warranty supplier (LESTO).

Projects and initiatives on social responsibility

LESTO is a member of the Global Compact initiated by the United Nations and submits annual Progress report prepared according to the principles provided by the Global Compact. The Global compact covers implementation of 10 principles of responsible performance and encourages companies to preserve environment, community and other businesses, also to participate in solving social and environmental protection problems together with the United Nations, authority institutions and non-governmental organizations, contribute to evolution of the society and economic growth. The Global Compact is based on principles of human rights and rights of the workers, environmental protection and fighting corruption.

The priorities of LESTO Corporate social responsibility

The main goal of LESTO socially responsible activities is formation of skills of society contributing to safe and rational consumption of electricity, saving energy resources and minimizing effect over environment; therefore, all socially responsible actions initiated by LESTO contribute to achievement of these goals.

Environmental Projects

Electric vehicles. LESTO sees high potential for development of electric vehicles in the future; new technologies using energy more efficiently and their introduction to car industry compete in the market more and more, particularly in comparison with long-standing automobiles that use traditional fossil fuel. In order to run experiments and practically assess possibilities by using new cars, also their potential under Lithuanian climate and roads conditions, LESTO leased electric car for three years period in 2013.

Paper. The Company constantly motivates its clients to reject paper bills and billing books, and chose instead remote service channels or pay by means of direct debit. More than 90% of LESTO business clients already turned to electronic billing.

Sorting of waste and waste management. Paying attention to published statistics, namely that actually one fourth of total communal waste is formed of paper, cardboard and plastic, and that waste of such type mostly is disposed of by offices, LESTO central office, which has utmost number of employees, initiated waste disposal by sorting plastic and paper. By contributing to safer environment LESTO continues serving of points for workers operating in client service centers in order to collect power saving bulbs, fine electronics and batteries.

Customer information using modern technologies. LESTO informs public about known faults in the distribution network that disrupted the electricity supply by e-mails and SMS messages. Residents who have submitted their contact information, are being informed of the expected duration of the defect removal, changes in removal time, and the fact of defect removal.

To the public

To a wide extent LESTO implements long-term social responsibility projects for children, youth and public. All of them cover active inclusion of target social groups as well as ideas concerning safe and efficient usage of energy and environmental protection.

Loss reduction and educational project „Operation 2020“

Until the year 2020, the Company plans to proceed with the implementation of the programme “Operation 2020” in order to motivate responsible behaviour with electric devices, increase understanding of people about safety and reduce negative outcomes rising as a result of non-responsible and malicious behaviour of people.

By collaborating with judiciary institutions, greater infrastructural plants and communities, 63 criminal acts were detected during the year 2013 (59 cases of thieving oil, 2 of thieving wires, 1 theft of metals and 1 equipment damage from hooliganism cases). The Company suffered loss amounting to LTL 161.3 thousand for these criminal acts (part of loss was repaid), 39 persons were arrested for doing these criminal actions. Totally per year 2013, LESTO lost technologic property of value amounting to LTL 879.3 thousand as a result of theft (in 2012 – LTL 868 thousand). Nearly half of this total loss (LTL 390 thousand) was related to Vilnius region, where volume of theft has increased nearly by one-third. In order to solve the situation in the region, in cooperation with the police commissariats preventive measures plan was prepared.

In 2013, LESTO continued active collaboration with The Association of Chiefs of Local Authorities of Lithuania by participating in meetings and conferences organized by the chiefs. Utmost support against theft was provided by public spirit of the people, i.e. messages sent by the whistle-blowers provided help and led to expeditious exposing of the offenders, termination of electricity supply till transformers were repaired before they were burnt. After assessing cases of detected thefts it is possible to say that 50 % of theft cases were detected with the help of the citizens.

For the enhancement of electricity efficiency – „To the Extent Required“

Stimulation of rational energy usage is one of underlying trends of LESTO social responsibility, contributing to environmental protection and saving energy resources due to obligations of the country to pursue the European Union programme with regard to climate change. This project strives at creating traditions of rational life of society by searching for rational way to consume electricity both in daily life and business.

“The Green protocol” and “Conference for business on power efficiency”. Companies have been invited to join “The Green protocol” for three years in a row. This refers to an agreement, which is unique in the country and has been initiated by LESTO. By following this agreement, companies and organizations confirm being aware of the ideas of saving environment and stimulating rational energy usage, and their own agreement with such ideas and undertaken realization of those in practice. For the third successive year, LESTO and business daily “Verslo Žinios” organize conferences for businesses on power usage efficiency – this year more than 300 people and more than 160 companies were participating in the conference.

Project for apartments. In order to draw public attention to power economy as well as safety in common areas, LESTO alongside with social partners UAB “Mano būstas LT”, UAB “ACME Europe” and “UAB “Elektros taupymo sprendimai” is implementing the project “As much as needed for apartments: safe and cost-saving home”. During the project targeted for apartments of four different cities and using the means provided by partners, modern and representative lighting of stairwells and outside doors was upgraded to operate on the basis of state circle: this means that light does not fade not only due to the movement, but also due to presence of a person. By this project, the Company pursues the goal of drawing attention both to energy saving and safety aspects. During the first two days after changing lighting power consumption of stairwells, the saved energy accounted for 26-32 %. Common premises use power both for lighting and circulation of pumps and other mounted equipment. For lighting of stairwell, the used power will decrease after changing incandescent light bulbs by LED bulbs - average stairwell shall pay for electricity LTL 61.33 less. For people living in apartments changing of incandescent light bulbs with LED bulbs should cost LTL 480. Investment into the new bulbs will be repaid within the period of 8 months.

Project of modern streets’ lighting. In autumn of 2013, LESTO together with Birštonas local authorities and Italian public lightning company “Enet Sole” started an experimental project on efficiency of illuminators based on LED technologies “As much as needed for the city”. 14 usual street illuminators were changed with LED illuminators during the project. LESTO equipped required recording appliances and financed illuminator replacement works. Technical specifications of LED illuminators reflect situation that by modernizing lighting of streets, municipality could save 50-60 % of consumed electricity. According to LESTO data, 150-160 thousand illuminators currently are equipped in the largest cities of Lithuania, and most of them use sodium lamps of capacity from 70 to 250 W. According to preliminary assessment, in 2012 alone municipalities consumed 63.127 million kWh for lighting of streets and paid for consumed power LTL 25 million.

Educational project on power saving for children and youth - “Elektromagija”

Educational initiative “Elektromagija” is pointed towards young people – it is created for training children and youth on power benefits, hazards and safety questions. The initiative's aim is to encourage students to learn safe handling of electricity and electrical facilities, to promote interest in the responsible use of energy, as well as environmental and sustainable development ideas.

In the year 2013, students were invited to play new interactive game “Electromagical puzzle”. The aim of this game is both being better acquainted with the sources and electric appliances, and as a stimulation to use electricity safely in order to avoid possible hazards. Main prize of the competition was a tablet computer. While competing for the main prize, children registered more than 2 thousand gaming results; totally the website www.elektromagija.lt was visited by 7,500 players within the period of less than one month. Besides the winner of the main prize, 10 children were selected by drawing lots, who received the books stimulating creativity – “Good ideas with Olstein Kristiansen and the cow of ideas” and “Elektromagija.lt” notebooks.

In autumn of 2013, LESTO and Vilniaus kompiuterininkų akademija (VKA) agreed on collaboration and creation of new projects that would be realized by the students. They would receive tasks concerning electric energy – to create games, texts and other sights to visitors of the website “Elektromagija.lt”.

Collaboration with academic community. A new curriculum module of Energy economics was started in ISM Executive School in 2013. LESTO contributed to preparation of the module content and appointment of qualified lecturers. Lithuanian University of Educational Sciences (LEU), implementing “Green university” mission and striving at the development of social liability together with network distribution operator LESTO, organized a public lecture for academic community of the university “Social responsibility, or how organizations can achieve social benefits”. During the lecture, good practice of typical business social responsibility was discussed by presenting the ways used by University for training consumption culture, motivating students to use electricity, water, gas and other energy resources rationally. Lithuanian Children and Youth Centre ran Global education week events for the whole month in November, where efforts were made to draw attention of youth to human action aiming at the environment, quality of human life, stimulation of interest in regular development ideas implementation as well as creating new values of consumption culture. During the week, an action day “Jump to sustainable life style” was organized. During this day, the students were visiting workshops and participating in sessions organized by event partners; a lecture “Electric ideas: from bulb to electro-car” provided by electricity distribution company – LESTO, reaped most attention of the students.

Market and investors

In the commercial environment, LESTO strives at transparent relations with all market participants – clients, partners, contractors and investors. Annually, LESTO takes care of electricity supply safety, its economic and social benefit and pays high attention to development and modernization of distributive network. Such activity has important aspect within the trend of environmental protection – to create better energy saving conditions by using it rationally.

Fighting corruption

LESTO does not tolerate any corruption manifestations and speaks out about fair business and transparent collaboration with the state institutions. Risk is minimized by active internal control mechanisms intended for setting possible factors of corruption risks. Corruption prevention is one of the functions pursued by the Prevention and control unit of the Company. For the sake of good image of the Company, LESTO constantly executes its performance control and takes all actions for correction of detected violations and elimination of topping hazards.

Crime prevention and briefing the people

In summer of 2013, LESTO received a message about cases of fraud by simulating electricians, who tried to intrude into clients' homes and capture money from clients in a fraudulent manner. LESTO invited people to be watchful and ask all and any home-visiting specialists to show official certificates. Besides, residents must watch, whether arriving transport is marked by special signs. LESTO also briefed the property buyers and stimulated them to check, whether the previous owners of the property had fully settled the invoices with electricity distributing company LESTO, and how it is possible to avoid termination of electricity supply as a result of extraneous debts.

Estimation

Programme on the development The Global compact introduced by the United Nations in Lithuania and National Network of Responsible Business (NAVĮT) in the year 2013, invited LESTO to become the company presiding over NAVĮT. NAVĮT is such a subject, which consolidates responsible business companies in Lithuania. During LESTO chairmanship from 2005, NAVĮT members established Lithuanian Association of Responsible Business (LAVA), which continues past network's activities and

stimulates development of responsible business of companies and organizations, contributes to creation of favourable conditions for reaching regular development of the country, represents global initiatives and forms liable performance criteria.
LESTO was given National Responsible Business Award, because the Company in the category of large Lithuanian companies was recognized as "Most social company of the year 2012". The award was presented for all-round partnership and spreading good examples abroad. LESTO earns National Responsible Business Award for the third year in a row.

INFORMATION ON THE ISSUER‘S SECURITIES AND AUTHORISED CAPITAL

Authorised capital structure

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share in authorized capital, %
Ordinary registered shares	603,944,593	1	603,944,593	100,00

There have been no changes in the Company's share capital in the accounting period and the share capital amounted to LTL 603,944,593.
All shares of the Company are fully paid.

Rights and obligations granted by shares

All ordinary registered shares grant the same rights. Property and non-property rights are defined in the law, other legal acts and Articles of Association.

Information on major transactions of associated parties – indicate the value of transactions, the nature of relations among associated parties, and other information on transactions necessary to understand the Company's financial situation, if such transactions are significant or have been concluded in unusual market Conditions

Information on transactions of associated parties is provided in clause 29 of the notes to the audited consolidated annual financial statements for 2013.

Significant agreements to which the Issuer is a party and which would come into effect, change or would be terminated if the control of the issuer changed, as well as effects thereof, except in cases where revelation thereof would cause considerable damage to the issuer due to the nature of such agreements

The Company has not entered into significant agreements which would come into effect, change or would be terminated if the control of the issuer changed.

Information about harmful transactions made by the Issuer during the reporting period, which had or might have negative impact for the Issuer‘s activity and (or) activity‘s results, also the information about transactions which are made in conflicts of interest among executives of the Issuer, controlling shareholders or other related parties duties and their private interests and (or) other duties. It is necessary to disclose significant agreements' meaning, conditions, format of conflicts of interests and their influence for the agreement.

During the reporting period the Issuer did not make ant harmful transactions (which do not meet company‘s objectives, existing normal market conditions, violate shareholders or other groups interests and other) and did not make any transactions made in conflicts of interest among executives of the Issuer, controlling shareholders or other related parties duties and their private interests and (or) other duties.

Procedure for amending the Articles of Association

The General Meeting of Shareholders has the right to amend the Articles of Association of LESTO and its subsidiaries.

Restrictions on the transfer of securities

No restrictions are imposed on the transfer of LESTO securities.

Subsidiaries

On December 31, 2013, subsidiaries of AB LESTO (NT Valdos, UAB and UAB "Elektros tinklo paslaugos") had no directly or indirectly controlled share stakes in other companies.

Information about branches and representations

There are no branches and representations of the Company.

Information about committees

There are no committees in the Company.

Total number of shares acquired and the number and par value of own shares. Own shares as a percentage of the share capital

LESTO had no own shares prior to the accounting period and did not acquire any own shares in 2013.

The number of acquired and transferred own shares during the reporting period, their nominal value and the part of the share capital represented by such shares

The Company did not acquire or transfer its own shares in 2013.

Information on payment for own shares if these shares were acquired or transferred with charge

The Company did not acquire or transfer its own shares in 2013.

Reasons for acquisition of own shares in the accounting period

The Company did not acquire its own shares in 2013.

Shareholders

On December 31, 2012 the number of LESTO shareholders totalled – 7,431.

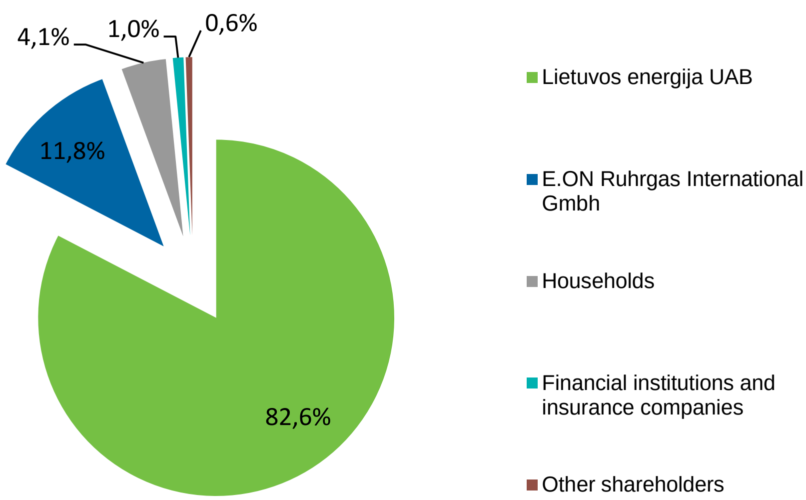
On December 31, 2013 the number of LESTO shareholders amounted to 7,188.

Shareholders of AB Rytų skirstomieji tinklai and AB “VST” that owned shares on 27 December, 2010 became LESTO shareholders.

LESTO number of shareholders according to countries, 31-12-2013

Country	Number of shareholders
Lithuania	6,988
Russia	49
Belarus	38
Estonia	36
United States	19
Latvia	11
Other countries	47
Total	**7,188**

LESTO distribution of holdings according to holder groups on 31 December, 2013



Agreements between the shareholders which are known to the Issuer and due to which the securities transfer and/or voting rights may be subject to limitations

No agreements between the Company's shareholders due to which the securities transfer and/or voting rights may be subject to limitations are known to the Company.

Restrictions on voting rights

No restrictions on voting rights are known to the Company.

The Issuer's bodies authorities to issue and to buy shares

The decisions to issue or to buy the Issuer's shares can be made by General Meeting of Shareholders by the Republic of Lithuania law.

Shareholders who owned more than 5 % of the issuer's authorized capital on 31 December, 2013

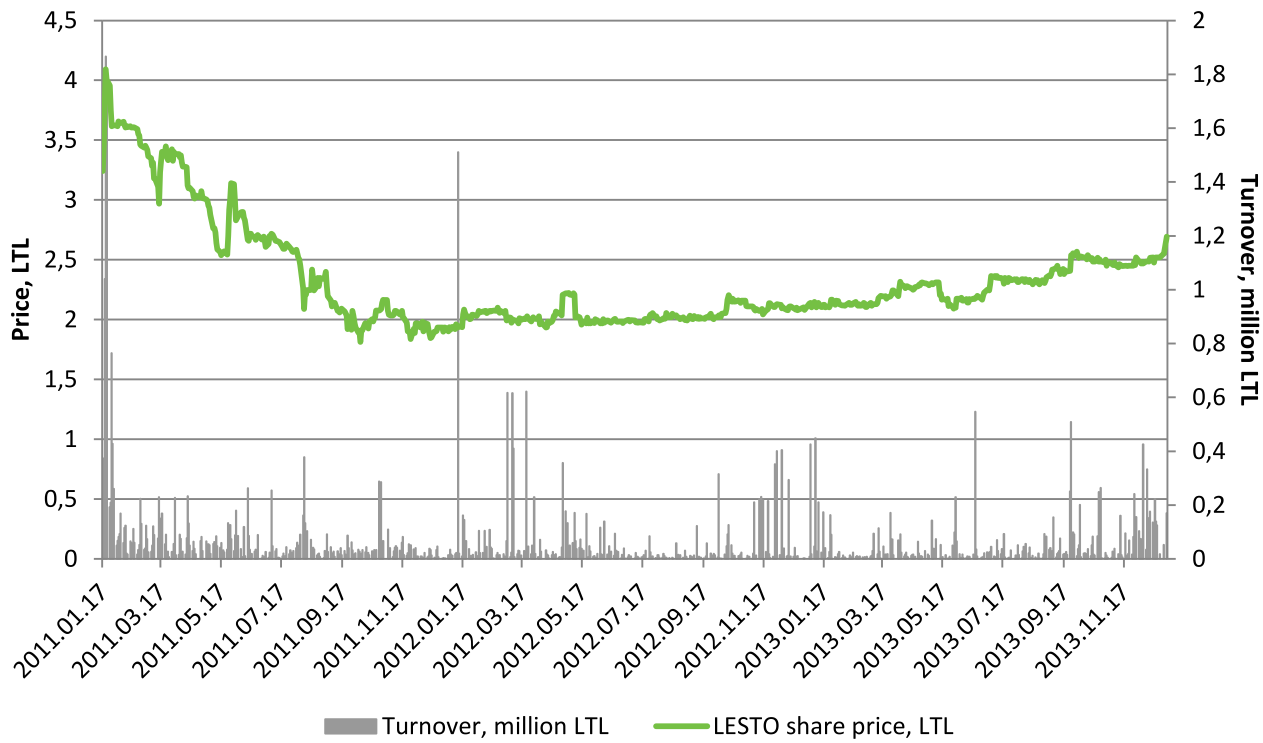
Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Lietuvos energija, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63	82.63
E.ON Ruhrgas International Gmbh, Brüsseler Platz 1 45131 Essen, Germany HRB No 21974	71,040,473	11.76	11.76

Information on issuer's securities

On 17 January, 2011 LESTO shares were included in the Main List of NASDAQ OMX Vilnius. LESTO shares are not traded in other regulated markets.

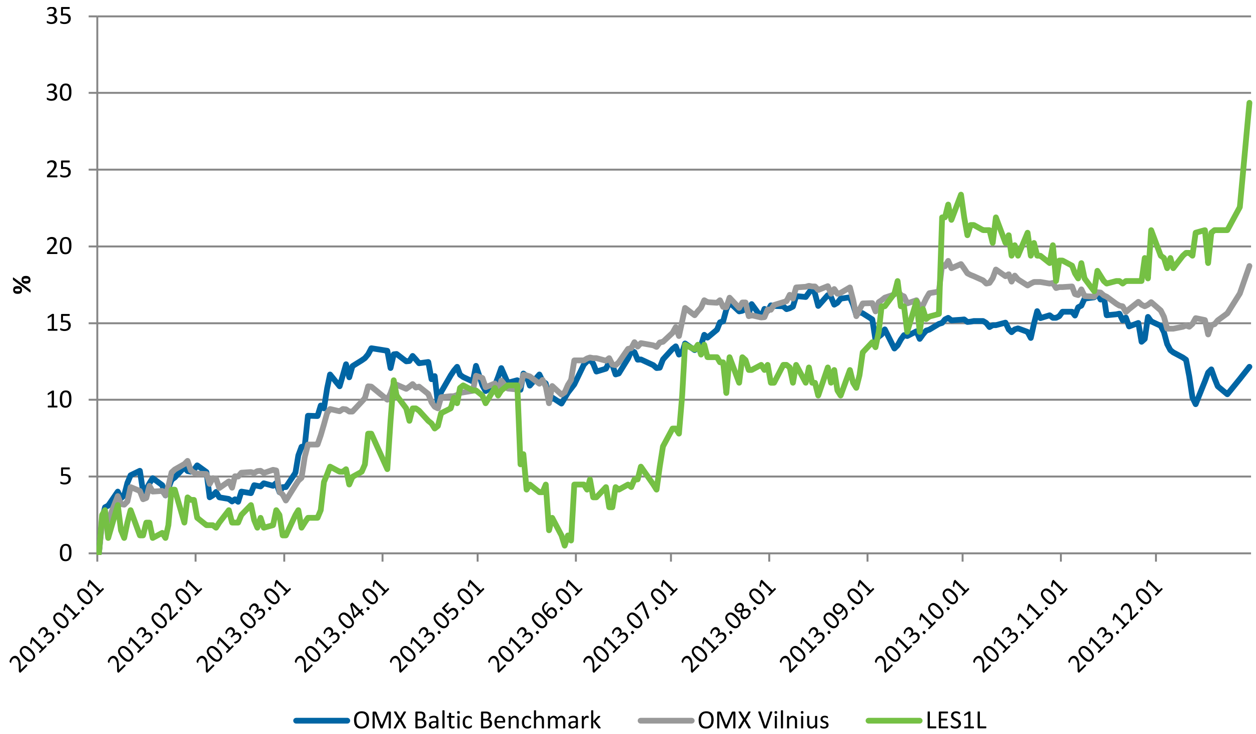
ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1	7000 Utilities	7500 Utilities

LESTO share price dynamics and turnover, 17-01-2011 - 31-12-2013



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. During the twelve months of 2013 LESTO share price increased by 26.19 %. The lowest LESTO share price was recorded on 28 May, 2013, when the information about the CEO resignation was published, the price of LESTO share was LTL 2.09. The highest point (LTL 2.69) during the reporting period was reached on the last trading day of the year 2013. The weighted average price of LESTO share during the reporting period was LTL 2.33.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 01-01-2013 - 31-12-2013



LESTO shares are included in both OMX Vilnius and OMX Baltic Benchmark indexes. Index OMX Vilnius consists of all the shares listed on the Main and Secondary lists of the Vilnius exchange market. The weight of LESTO shares in this index contains 20.27 %.

OMX Baltic Benchmark index consists of a portfolio of the largest and most traded shares, representing all sectors available on the NASDAQ OMX Baltic Market. LESTO represents the utility sector. Since the beginning of the year until 31 December, the last trading day of 2013, index OMX Vilnius increased by 18.73 %, OMX Baltic Benchmark increased by 12.16 %, while price of LESTO share increased by 26.19 % during the twelve months of 2013.

Dividends

LESTO do not have an approved dividend policy. The decision on the payment of dividends is made by General Meeting of Shareholders in accordance with legal acts.

On 30 April, 2013, the decision to pay dividends for shareholders was adopted in Ordinary General Meeting of Shareholders. Company's 2012 financial year distributable profit was LTL 102.7 million. Profit allocation to pay out dividends per share was LTL 0.17.

LESTO securities account manager

"Swedbank", AB is official manager of LESTO security account.

Contact details of Swedbank, AB:

Konstitucijos ave. 20 A, LT-03502 Vilnius

Tel. 1884, +370 5 268 4444, fax +370 5 258 2700.

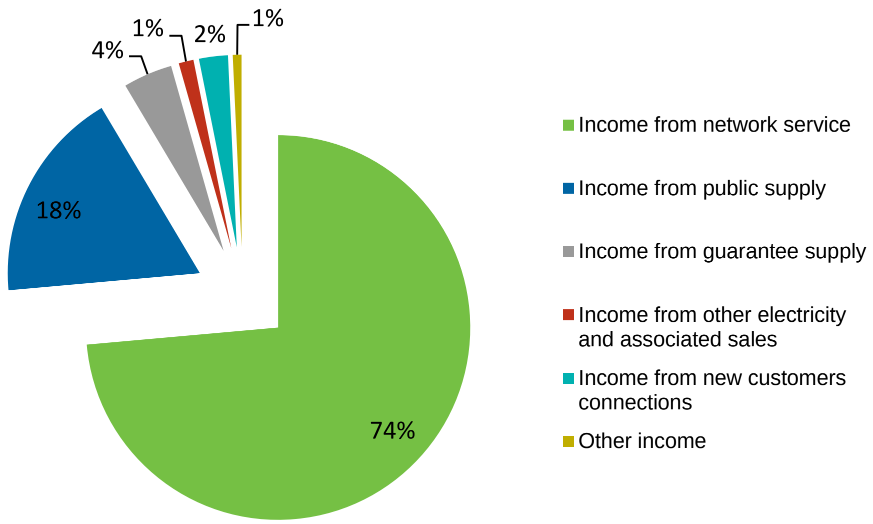
ANALYSIS OF PERFORMANCE RESULTS

Income, costs and profitability

LESTO group profitability ratios	2013	2012	2011
Net profit margin, %	1.96	-2.00	-2.73
Operating profit margin, %	2.37	-2.02	-3.09
EBITDA, LTL thousand	458,581	390,964	362,246
EBITDA margin, %	18.86	17.12	16.13
ROA, %	0.94	-0.88	-1.16
ROE, %	1.41	-1.33	-1.68

During the twelve months of 2013 LESTO group earned LTL 2,431.2 million, Company's income share made up 98.7 % of group income i.e. LTL 2,398.4 million. Comparing with the twelve months of 2012 LESTO group income increased by 6.5 % and comparing with the same period of 2011 – by 8.3 % (in 2012 LESTO group earned LTL 2,283.7 million, in 2011 – LTL 2,245.5 million).

LESTO income structure



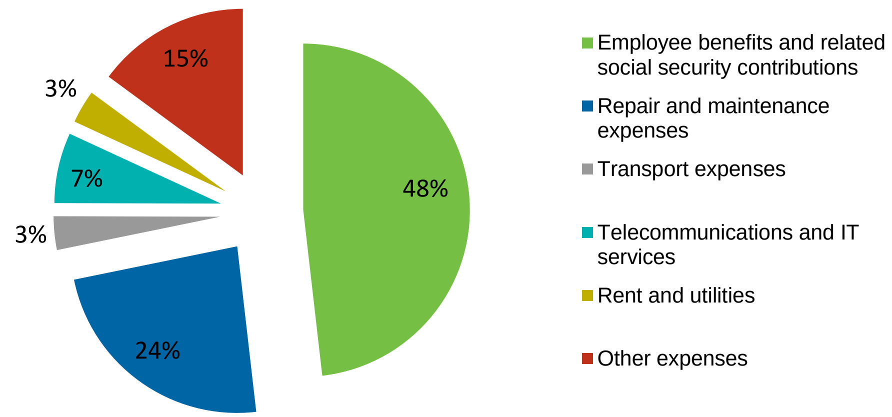
The main source of Company's income is income from network service. In the twelve months of 2013 income from network service made up 74 % of total Company's income. Income from public supply service consisted 18 %, income from guarantee supply for the customers that have not chosen independent supplier amounted to 4 % of Company's income. Income from connection of new customers, other electricity and associated services and income from other sources made up 4 %.

During the reporting period, electricity purchase costs made up LTL 1,667.9 million i.e. 70.2 % of total costs. Electricity purchase costs have increased by 4.6 % compared with the same period of 2012. Depreciation and amortization accounted to 15.8 % of total costs and the rest of the group that made up 14 % is classified as operating costs. During the twelve months of 2013, employee benefits and related social security contributions made up 48.2 % of total operating costs, repair and maintenance accounted to 23.6 % of total operating costs.

The results of the twelve months of 2013 shows that LESTO group's operating costs increased by 1.1 % compared with the same period of 2012. During the reporting period repair and maintenance expenses increased by 20.9 % compared with the same period of 2012 and amounted to LTL 78.6 million, while rent and utilities costs increased by 10.3 % and were equal to LTL

10.7 million. During the reporting period transport expenses declined by 8.5 % and were equal to LTL 10.8 million, telecommunications and IT services decreased by 1.1 % and amounted to LTL 22.7 million. During the twelve months of 2013, employee benefits and related social security contributions amounted to LTL 160.3 million and compared with the same period of 2012 declined by 0.2 %.

LESTO operating costs structure



Other financial ratios and investments

LESTO group liquidity ratios	31.12.2013	31.12.2012	31.12.2011
Current liquidity ratio	0.36	0.42	0.53
Acid test ratio	0.35	0.41	0.51
Cash liquidity ratio	0.04	0.05	0.12
Working capital, LTL thousand	-463,677	-354,000	-251,258
Working capital to total assets ratio	-0.09	-0.07	-0.05

LESTO group financial leverage ratios	31.12.2013	31.12.2012	31.12.2011
Total liabilities to total assets ratio	0.34	0.34	0.31
Debt to assets ratio	0.12	0.11	0.08
Total liabilities to equity ratio	0.51	0.51	0.45
Debt to equity ratio	0.18	0.17	0.12
Net financial debt, LTL thousand	588,937	543,701	381,020
Net financial debt to equity ratio	0.17	0.16	0.1
Long-term debt to equity ratio	0.09	0.12	0.09
Equity to total liabilities ratio	1.96	1.97	2.22
Equity to total assets ratio	0.66	0.66	0.69
P/E ratio*	35.00	-	-
Capitalization, LTL million	1,626.53	1,257.44	1,167.77

* P/E ratio is not applicable if a company reports loss

The value of LESTO group assets at the end of the reporting period made up LTL 5,086.6 million. Non-current assets share in total assets was equal to 94.8 %. From the beginning of the year value of LESTO group non-current assets shrank by 1.8 %. Cash with cash equivalents accounted to LTL 26.6 million i.e. 10.1 % of total current assets.

Equity of LESTO group exceeded liabilities 1.96 fold. At the end of reporting period, financial debts made up LTL 615.5 million or 35.8 % of total liabilities. Non-current borrowings were LTL 299.1 million and made up 48.6 % of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 727.4 million.

Current liabilities exceeded current assets by LTL 463.7 million. Current liquidity ratio stood at 0.36. Inventories made up only 4 % of current assets, consequently acid test ratio do not differ significantly from current liquidity ratio. Financial debt reduced by the amount of the most liquid assets (short-term deposits and cash with cash equivalents) indicates net financial debt. Net financial debt of the LESTO group amounted to LTL 588.9 million and consisted only 17.5 % of equity.

EBITDA of LESTO group during the twelve months of 2013 was LTL 458.6 million - 17.3 % more than during the same period in 2012.

LESTO group results for the twelve months of 2013 is a net profit of LTL 47.6 million, while LESTO group's net loss amounted to LTL 45.6 million in the same period of 2012 and LTL 61.4 million loss in the same period of 2011.

References and additional explanations of disclosures in the annual financial statements

Other information is presented in the Explanatory Notes to the Audited Financial Statements of AB LESTO for 2013.

Risks and risk management

Risk Management Policy

Risk management system of the Company is based on the following principles: COCO (Committee of Sponsoring of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) and ISO/IEC 27005:2011 (Information technology – Security Techniques – Information Security Risk Management).

The goals of the Company performance are understood extensively, because they include both the goals of common character concerned with vision, mission, values and strategy of the Company, and particular goals concerning pursuance of performance function of several structural divisions of the Company. Risk management of the Company is based on assessment of possible negative influence affecting goals of the Company and goals of its performance functions (processes) as well as results. Identification, analysis, assessment and management of risks is pursued systematically following the documents that regulate risk management approved by the Board: Risk management Policy, Risk management procedure and other internal legal act which are related with risk management.

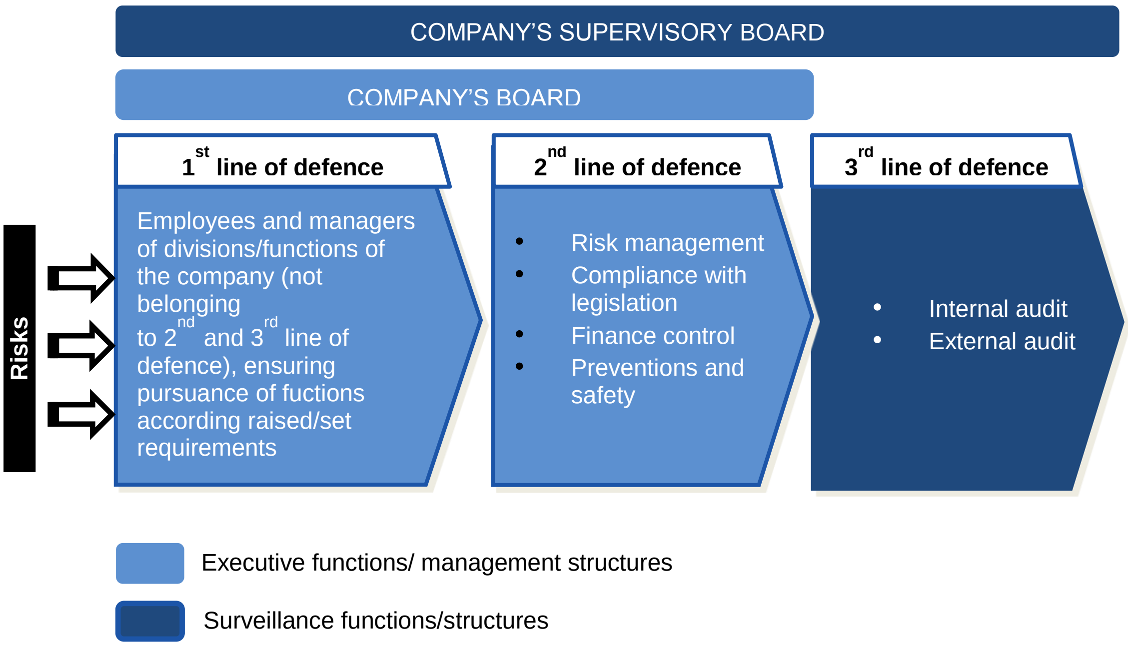
Periodic risk identification and evaluation cycle when activity (process) results residual risk and risk management means intensification runs every year during activity targets planning. During this cycle risks which can have a negative impact on activity targets and results are set. Set risks are evaluated considering their chance of occurrence and possible effect on activity goals and results. For the risks assessed in such way, when complex assessment of probability and effect exceeds risk tolerance limits, risk management measures are selected, after which implementation probability and (or) effect should be minimized insofar as risk having influence on the goals and results should be found within risk tolerance (risk appetite) limits. Also risks can be evaluated unplanned before taking a meaningful decision for Company or after meaningful change of internal or external situation. Used risk management measures are directed at avoidance of risks, their minimisation, transfer and (or) assumption as by assessing their effect to implementation of goal set forth by the Company as well as its activities' continuity considering costs and efficiency of risk reducing measures. The Company strives at managing all the risks that might critically influence activity goals and its success, independent of their probability. Residual risk correspondence to risk tolerance, occurrence of new risks, and relevance of introduction of risk management means that risk management plan is revised once per quarter.

The Company's risk manager develops risk management system and coordinates risk management process. The owner or manager of activity process or division, the results of which can be negatively influenced by the risks, is responsible for setting the measures, their influence analysis and assessment with respect to activity functions (process) as well as drafting and implementing schedule of risk management measures.

Risk management and control model

For the management and control of risks encountered during its performance, the Company applies the principle of "three lines of defence" in order to set clear sharing of responsibilities, risk management and control between management and supervisory bodies of the Company, and structural divisions or functions (look below).

Risk management and control model scheme



"The First line of defence" is represented by employees and managers of the Company (that are not named under the 2nd and 3rd lines of defence), those who perform activity functions attributed to their competence and (or) who ensure pursuance of performance functions according to their supposed/set requirements, i.e. employees and managers making transactions and (or) pursuing main activities of the Company and organising management and ancillary functions (that do not belong to the 2nd and 3rd line of defence). Managers and employees of functions/divisions, who belong to the 1st line of defence, pursue activities within the limits of their competence in order to reach set goals, undertake risks concerned with relevant activity/function, and are responsible for repression of these risks as well as implementation of internal control elements to processes under their responsibility.

"The Second line of defence" is represented by risk management, compliance with legislation, financial control and prevention and safety functions/divisions:

- A person, responsible for risks management, is responsible for the creation of appropriate risk management and control systems, organisation of risk management process and risk management control;
- Law department ensures that the Company's directors and workers decisions comply with regulatory requirements;
- Financial control division ensures proper control of financial resources;
- Prevention division is responsible for organisation and control of risk prevention management measures concerned with risk of abuse and natural and informational safety of the property.

The Board of the Company is responsible for relevant management and control of risks covered by the 1st and 2nd lines of defence.

"The Third line of defence" is represented by internal audit division of the Company and an external audit company. Employees of internal audit division assess risk management and internal control efficiency and efficacy, submit recommendations for risks management and control improvement. External audit enterprise hired by the Company submits its findings about correctness of the Company's financial accountability and risk management and control efficacy no less than once per year.

The Director of internal audit division of the Company is accountable to the Supervisory Board and regularly provides information about the risk management and internal control efficiency to the Board of the Company, the Supervisory Board and (or) audit committee established by the Supervisory Board of "Lietuvos energija" UAB.

The Company's risk manager regularly submits summarized information on risk management and control questions to director of Risks and processes management in "Lietuvos energija" UAB.

According to its set competence, the Supervisory Board of the Company executes supervision on risk management and control efficiency covering all three lines of defence.

Risk management of the Company is based on unified principles inherent to international practice and applied by all companies of "Lietuvos energija" UAB Group.

Risks in the Company‘s Activity and Management Thereof

The main types of risks which the Company encounters while carrying out its activity are as follows:

- strategic risk;
- electric energy supply malfunctioning risk;
- operational risk;
- legal compliance risk;
- reputational risk;
- financial risks: market risk (interest rate, foreign exchange rate and market products risk), credit risk and liquidity risk.

Strategic Risk Management

Strategic risk occurs as a result of unfavourable or false decisions, improper implementation of decisions or due to insufficient response with respect to policy, standard legislation or energy sector changes. Occurrence of such risk is determined by macroeconomic and political factors.

Important factor of macroeconomic risk is the price of electricity production (or import) in the market. This price directly influences the cost of electricity. The cost of public supply is controlled and fixed irrespective of the cost of electricity existing on the market at the time.

The Company's income and profit from transmission and supply are directly dependent on the electricity transmission/consumption scopes. Macroeconomic situation of the country has direct influence on energy selling trends, connection of new consumers and solvency of the clients. The Company manages this risk by conservative planning of electricity consumption and sales income.

When operating and expanding the distribution network LESTO buys equipment and materials the prices whereof depend on the market trends. The costs of LESTO network operation and investments to the grid, which have an impact on the LESTO financial results, are dependent on the prices of said goods. In order to optimise investments and costs for network operation and development the Company applies the investment rating method based on objective criteria compliant with the Company's priorities subject to the electricity distribution network operation and development.

Political risk factors are also taken into account. Electricity distribution and supply procedure is regulated by the Law on Electricity of the Republic of Lithuania. Amendments of said law and other related legal acts may affect the LESTO activity and results. The governmental policy regarding electricity prices is also significant. Service prices are controlled, price caps are set and controlled by the National Control Commission For Prices and Energy. Results of the LESTO activity depend on said decisions. In order to mitigate the effect of said risk on business results the Company analyses international practice of energy company control and, if necessary, presents proposals to national legislative drafting bodies.

Management of Electric Energy Supply Malfunctioning Risk

One of the main factors, which characterise performance of distribution network operator, is reliability of electricity distribution, assessed according to duration and frequency of disconnections related to the consumers (English abbreviation – SAIDI, SAIFI). By the reason of incalculable external factors, such as natural disasters, the risk that reliable electricity supply may not be secured and LESTO will not receive its scheduled income and elimination of certain failures will increase exploitation costs exists. The Company has developed comprehensive emergency response procedures with respect to the management of said risk. Also for increasing reliability and quality of supplied electricity, LESTO plans to allocate major part of investments to renovation of distribution networks, reconstruction of electrical transformer substations and installation of new, long-term and modern electrical equipment compliant with the quality standards; it also searches for technological decisions that shall ensure continuous control of operating distribution network condition, prompt failure elimination and prevent electricity supply malfunctions.

When distributing electricity, the grid is subjected to electricity losses. These losses depends on technical characteristics of the distribution network, its optimal usage, and risks concerned with risks depending on management of any other loss occurring within electricity network. The Company's management pays high attention to the management of the loss occurring in the network: it has established constantly acting electricity network loss management commission, which discusses the measures of minimizing the loss of electricity network and structures short-time and long-time schedules for minimizing the loss. In 2013 technological losses amounted to 7.5 % from amount of electricity received (2012 – 7.8 %).

Operational Risk Management

The business/operational risk is the risk related to increase of loss and (or) loss of prestige and (or) reduction of responsibility, which might be influenced by external environmental factors (for example, natural disasters, main suppliers' operational occurrences, criminal actions of third persons, etc.), or internal factors (for example, inefficient procedures and management, inefficient use of funds, including purchases (public and other), inefficient and inadequate management information system, lack of internal control, improper assignment of functions or responsibilities, improper personnel selection and motivation system, etc.).

In order to manage this risk, the managers of the Company strive at the implementation of relevant organisational measures, procedures and information systems supporting business processes that, as a whole, ensure functioning of relevant internal control systems. The main internal control elements applied by the Company are as follows: comparing data on performed operations in the primary systems with operation data in the accounting system, separation of business decision making and controlling functions, operation performance and accounting control procedures, limits of authorizations to make decisions and control thereof, "four-eyes" principles, adoption of collegial decisions subject to fundamental business processes, etc.

Legal Compliance Risk Management

Legal compliance risk is the risk related to increase of losses and (or) loss of prestige and (or) reduction of trust, which might be influenced by external environmental factors (for example, external legislation violations, non-compliance with requirements of supervisory institutions, cases of abuse of third parties, non-compliance with contractual liabilities concerning third parties, etc.) or internal factors (for example, internal legislation violations or violations of ethical standards, abuse cases of the employees, etc.).

Legal and Administration Department is responsible for the legal compliance risk management. In order to mitigate the legal compliance risk the Company's lawyers participate in the processes of decision making, preparation of internal regulations and contract drafting jointly with the Company's management.

Reputational Risk Management

The Company seeks the highest reputational standards by carrying out the function of the electricity distributor, public and guarantee electricity supplier. This objective is reflected by the mission, vision, strategic goals and values of the Company. Managers of the Company pay high attention to process of communicating the mission, vision and strategic goals of the Company to its employees. Moreover, the Company executes social projects, embedding image of a socially responsible Company.

Financial Risk Management

Market risk refers to the loss or loss of future net income due to changes of interest rates, foreign exchange rates and shares or market products' prices.

Liquidity risk is risk that Company will not be able to accomplish fulfill their financial commitments and (or) can be forced to sell their financial actives and incur losses due to liquidity in the market.

Credit risk is risk of losses that clients and(or) other parts will not be able to fulfill their commitments to the Company.

More detailed financial risks management is is provided in clause 27 of the notes to the audited consolidated annual financial statements for 2013.

Auditors

On 26 July, 2013 the Extraordinary General Meeting of Shareholders of LESTO adopted the decision on the selection of the audit company that will perform consolidated audit of financial statements and the audit for the year 2013 of LESTO and determination of payment conditions for audit services. The audit firm UAB "PricewaterhouseCoopers" was selected to carry out the consolidated audit of financial statements and the audit of LESTO financial statements for the year 2013 and to pay it for the audit services of financial statements for the year 2013 the amount of no more than LTL 90 thousand (excluding value added tax).

Other contractual agreements with auditors

There were no other contractual agreements with auditors in 2013.

Internal control system

On 27 August, 2013 2013 the Supervisory Board of the company "Lietuvos energija" UAB formed an Audit committee whose activities are subject to the company "Lietuvos energija" UAB and its directly and indirectly controlled subsidiaries, including LESTO, and other forms directly and indirectly controlled legal persons (in 2013 the order of composing the Audit committee has changed: the former Audit committee , compiled since 3 March, 2011, acted under shareholders, the latter – under the Supervisory Board).

On 27 August, 2013 the following members were appointed as the members of the Audit committee: Rasa Noreikienė (chairwoman of the committee), Aušra Vičkačkienė, Vygandas Reifonas (independent member), Danielius Merkinas (independent member) and Gintaras Adžgauskas. On 23 December, 2013 Vygandas Reifonas retired.

The main functions of Audit Committee:

- to observe Company's and their subsidiaries procedures of financial reporting;
- to observe Company's and their subsidiaries inner control and risk management system effectiveness, to perform these systems demand and relevance analysis and review;
- to observe how certified auditor and audit company follow independence and objectiveness principles, to provide recommendations;
- to observe Company's and their subsidiaries audit processes, to evaluated audit effectiveness and administration reaction to recommendations which are presented to the leadership;
- to observe Company's and their subsidiaries inner audit function' effectiveness, to analyse those function demand and relevance, to provide recommendations for those questions like internal audit need, effectiveness and other, to initiate actions if needed.

LESTO has and Internal Audit Division established. The responsibility of this division includes systemic and through risk management and inner control, that help LESTO to achieve main goals.

Members of the Audit committee of the company "Lietuvos energija" UAB at the end of the reporting period:

Name, surname	Capital held of the Issuer (%)	Term	Workplace
Rasa Noreikienė (chairwoman)	0	2013 August – 2017 August	Ministry of Economy of the Republic of Lithuania
Aušra Vičkačkienė	0	2013 August – 2017 August	Property Management department of the Ministry of Finance
Danielius Merkinas (independent memeber)	0	2013 August – 2017 August	UAB „Nordnet"
Gintaras Adžgauskas	0	2013 August – 2017 August	World Energy Council Lithuanian committee

The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

LESTO consolidated and the Company's financial statements are prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

Risk management system of the Company is based on the following principles: COCO (Committee of Sponsoring of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) and ISO/IEC 27005:2011 (Information technology – Security Techniques – Information Security Risk Management).

"Four-eyes" principle is implemented when preparing the consolidated financial statements. Director of Accounting Department is responsible for the supervision of preparation and final revision of the consolidated financial statements. Also Audit Committee of Lietuvos energija, UAB observes the Company's and their subsidiaries procedures of financial reporting.

ESSENTIAL EVENTS

In implementing its duties according to the binding legislation that regulates the securities market, LESTO announces material events (as well as all further regulated information) for the whole of the European Union. Information published by the Company is available on its website www.lesto.lt and the website of NASDAQ OMX Vilnius AB at www.nasdaqomxbaltic.com.

LESTO essential events from 2013-01-01:

Date	Essential event
02-01-2013	AB LESTO Investor' Calendar 2013
02-01-2013	CORRECTION: AB LESTO Investor' Calendar 2013
08-01-2013	Regarding the Acquisition of Shares of UAB „ELEKTROS TINKLO PASLAUGOS“ and Transfer of Shares of UAB „TETAS“
13-02-2013	AB LESTO information
14-02-2013	Regarding the adoption of resolution of the Government of the Republic of Lithuania
26-02-2013	Regarding the Change of Indirectly Controlling Person
28-02-2013	Operating results of LESTO for twelve months of 2012
13-03-2013	Regarding the intention to sign long-term loan agreement
21-03-2013	Due to long-term loan agreement
03-04-2013	Regarding of the Ordinary General Meeting of Shareholders of LESTO AB
17-04-2013	Regarding candidate for the Board member of the company
30-04-2013	Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 30 April 2013
30-04-2013	Annual information of LESTO AB company group of 2012
24-05-2013	AB LESTO Social responsibility report of 2012
24-05-2013	Due to published information
28-05-2013	Regarding the resignation of Chief Executive Officer of LESTO AB
31-05-2013	Preliminary unaudited operating results of LESTO AB company group for three months of 2013
10-06-2013	Regarding approval of the Ministry of Finance of the Republic of Lithuania of the management guidelines of the UAB Visagino atominė elektrinė company group
20-06-2013	Regarding decision of The Board of LESTO to appoint temporary acting Managing Director
04-07-2013	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB

15-07-2013	Regarding the supplement of agenda of the Extraordinary General Meeting of Shareholders of LESTO AB
25-07-2013	Relating to the new version of draft solutions of General Meeting of Shareholders
26-07-2013	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 26th of July, 2013
28-08-2013	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
28-08-2013	Regarding resignation of the members of the Board of LESTO AB
30-08-2013	Regarding the change of the name of the patronizing company UAB „Visagino atominė elektrinė“
30-08-2013	Preliminary unaudited operating results of LESTO AB company group for six months of 2013
17-09-2013	New Board, Chairman and Managing director of the company has been elected
27-09-2013	Regarding candidate for the Supervisory Board member of the company
30-09-2013	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 30th of September, 2013
11-10-2013	Regarding the electricity distribution price caps, and supply service price cap and the public electricity price cap for 2014
07-11-2013	Regarding the information published by the National Control Commission for Prices and Energy
19-11-2013	Regarding the election of the Chairman of the Supervisory Board of LESTO AB
22-11-2013	Regarding the public electricity price cap for 2014
26-11-2013	Regarding the establishment of the jointly owned company
27-11-2013	Regarding the publishing of prices of electricity transportation services and public electricity
29-11-2013	Due to preliminary unaudited operating results of LESTO AB company group for nine months of 2013
04-12-2013	Regarding the establishment of the UAB Technologijų ir inovacijų centras
18-12-2013	Regarding the LESTO activities unplanned review of National Control Commission for Prices and Energy
18-12-2013	Regarding the adopted Decision of the Supervisory Authority Director of the Bank of Lithuania
30-12-2013	AB LESTO Investor' Calendar 2014
17-01-2014	Regarding the group strategy approved by the AB LESTO shareholder
28-02-2014	Due to preliminary unaudited operating results of LESTO AB company group for twelve months of 2013

Annex to annual report

Form of disclosures of compliance with the Corporate Governance Code for companies listed on the regulated market

Following Part 3 of Article 21 of the Law on Securities of the Republic of Lithuania and Item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, AB LESTO (in the comments hereinafter – the Company, LESTO) hereby discloses how it complies with the Corporate Governance Code for Companies Listed on the Regulated Market, as approved by the Board of AB NASDAQ OMX Vilnius, as well as with specific Principles of the Code. Where the Code or certain provisions thereof are not complied with, the non-complied provisions and the reasons for non-compliance are specifically indicated.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE (NA)	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 key trends for the Company‘s development and the strategic guidelines are made available on the Company‘s website, in the Company‘s interim and annual reports.
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 bodies of the Company when implementing the Company’s objectives act to the best interests of the Company and its shareholders.
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	Legal acts regulating activities of the supervisory and management bodies of the Company establish collaboration principles and methods between the supervisory and management bodies of the Company and also ensure that the supervisory and management bodies operate to the best interests of 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	The Company‘s bodies respect the rights and interests of the persons involved in or associated with the Company‘s performance. Since its establishment the Company collaborates and maintains social partnership with the representatives of the Company's employees (allocates funds for the implementation of the Collective Agreement, to incentivize employees, etc.) The Company fulfils the undertaken financial and other liabilities to its creditors. Based on the results of the client satisfaction research and the tendencies in the good international practice, the Company implements systemic means designed to improve the quality of servicing of the Company‘s clients. The Company organises social projects involving children, young people, local communities and other social groups. More information on the Company's initiatives is available on the Company's website and in its annual report.
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	According to the Company's Articles of Association a collegial body supervising the implementation of the Company‘s operations supervision process – the Supervisory Board and a collegial Company‘s management body – the Board are formed.
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	According to the Company's Articles of Association the Board is responsible for the Company‘s appropriate startegic management (it approves operations strategy and budget for the Company's activities, organisational structure of the Company's management, makes decisions concerning other issues attributed to the competence of the Board, based on legal acts and the Company‘s

		Articles of Association). The Supervisory Board is responsible for the effective supervision of the Company's management bodies (selects members of the Board and recalls them from their position; makes proposals and feedbacks for the General Meeting of Shareholders concerning the Company's operations strategy, the Company's annual financial statements, the Company's profit (loss) allocation project, the Company's annual report, performance of the Board and the manager of the Company; makes responses and suggestions to the Board regarding the Company's strategy and budget based on its performance, makes decisions concerning other issues attributed to the competence of the Supervisory Board, on legal acts and the Company's Articles of Association).
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.	NA	According to the Company's Articles of Association a collegial body supervising the implementation of the Company's operations supervision process – the Supervisory Board and a collegial Company's management body – the Board are formed.
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.[3]	Yes	According to the Company's Articles of Association a collegial body supervising the implementation of the Company's operations supervision process – the Supervisory Board is formed. Althouh the recommendations provided in Principles III and IV are not implemented at the Company to their full extent, however, the Company complies with all the requirements, as per legal acts, for setting up of a collegial body. It should be noted that the Company is involved in transfer of electricity to its customers via distribution networks, operates, mantains, manages and develops distribution networks, therefore, its operation is governed in strict

[3] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.6 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

		compliance with legal acts and monitored by relevant state institutions (National Control Commission for Prices and Energy, etc.). In such way transparency and efficient decision making is ensured alongside the implementation of principles of non-discrimination of the Company's customers, the Company's cost reduction and others.
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.[4]	Yes	Based on Article 21 of the Company's Articles of Association the Supervisory Board of the Company consists of 3 (three) members - natural persons. At least one-third (one third) of the Supervisory Board composes of independent members. The Supervisory Board may adopt decisions and its meeting shall be deemed held when more than half of members of the Supervisory Board are present at the meeting (Article 34.5 of the Company's Articles of Association). According to Article 38 of the Company's Articles of Association, the Board of the Company consists of 5 (five) members. The Board may adopt decisions and its meeting shall be deemed held when at least 4 (four) members of the Board are present at the meeting (Article 60.6 of the Company's Articles of Association). The Company is of the opinion that such number of members of the Supervisory Board and the Board is sufficient in order to ensure relevant supervision of the Company's performance and operative and efficient management of the Company.
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	Based on Article 21 of the Company's Articles of Association, the members of the Supervisory Board are elected for the maximum term of 4 (four) years allowable by the Law on Companies of the Republic of Lithuania. Based on Article 38 of the Company's Articles of Association, the members of the Board are elected for the maximum term of 4 (four) years allowable by the Law on Companies of the Republic of Lithuania. Limitations concerning re-election of the members of the Supervisory Board and

[4] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

		the Board are not provided in the Company‘s Articles of Association, nevertheless, limitations provided by valid legal acts are applied to candidates to members of mentioned bodies. The Company‘s Articles of Association provide the possibility to recall both individual members of collegial bodies and entire collegial body thereof prior to the expiry of them (Articles 27 and 45). The members of the Board (individual members or all) can be recalled by the Supervisory Board (Article 37 of the Company's Articles of Association), while the members of the Supervisory Board (individual members or all) can be recalled by the General Meeting of Shareholders (Article 21 of the Company's Articles of Association).
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 chairman of the Supervisory Board, which is elected by the General Meeting of Shareholders, and the manager of the Company is not the same person. Members and the chairman of the Supervisory Board have never been the members of the Board or the manager of the Company. The manager of the Company is a member and chairman of the Board.
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.**[5]		
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	The Company‘s Supervisory Board is elected by the Company‘s General Meeting of Shareholders in compliance with the requirements set in the Law on Companies of the Republic of Lithuania and the Company‘s Articles of Association.

[5] Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

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	Information on the candidates for the Company's Supervisorry Board is presented to the shareholders in accordance with the procedure prescribed by the Law on Companies of the Republic of Lithuania at the General Meeting of Shareholders whose agenda includes consideration of the issue on election of the Supervisory Board members; the information is not made public in advance. Based on Article 23 of the Company's Articles of Association, each candidate for the Supervisory Board shall submit to the General Meeting of Shareholders a declaration of the candidate's interests, specifying all the circumstances that may give rise to a conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to a conflict of interests between a member of the Supervisory Board and the Company, the member of the Supervisory Board shall immediately notify the Company and the Supervisory Board of such new circumstances in writing. Information on the offices held by the members of the Supervisory Board or their involvement in any other companies is collected, accumulated and disclosed in the annual report as well as the Company's website.
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 / No	Information on the candidates for the Company's Supervisory Board members is presented to the General Meeting of Shareholders in accordance with the procedure prescribed by the Law on Companies of the Republic of Lithuania at the General Meeting of Shareholders (see the comment for Item 3.2). The information presented at the General Meeting of Shareholders covers the professional experience of and offices/positions held by the candidates, also any other information evidencing a candidate's competence. Information on the offices held by the members of the Board or their Information on the offices held by the members of the Supervisory Board or their involvement in any other companies is collected, accumulated and disclosed in the annual report as well as the

		Company's website.
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 NA	In accordance with the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and the qualification of its members is assessed in the General Meeting of Shareholders. The Company has no audit committee, because Audit Committee is formed in patronizing company "Lietuvos energija", UAB (in the comments hereinafter – LE) (see the comment for Item 4.14). The Nomination and Remuneration committee is also formed in LE (see the comment for Item 4.13). The Company has no remuneration Committee.
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.	NA	If neccessary, in the meetings of the Supervisory Board or individually, the members of the Supervisory Board are regularly informed about performance of the Company and its changes as well as modifications of legal acts regulating performance of the Company and other circumstances. Till now the Company had not demand and practice to propose individual programme to newly elected members of the Supervisory Board in order to have a look to the office, organisation and performance of the Company and to organise annual inspections.
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[6] number of independent [7] members.	Yes	Formation of the Supervisory Board (as well as election of independent members) is subject to the competence of the General Meeting of Shareholders. Article 21 of the Company's Articles of Association provides assessment that the Supervisory Board consists of 3 (three) members – not less of 1/3 (one third) of them must be independent. At the momento of submission of the

[6] The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

[7] It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

		report, there is 1 (one) independent member out of 3 (three) in the Supervisory Board.
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: 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; 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; 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. 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); 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); 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	Yes	Based on Article 25 of the Company's Articles of Association, following the requirements provided by legal acts and good Company‘s management practice, the criterion of independence is set by the General Meeting of Shareholders. While assessing the independancy of members, the Company follows requirements provided in the Corporate Governance Code for Companies Listed on the Regulated Market approved by AB NASDAQ OMX Vilnius, Item 64 of the procedure of the State property and non-property rights in state-owned enterprises (approved in 6 June 2012 by resolution No. 665 of the Government of the Republic of Lithuania). Based on Article 23 of the Company's Articles of Association, each candidate to members of the Supervisory Board must submit to the General Meeting of Shareholders a declaration of the candidate's interests, specifying all the circumstances that may give rise to a conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to a conflict of interests between a member of the Supervisory Board and the Company, the member of the Supervisory Board shall immediately notify the Company and the Supervisory Board of such new circumstances in writing. At the moment of submission of the report, there is 1 (one) independent member in the Supervisory Board. See also the Comment for Item 3.6.

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; 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; 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; He/she has not been in the position of a member of the collegial body for over than 12 years; 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	Formation of the Supervisory Board (as well as election of independent members) is subject to the competence of the General Meeting of Shareholders (See also the Comment for Item 3.6). Based on Article 25 of the Company's Articles of Association, following the requirements provided by legal acts and good Company's management practice, the criterion of independence is set by the General Meeting of Shareholders (See also the Comment for Item 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	Yes / No	Formation of the Supervisory Board (as well as election of independent members) is subject to the competence of the General Meeting of Shareholders (See also the Comment for Item 3.6). Information on the candidates for the Company's Supervisorry Board (including information about matching of candidate with independence requirements) is presented to the shareholders in accordance with the procedure prescribed

should annually disclose which members of the collegial body it considers to be independent.		by the Law on Companies of the Republic of Lithuania at the General Meeting of Shareholders (See also the Comment for Item 3.2). Information concerning elected independent members of the Supervisory Board is provided in annual report of the Company as well as on website of the Company.
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.	NA	Until now there has not been occasions in the Company when it would be facing the need to apply this recommendation. In the agreement of independent member of the Board activity signed with the independent member of the Supervisory Board there is an obligation to notify the Company and the Supervisory Board in writing about any new circumstances that may give rise to a conflict of interests between a member of the Supervisory Board and the Company.
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[8]. The general shareholders' meeting should approve the amount of such remuneration.	Yes	Independent member of the Supervisory Board is remunerated for his/her activity in the Supervisory Board according to the signed agreement of independent member of the Supervisory Board activity by determinate order and conditions. The conditions of the agreement for independent member of the Supervisory Board activity are confirmed by the General Meeting of Shareholders (Article 19.1 of the Company's Articles of Association). Information about remuneration for the independent member of the Supervisory Board is published in the annual report of the Company.
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[9] of the Company's management bodies and protection of interests of all the Company's shareholders.**		

[6] It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the only form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

[9] See Footnote 3.

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.[10]	Yes	Collegial body elected by General Meeting of Shareholders – the Supervisory Board is responsible for efficient supervision of the Company's management bodies performance (it elects members of the Board and revokes them from office, submits proposals and responses to General Meeting of Shareholders concerning strategy of the Company, the Company's annual financial reports, profit (loss) allocation project, the Company's annual report, performance of the Board and the manager of the Company; submits to the Board of the Company proposals and responses concerning performance strategy of the Company as well as budget of the performance, takes decisions on other questions attributed to the competence of the Supervisory Board by legal acts and Articles of Association.
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	All members of the Supervisory Board act in good will with respect to the Company, with due regard to the Company's interests and public welfare. Members of the Supervisory Board have the right to express their opinion concerning all questions included to the agenda that according to work regulations of the Supervisory Board must be properly reflected in the minutes of the meeting.
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	Yes	Members of the Supervisory Board are active participants of the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body.

[10] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

body. In the event a member of the collegial body should be present in less than a half [11] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.		
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	Collegial bodies of the Company follow prescribed recommendations. Before taking decisions the members of the collegial body discuss on their influence to the performance of the Company and also to all shareholders. Articles of Association oblige the collegial bodies of the Company and also each of their members to act on behalf of the Company and its shareholders. Communication with the shareholders and obligations for them are determined in accordance with requirements of legal acts.
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	Agreements concerning performance in the Supervisory Board are made with the members of the Supervisory Board under the decision of General Meeting of Shareholders. Terms and conditions of agreements with members of the Board and the Chairman of the Board for their performance in the Board are determined by the Supervisory Board. Terms and conditions of agreement made with the manager of the Company are set by the Board of the Company. Collegial bodies of the Company conclude transactions and approve them by observing the requirements set in legal acts and the Company's Articles of Association.
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 [12]. 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	Yes	The Supervisory Board of the Company is independent from the management bodies of the Company and, while taking decisions affecting performance and strategy of the Company, acts independently under the requirements of legal acts and the Company's Articles of Association as well as according to the guidelines, rules and other performance parameters set by patronizing company LE. The Company makes sure the

[11] It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

[12] In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

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	Supervisory Board is provided with the resources required for its activities (monitors technical aspects of the Supervisory Board meetings, provides all the required information and performs other functions specified in the Supervisory Board's Work Regulations). See the comment for Item 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[13]. 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.	No No	The Supervisory Board functions and takes decisions by observing the requirements set in legal acts and the Company's Articles of Association. The Company has none of the committees. The Company is of the opinion that the Supervisory Board's work is effective enough and well organized; therefore, the Supervisory Board may duly perform all the functions attributable to the committees. Pursuant to the Law on Audit of the Republic of Lithuania, a public interest entity which is a secondary enterprise and whose financial reports are subject to consolidation may default on the requirements to set up an audit committee, as prescribed by the Law on Audit of the Republic of Lithuania, in case its patronizing company has such. Because the parent company LE has the Audit Committee, no separate audit committee is to be set up at the Company. LE as patronizing company has also formed Nomination and remuneration committee as well as Risk management's supervision committee. LE Nomination and remuneration committees beyond other functions

[13]The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

		assess and submit proposals concerning long-term remuneration policy of the Company, annual bonuses (tantiems) sharing policy, also assess terms and conditions of the agreements made with the management bodies of the Company, procedures intended for searching candidates to members of bodies of the Company and elder direction of the Company as well as qualification requirements; these committees constantly assess structure, size, consist and activities of management and supervision bodies of the Company. LE Risk management‘s supervision committee monitors how risks that are topical for achievement of the Company‘s aims are assessed and managed, also assesses adequacy of the management means of inner control procedures and risks in order to identify risk, assesses this risk, plan for management risks of the Company, observes execution of process of managing risks.
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.	No	The Company has none of the committees. See the comments for Items 4.7, 4.12, 4.13, 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	No	The Company has none of the committees. See the comments for Items 4.7, 4.12, 4.13, 4.14.

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.		
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.	No	The Company has none of the committees. See the comments for Items 4.7, 4.12, 4.13, 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.	No	The Company has none of the committees. See the comments for Items 4.7, 4.12, 4.13, 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; 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	No	The Company has no nomination committee. See the comment for Items 4.7.

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; 6) Assist the collegial body in overseeing how the	No	The Company has no remuneration committee. See the comment for Items 4.7.

company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 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; 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	No	See the comment for Item 4.7. Pursuant to the Law on Audit of the Republic of Lithuania, a public interest entity which is a secondary enterprise and whose financial reports are subject to consolidation may default on the requirements to set up an audit committee, as prescribed by the Law on Audit of the Republic of Lithuania, in case its patronizing company has formed such. Because the patronizing company LE has the Audit Committee, no separate audit committee is to be set up at the Company.

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	Liability to initiate assessment of the Supervisory Board's performance is not provided in legal acts of the Republic of Lithuania.
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	Based on the provisions of the Company's Articles of Association as well as the Supervisory Board's and the Board's Work Regulations and the existing practice, the Recommendation has been implemented at 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.[14]	Yes	Based on the provisions of the Company's Articles of Association as well as the Supervisory Board's and the Board's Work Regulations, meetings of the Supervisory Board of the Company take place at least once per calendar quarter, while meetings of the Board of the Company take place at least once per calendar month. On request the Board can set other periodicity of meetings.

[14] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

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	Based on the provisions of the Company's Articles of Association as well as the Supervisory Board's and the Board's Work Regulations, members of the collegial bodies and persons being invited to meetings are informed in advance, they are also submitted by the material concerning questions that are provided to be solved by the 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	The Company does observe the recommendations. Chairman of the Supervisory Board and chairman of the Board closely collaborate, while solving questions concerning management of the Company. According to Article 34.3 of Articles of Association the Supervisory Board must permit participating in its meetings and submit explanations to members of the Board, manager of the Company as well as other employees, while solving questions concerning their activities.
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 Company's authorized capital consists exclusively of ordinary registers shares of the nominal value of 1 Litas which (shares) grant their holders equal property and non-property rights.
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 rights granted by the shares are specified in the Company's Articles of Association which are posted on the Company's website.

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.[15] 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	The Company's transactions are concluded in accordance with the procedure established in the Law on Companies of the Republic of Lithuania and the Company's Articles of Association.
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 Company convenes General Meetings of Shareholders and implements other meeting-related procedures in accordance with the procedure established in the Law on Companies of the Republic of Lithuania and creates equal possibilities to its shareholders to participate in the meeting.
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	The Company notifies of a General Meeting of Shareholders being convened and presents to shareholders drafts of proposed decision and any other documents pertaining to the General Meeting of Shareholders being convened also information concerning decisions taken during the General Meeting of Shareholders provides in the manner and under the terms prescribed in legal acts by posting them publicly on the Company's website. All information intended for investors as well as documents are published in Lithuanian and English via informational system of stock-exchange NASDAQ OMX Vilnius and on the website of the Company.

[15] The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

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 exercise their right to attend the General Meeting of Shareholders both in person and by delegating a proxy in case the latter has been delegated due authorisations or an agreement on disposal of the voting right has been concluded with him/her in accordance with the procedure prescribed by legal acts. The Company does provide its shareholders with the possibility to vote by completing a general voting ballot, as per the Law on Companies 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	At the time being, the Company is of the opinion that there is no need for voting by means of telecommunication facilities, besides, this would require considerable investments. However, once requested by the shareholders and when reasonably possible, the Company would make it possible for the shareholders to vote by means of telecommunication facilities.
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 does observe the recommendations. Article 23 of the Company's Articles of Association provides that each candidate for the Supervisory Board shall submit to the General Meeting of Shareholders a declaration of the candidate's interests, specifying all the circumstances that may give rise to the conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to conflict of interests between the member of the Supervisory Board and the Company, the member of the SupervisoryBoard shall promptly notify the Company and the Supervisory Board of such new circumstances in writing. Article 40 of the Company's Articles of Association provides that each candidate for the Board shall submit to the Supervisory Board a declaration of the candidate's interests, specifying all the circumstances that may give rise to the conflict of interests between the candidate and the Company. Upon emergence of new circumstances that may give rise to conflict of interests between the member of the Board and the Company, the member of the Board shall promptly notify the Board and the Supervisory Board of such new circumstances in writing. In addition, Article 42 of the Company's Articles of Association specifies that members of the Board cannot have any other job and take any other office, which might be incompatible with their activities in the Board including exercising of high-level office in other legal entities (except of office and work in the Company or group of enterprises), also work concerning state service and statutory service; to take any other office and to have any other job, except of office realized in the Company and other legal entities, in connection with which the Company is the participant; educational, artistic or author's performance can be executed by members of the Board only after receiving early consent of the Supervisory Board.

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 does observe 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 does observe 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	In accordance with legal acts and the Company‘s Articles of Association regulating performance of the members of the Company‘s supervisory and management bodies, the Company‘s members of bodies should avoid situation, when their personal interests contradict or may contradict with interests of the Company and they have not the right to vote when the question concerning their performance in relevant body of the Company or their liability question is solved.
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	Based on the practices observed at the Company, no remuneration policy and procedure for approval, revision and disclosure of the remuneration to directors, as well as no statement on the Company's remuneration policy is developed at the Company. This is not required under legal acts. General information on the Company's remuneration policy and average remuneration to individual employee groups is disclosed in the Company's annual report. Based on Part 5 of Article 25 of the Law on Energy of the Republic of Lithuania, the Company discloses the remuneration set for members of the Company's management bodies and any other payments related to management body members' functions.
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	See the comment for Item 8.1. The annual report does not include the remuneration policy of the Company's directors for the following and subsequent years. The annual report provides information on the monetary amounts calculated for the members of the Company's management bodies (remunerations, other payments, tantiems, and other payables from the 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	No	See the comment for Item 8.1. The annual report provides information on the monetary amounts calculated for the members of the Company's management bodies (remunerations, other payments, tantiems, other payables from the profit), the information on property / assets assigned and guarantees granted to members of the bodies, also any other information related with remuneration to members of the bodies.

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.		
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 for Item 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	No	See the comment for Item 8.1.

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 schemesrelated 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. 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.	No	See the comment for Item 8.1.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 8.1.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	See the comment for Item 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.	No	See the comment for Item 8.1.
8.13. Shares should not vest for at least three years after their award.	No	See the comment for Item 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.	No	See the comment for Item 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).	No	See the comment for Item 8.1.

8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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.	No	See the comment for Item 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 cooperation 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 Company's corporate governance framework assures that the law-protected rights of the stakeholders 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 does observe the recommendations. For example, consultations, negotiations, meetings and discussions are held with representatives of the Company's employees regarding the business optimization processes implemented at the Company. Based on the Company's Collective Agreement signed with representatives of the Company's employees, the Company shall inform representatives of the trade unions on the changes intended at the Company, the financial situation of the Company, etc. Stakeholders may get involved in the Company's management to the extent prescribed by law.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company does observe 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	Yes	The Company's annual report discloses information on the shareholders holding by right of ownership more than 5 percent of the issuer's authorized capital. The Company's annual report discloses information on members of the supervision and management bodies and the manager of the Company. Based on Part 5 of Article 25 of the Law on Energy of the Republic of Lithuania, the Company discloses the remuneration set for members of the Company's supervision and management bodies and any other payments related to management body members' functions. The information referred to in items 4 and 6 of this Recommendation is disclosed to the extent required under legal acts currently in effect and the requirements for development of annual financial reports. The Company discloses the information referred to in this Recommendation (with the exception of items 4 and 6 hereof) in the following ways: 1) in the manner prescribed by law for announcing material events (e.g. election

specified in this list.		of new members of management bodies, the Company's financial results); 2) on the Company's website (e.g. the Company's business objectives); 3) in the annual report (e.g. members of the Company's management bodies, foreseeable material risks).
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 discloses information on consolidated performance results of the entire group of companies (i.e. LESTO and its subsidiaries).
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	The information specified in item 4 of Recommendation 10.1 is provided in the Company's annual report and on the Company's website. Based on Part 5 of Article 25 of the Law on Energy of the Republic of Lithuania, the Company discloses the remuneration set for members of the Company's management bodies and any other payments related to management body members' functions.
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 information specified in item 7 of Recommendation 10.1 is disclosed to the extent required under legal acts of the Republic of Lithuania currently in effect. The information on the relations between the Company and the stakeholders is disclosed in press releases and on the Company's website.
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 discloses the information via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages both at a time. The Company observes the recommendation and announces its material events before or after a trading session on the Vilnius Stock Exchange, except for the cases provided for by legal acts. The Company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced 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	In addition to the method of information disclosure referred to Item 10.5, the Company uses a number of other means (the electronic edition for public announcements of the State Enterprise Center of Registers, news agencies, the publicly accessible internet website of the Company); all this is meant to ensure that the being-disseminated information reached as many as possible persons/entities concerned. The information disclosed on the Company's website is provided in the 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 discloses on its website all the information specified in this Recommendation.
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	The Company's annual financial statements and the annual report are subject to independent audit. Audit firm also checks if consolidated annual report matches audited financial statements.
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.	Yes	By determined order of Law on Public Procurement of the Republic of Lithuania an audit firm is selected, which the Company's Board proposes such to the General Meeting of Shareholders.
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 does observe the recommendations.