

2014-05-30 No. SD-1120

CERTIFICATION STATEMENT

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania, we, the undersigned Juozas Bartlingas, Chief Executive Officer, Eglė Čiužaitė, Director of Finance and Legal Department, and Giedruolė Guobienė, Chief Financier, hereby confirm that, to the best of our knowledge, "Lietuvos Energijos gamyba", AB and consolidated financial statements for the three months period of the financial year 2014 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of "Lietuvos Energijos gamyba", AB and its consolidated group assets, liabilities, financial position, period profit or loss and cash flows.

Chief Executive Officer



Juozas Bartlingas

Director of Finance and Legal Department



Eglė Čiužaitė

Chief Financier



Giedruolė Guobienė

"Lietuvos energijos gamyba", AB

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“LIETUVOS ENERGIJOS GAMYBA”, AB

**CONSOLIDATED AND COMPANY'S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2014
(unaudited)**

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

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The condensed interim financial information was approved by the General Director, Director of Finance and Law Department and Chief Financier of "Lietuvos energijos gamyba", AB on 30 May 2014.



Juozas Bartlingas
General Director



Eglė Čiužaitė
Director of Finance and Law
Department



Giedruolė Guobienė
Chief Financier

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
At 31 March 2014

All amounts in LTL thousands unless otherwise stated

ASSETS	Note	Group at 31 March 2014	Company at 31 March 2014	Group at 31 December 2013	Company at 31 December 2013
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets					
Intangible assets	4	28,681	28,186	29,542	28,968
Property, plant and equipment	5	2,593,335	2,571,934	2,636,706	2,597,392
Prepayments for property, plant, equipment		-	10,465	384	10,479
Investments in subsidiaries		-	11,050	-	52,397
Investments in associates and joint ventures	10	152,844	153,884	154,833	153,884
Deferred income tax assets		673	-	988	-
Other financial assets		16,787	16,786	20,949	17,850
Amounts receivable		23,727	23,727	17,850	20,949
Total non-current assets		2,816,047	2,816,033	2,861,252	2,881,919
Current assets					
Inventories		24,026	23,146	24,032	23,113
Prepayments		26,244	15,961	15,725	5,659
Trade receivables		97,592	88,441	169,973	133,274
Other receivables		66,451	48,916	10,513	9,242
Prepaid income tax		8,890	8,795	10,147	10,073
Other financial assets		-	-	86	-
Cash and cash equivalents		257,569	244,004	219,746	178,087
		480,772	429,263	450,222	359,448
Non-current assets classified as held for sale		131	-	131	-
Total current assets		480,903	429,263	450,353	359,448
TOTAL ASSETS		3,296,950	3,245,296	3,311,605	3,241,367

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
At 31 March 2014

All amounts in LTL thousands unless otherwise stated

EQUITY AND LIABILITIES	Note	Group at 31 March 2014 <i>(unaudited)</i>	Company at 31 March 2014 <i>(unaudited)</i>	Group at 31 December 2013 <i>(audited)</i>	Company at 31 December 2013 <i>(audited)</i>
Capital and reserves					
Share capital	6	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		7,785	3,957	37,852	4,015
Legal reserve		37,852	37,540	7,928	37,540
Other reserves		677,775	677,775	677,775	677,775
Retained earnings		(227,485)	(245,382)	(284,805)	(277,529)
Total equity attributable to owners of the Company		1,426,778	1,404,741	1,369,601	1,372,652
Non-controlling interest		-	-	43,896	-
Total equity		1,426,778	1,404,741	1,413,497	1,372,652
Non-current liabilities					
Borrowings	7	502,898	494,698	506,761	498,261
Finance lease liabilities		51	-	36	-
Grants	8	1,059,784	1,059,784	1,062,730	1,062,730
Other non-current accounts payable and liabilities		65,414	65,308	77,879	75,631
Deferred income tax liabilities		42,875	42,870	39,688	39,688
Total non-current liabilities		1,671,022	1,662,660	1,687,094	1,676,310
Current liabilities					
Borrowings	7	60,686	59,786	57,729	57,129
Finance lease liabilities		37	-	8	-
Trade payables		53,825	37,122	85,428	76,753
Advance amounts received		41,581	40,551	29,489	27,564
Income tax payable		-	-	1,222	-
Provisions for emission allowances	9	9,559	9,559	9,745	9,745
Other accounts payable and liabilities		33,462	30,877	27,393	21,214
Total current liabilities		199,150	177,895	211,014	192,405
Total liabilities		1,870,172	1,840,555	1,898,108	1,868,715
TOTAL EQUITY AND LIABILITIES		3,296,950	3,245,296	3,311,605	3,241,367

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

Note	Group 1 January – 31 March 2014 <i>(unaudited)</i>	Company 1 January – 31 March 2014 <i>(unaudited)</i>	Group 1 January – 31 March 2013 <i>(unaudited)</i>	Company 1 January – 31 March 2013 <i>(unaudited)</i>
Revenue				
Sales revenue	145,405	144,301	214,899	212,265
Other operating income	19,939	1,516	6,997	2,222
	165,344	145,817	221,896	214,487
Operating expenses				
Purchase of electricity and related services	(56,562)	(56,546)	(101,425)	(101,434)
Gas and heavy fuel expenses	(16,588)	(16,588)	(42,868)	(42,868)
Depreciation and amortisation	(19,801)	(19,250)	(19,670)	(19,153)
Wages and salaries and related expenses	(11,115)	(8,285)	(10,942)	(8,499)
Repair and maintenance expenses	(3,566)	(3,541)	(6,021)	(6,672)
Expenses of revaluation and provisions for emission allowances	(1,866)	(1,866)	(11,902)	(11,902)
Impairment of other non-current assets	(1,015)	(1,015)	(5,946)	(5,946)
Reversal of inventory write-down	115	115	(294)	(294)
Other expenses	(18,199)	(3,461)	(9,076)	(5,482)
Total operating expenses	(128,597)	(110,437)	(208,144)	(202,250)
OPERATING PROFIT	36,747	35,380	13,752	12,237
Finance income:				
Share of result of operations of associates and joint ventures	6,517	6,508	322	2,172
Other finance income	(266)		595	
Finance (costs)	(5,404)	(5,339)	(4,152)	(4,085)
	847	1,169	(3,235)	(1,913)
PROFIT BEFORE INCOME TAX	37,594	36,549	10,517	10,324
Current year income tax expense	(1,354)	(1,278)	(943)	(643)
Deferred income tax income/(expense)	(3,215)	(3,182)	(2,623)	(2,695)
	(4,569)	(4,460)	(3,566)	(3,338)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	33,025	32,089	6,951	6,986
DISCONTINUED OPERATIONS				
Profit (loss) for the period from discontinued operations, net of income tax	524	-	847	-
PROFIT (LOSS) FOR THE PERIOD	33,549	32,089	7,798	6,986

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

Note	Group 1 January – 31 March 2014 (unaudited)	Company 1 January – 31 March 2014 (unaudited)	Group 1 January – 31 March 2013 (unaudited)	Company 1 January – 31 March 2013 (unaudited)
Other comprehensive income (loss)				
Other comprehensive income less deferred income tax	-	-	-	-
COMPREHENSIVE INCOME	33,549	32,089	7,798	6,986
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	33,308	32,089	7,409	6,986
Non-controlling interest	241		389	
	33,549	32,089	7,798	6,986
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Owners of the Company	33,308	32,089	7,409	6,986
Non-controlling interest	241		389	
	33,549	32,089	7,798	6,986
Basic and diluted earnings per share (in LTL)	0.05		0.01	

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

Group	Equity attributable to shareholders of the Company						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)			
Balance at 1 January 2013	635,084	295,767	12,055	36,145	717,775	(404,806)	1,292,020	41,498	1,333,518
Depreciation of revaluation reserve	-	-	(226)	-	-	226	-	-	-
Other adjustments	-	-	(65)	-	-	-	(65)	-	(65)
Comprehensive income	-	-	-	-	-	7,409	7,409	389	7,798
Balance at 31 March 2013 (unaudited)	635,084	295,767	11,764	36,145	717,775	(397,171)	1,299,364	41,887	1,341,251
Balance at 1 January 2014	635,084	295,767	7,928	37,852	677,775	(284,805)	1,369,601	43,896	1,413,497
Depreciation of revaluation reserve	-	-	(143)	-	-	143	-	-	-
Sale of subsidiaries	-	-	-	-	-	23,869	23,869	(44,137)	(20,268)
Comprehensive income	-	-	-	-	-	33,308	33,308	241	33,549
Balance at 31 March 2014 (unaudited)	635,084	295,767	7,785	37,852	677,775	(227,485)	1,426,778	-	1,426,778

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

Company	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 1 January 2013	635,084	295,767	7,774	35,867	717,775	(385,341)	1,306,926
Depreciation of revaluation reserve	-	-	(136)	-	-	136	-
Comprehensive income	-	-	-	-	-	6,986	6,986
Balance at 31 March 2013 (unaudited)	635,084	295,767	7,638	35,867	717,775	(378,219)	1,313,912
Balance at 1 January 2014	635,084	295,767	4,015	37,540	677,775	(277,529)	1,372,652
Depreciation of revaluation reserve	-	-	(58)	-	-	58	-
Comprehensive income	-	-	-	-	-	32,089	32,089
Balance at 31 March 2014 (unaudited)	635,084	295,767	3,957	37,540	677,775	(245,382)	1,404,741

(end)

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

	Group 1 January – 31 March 2014 <i>(unaudited)</i>	Company 1 January – 31 March 2014 <i>(unaudited)</i>	Group 1 January – 31 March 2013 <i>(unaudited)</i>	Company 1 January – 31 March 2013 <i>(unaudited)</i>
Profit for the period	33,549	32,089	7,798	6,986
Adjustments for non-cash items and other adjustments:				
Depreciation and amortisation expenses	29,476	28,925	32,059	28,920
Loss on revaluation of property, plant and equipment	-	-	77	-
Impairment write-down of inventories / (reversal)	(115)	(115)	293	294
Revaluation expenses of emission allowances	2,052	2,052	10,483	10,483
Other impairments	2,474	(315)	4,946	4,874
Share of (profit) of associates and joint ventures	266	-	(595)	-
Income tax expense	1,257	1,278	1,189	643
Change in deferred income tax liability	3,215	3,182	2,777	2,695
(Income) from grants	(9,675)	(9,675)	(9,767)	(9,767)
(Decrease) in other provisions	(186)	(186)	1,419	1,419
Loss on write-off of non-current assets	7	2	-	-
Elimination of results of financing and investing activities:	-	-	-	-
- Interest (income)	(11)	(2)	(2)	(2)
- Interest expense	5,337	5,337	5,972	5,918
- Other finance (income) costs	(6,254)	(6,504)	(2,159)	(4,003)
Changes in working capital				
(Increase) decrease in trade receivables and other amounts receivable	27,255	45,105	27,263	12,460
(Increase) decrease in inventories and prepayments	(10,534)	(10,230)	16,940	15,783
Increase (decrease) in amounts payable and advance amounts received	(10,291)	(21,816)	(67,828)	(64,467)
Income tax (paid)	(97)	-	(87)	-
Net cash generated from operating activities	67,725	69,127	30,778	12,236
Cash flows from investing activities				
(Acquisition) of property, plant and equipment and intangible assets	(3,511)	(3,355)	(4,613)	(924)
Disposal of property, plant and equipment and intangible assets	-	-	152	135
Sale of subsidiaries	(26,546)	-	-	-
Dividends received	6,643	6,643	-	-
Interest received	11	2	4	-
Net cash (used in) investing activities	(23,403)	3,290	(4,457)	(789)
Cash flows from financing activities				
Proceeds from borrowings	-	-	1,428	-
Repayments of borrowings	(3,563)	(3,563)	(5,096)	(2,376)
Finance lease payments	-	-	(88)	-
Interest (paid)	(2,932)	(2,932)	(3,044)	(2,990)
Dividends (paid out)	(4)	(4)	-	-
Net cash (used in)/ generated from financing activities	(6,499)	(6,499)	(6,800)	(5,366)
Net increase in cash and cash equivalents	37,823	65,917	19,521	6,081
Cash and cash equivalents at the beginning of the period	219,746	178,087	(29,546)	(49,271)
Cash and cash equivalents at the end of the period	257,569	244,004	(10,025)	(43,190)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

1 General information

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

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

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

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

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

The authorised share capital of Lietuvos Energijos Gamyba AB amounts to LTL 635,083,615 and it is divided into 635,083,615 ordinary registered shares with par value of LTL 1 each. There were no changes in the Company's authorised share capital during 2014 and 2013. All the shares issued are fully paid. With effect from 1 September 2011, the shares of Lietuvos Energijos Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 31 March 2014 and at 31 December 2013, the Company had not acquired its own shares.

In 2013 and in 2014, the Company was engaged in electricity generation, electricity trading and export activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

The Company has permits of unlimited validity to engage in electricity generation activities at the Reserve Power Plant and the Combined Cycle Block (hereinafter referred to as the Reserve Power Plant), Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Reserve Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Control Commission for Prices and Energy, Lietuvos energijos gamyba AB obtained a licence of an independent electricity supplier. The Company's subsidiary Energijos Tiekimas UAB also holds a licence of an independent electricity supplier, as well as a licence of natural gas supplier. The subsidiary was not engaged in any purchase/sale activities of natural gas throughout 2014.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

1 General information (continued)

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

Company	Address of the company's registered office	The Group's shareholding at 31 March 2014	The Group's shareholding at 31 December 2013	Profit (loss) for 1 January – 31 March 2014	Equity at 31 March 2014	Profile of activities
UAB „Kauno energetikos remontas“	Chemijos g. 17, Kaunas, Lietuva	100 proc.	100 proc.	435	23,039	Repair of energy equipment, production of metal constructions
UAB „Gotlitas“	R.Kalantos g. 119, Kaunas, Lietuva	100 proc.	100 proc.	9	1,434	Accommodation services, trade
Energijos tiekimas UAB	Žvejų g. 14, Vilnius, Lietuva	100 proc.	100 proc.	775	11,124	Independent electricity supply
Geton Energy OU	Narva mnt 5, 10117 Tallinn	100 proc.	-	(4)	104	Independent electricity supply
Geton Energy SIA	Elizabetes iela 45/47, Riga, LV-1010	100 proc.	-	(4)	80	Independent electricity supply
UAB Duomenų logistikos centras*	Juozapavičiaus g. 13, Vilnius, Lietuva	0 proc.	54.04 proc.	260	62,492	IT services
VŠĮ Respublikinis energetikų mokymo centras*	Jeruzalės g. 21, Vilnius, Lietuva	0 proc.	54.04 proc.	264	894	Professional development of energy specialists and continual professional training

* On 31 March, 2014 the Company sold 31 835 166 shares of UAB Duomenų logistikos centras (company code 302527488, registered office at A. Juozapavičiaus st. 13, Vilnius), which is 54.04 percent of total shares of UAB Duomenų logistikos centras, to "Lietuvos energija", UAB (company code 301844044, registered office at Žvejų st. 14, Vilnius).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

1 General information (continued)

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

Company	Address of the company's registered office	The Group's shareholding at 31 March 2014	The Group's shareholding at 31 December 2013	Profile of activities
UAB „Geoterma“	Lypkių g. 53, LT-94100 Klaipėda, Lietuva	23.44 proc.	23.44 proc.	Geothermal energy production
UAB „NT Valdos“	Geologų g. 16, LT-02190 Vilnius, Lietuva	42.32 proc.	42.32 proc.	Asset management services
UAB Technologijų ir inovacijų centras	Juozapavičiaus g. 13, Vilnius, Lietuva	20.00 proc.	20.00 proc.	IT services
AS Nordic Energy Link	Laki 24, Tallinn 12915	25.00 proc.	25.00 proc.	Management of electricity transmission line between Finland and Estonia

As at 31 March 2014, the number of labor contract of the Group was 754 (31 December 2013 the number of employees – 1,104). As at 31 March 2014, the number of labor contract of the Company was 503 (31 December 2013 the number of employees - 503).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

2 Accounting policies

2.1 Basis of preparation

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

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

2.2 Accounting policies

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

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

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

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

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

3 Critical accounting estimates and uncertainties

The preparation of condensed interim financial information in conformity with IFRS requires management to make estimates and assumptions that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The actual results may ultimately differ from these estimates, as future events can amend assumptions that were used. Such changes in estimates will be recorded in the financial statements when determinable. Significant judgments made by management in relation to accounting policies and key sources of identification of contingencies were consistent with those applied in preparation of the financial statements for the year ended 31 December 2013.

Tax audits

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

Depreciation rates of property, plant and equipment

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

Revaluation of property, plant and equipment

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

Considering the date of the last revaluation of these assets and the periods of their acquisition, in the opinion of management, the fair value of the Group's/Company's property, plant and equipment stated at revaluated amounts as at 31 March 2014 not significantly differ from its carrying amounts.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the three-month period ended 31 March 2014

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3 Critical accounting estimates and uncertainties (continued)

Impairment of property, plant and equipment

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

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

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

Write-down of inventory to net realisable value

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

Provisions for emission allowances

The Group/Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Group does not expect any material differences between the amount of estimated provisions as at 31 March 2013 and emission quantities which will be approved in 2015.

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurisation. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. On 31 March 2014, the amount of variable costs incurred by the Company was higher than the amount allocated for compensation of PSO service costs, therefore, the Company accounted for receivable PSO amount of LTL 1,116 thousand as of 31 March 2014, which will be compensated during 2016. On 31 March 2013, the amount of variable costs incurred by the Company was lower than the amount allocated for compensation of PSO service costs, therefore, the Company accounted for refundable PSO amount of LTL 7,761 thousand as of 31 December 2013, which will be compensated during 2015.

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For the three-month period ended 31 March 2014

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4 Intangible assets

The movements of the Group's intangible assets were as follows:

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
At 31 March 2013					
Opening net book amount	878	2,052	55,413	198	58,541
Additions	16	41	181	-	238
Grant received	-	-	1,040	-	1,040
Revaluation costs of emission allowances	-	-	(13,923)	-	(13,923)
Disposals	-	-	(4,041)	-	(4,041)
Amortisation	(154)	(394)	-	(18)	(566)
Net book amount at 31 March 2013	740	1,699	38,670	180	41,289
At 31 March 2014					
Opening net book amount	-	755	28,704	48	29,507
Grant received	-	-	1,358	-	1,358
Revaluation costs of emission allowances	-	-	(2,052)	-	(2,052)
Amortisation	-	(128)	-	(4)	(132)
Net book amount at 31 March 2014	-	627	28,010	44	28,681

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

Company	Computer software	Emission allowances	Other intangible assets	Total
At 31 March 2013				
Opening net book amount	582	55,413	65	56,060
Additions	-	181	-	181
Grant received	-	1,040	-	1,040
Emission allowances utilised	-	-	-	-
Revaluation costs of emission allowances	-	(13,923)	-	(13,923)
Disposals	-	(4,041)	-	(4,041)
Amortisation	(93)	-	(4)	(97)
Net book amount at 31 March 2013	489	38,670	61	39,220
At 31 March 2014				
Opening net book amount	216	28,704	48	28,968
Grant received	-	1,358	-	1,358
Revaluation costs of emission allowances	-	(2,052)	-	(2,052)
Amortisation	(84)	-	(4)	(88)
Net book amount at 31 March 2014	132	28,010	44	28,186

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

5 Property, plant and equipment

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

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 March 2013										
Opening net book amount	5,737	16,396	24,378	511,539	836,881	1,316,537	884	21,471	12,147	2,745,970
Additions	-	-	84	151	164	70	-	1,264	2,766	4,499
Reclassifications between groups	-	-	-	99	(248)	248	-	-	(99)	-
(Impairment)	-	(77)	20	-	-	-	-	-	-	(57)
Disposals	-	-	-	-	(135)	-	-	(1)	-	(136)
Reclassification from inventories	-	-	-	-	-	-	-	(28)	-	(28)
Depreciation	-	(115)	(808)	(6,834)	(9,143)	(12,609)	(57)	(1,928)	-	(31,494)
Net book amount at 31 March 2013	5,737	16,204	23,674	504,955	827,519	1,304,246	827	20,778	14,814	2,718,754
At 31 March 2014										
Opening net book amount	6,490	17,961	8,457	484,307	814,106	1,268,690	854	707	17,578	2,619,150
Additions	-	-	139	-	136	36	-	21	3,193	3,525
Write-offs	-	-	(5)	-	(2)	-	-	-	-	(7)
Reclassifications between groups	-	-	-	266	-	-	-	-	(266)	-
Reclassification from inventories	-	-	-	-	(23)	34	-	-	-	11
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(126)	(369)	(6,815)	(9,261)	(12,636)	(89)	(48)	-	(29,344)
Net book amount at 31 March 2014	6,490	17,835	8,222	477,758	804,874	1,256,124	765	680	20,587	2,593,335

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For the three-month period ended 31 March 2014

All amounts in LTL thousands unless otherwise stated

5 Property, plant and equipment (continued)

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

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Combined-cycle block	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 March 2013										
Opening net book amount	5,737	1,420	10,371	511,539	836,881	1,316,537	296	215	10,771	2,693,767
Additions	-	-	-	151	164	70	-	14	525	924
Reclassification from/to assets held for sale	-	-	-	99	(248)	248	-	-	(99)	-
Disposals	-	-	-	-	(135)	-	-	-	-	(135)
Depreciation	-	(7)	(200)	(6,834)	(9,143)	(12,609)	(19)	(12)	-	(28,824)
Net book amount at 31 March 2013	5,737	1,413	10,171	504,955	827,519	1,304,246	277	217	11,197	2,665,732
At 31 March 2014										
Opening net book amount	6,490	2,186	3,381	484,307	814,106	1,268,690	461	194	17,578	2,597,393
Additions	-	-	-	-	136	36	-	4	3,193	3,369
Write-offs	-	-	-	-	(2)	-	-	-	-	(2)
Reclassifications between groups	-	-	-	266	-	-	-	-	(266)	-
Reclassification from inventories	-	-	-	-	(23)	34	-	-	-	11
Capitalized to construction in progress	-	-	-	-	(82)	-	-	-	82	-
Depreciation	-	(11)	(43)	(6,815)	(9,261)	(12,636)	(57)	(14)	-	(28,837)
Net book amount at 31 March 2014	6,490	2,175	3,338	477,758	804,874	1,256,124	404	184	20,587	2,571,934

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6 Share capital

As at 31 March 2014 and 31 December 2013, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange trading session in 2014 was LTL 2.503 per share (2013 – 1.419), and the lowest share price was LTL 1.364 per share (2013 – 1.243). The total number of shareholders as at 31 March 2014 was 6,250 (31 December 2013 – 6,153).

The shareholders' structure of the Company is as follows;

Shareholders	Share capital at 31 March 2014		Share capital at 31 December 2013	
	(litai)	Proc.	(litai)	Proc.
"Lietuvos energija", UAB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
Iš viso:	635,083,615	100.00	635,083,615	100.00

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

7 Borrowings

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

	Group at 31 March 2014	Company at 31 March 2014	Group at 31 December 2013	Company at 31 December 2013
Non-current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB) in EUR, to be repaid by 1 April 2018	42,124	42,124	45,687	45,687
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	204,291	204,291	204,291	204,291
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB Bank, Danske Bank A/S), in EUR, to be repaid by 3 June 2016	237,818	237,818	237,818	237,818
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	8,200	-	8,500	-
Loan from Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 31 March 2027.	10,465	10,465	10,465	10,465
Total non-current borrowings	502,898	494,698	506,761	498,261
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bank AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB) in EUR, to be repaid by 1 April 2018	14,253	14,253	14,253	14,253
Nordea Bank Finland Plc, Lithuania Branch, in EUR, to be repaid by 1 December 2017	900	-	600	-
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bank AB, Danske Bank A/S) in EUR, to be repaid by 3 June 2016	21,620	21,620	21,620	21,620
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	20,429	20,429	20,429	20,429
Loan from the European Bank for Reconstruction and Development, accrued interest	3,484	3,484	827	827
Total current borrowings	60,686	59,786	57,729	57,129

As of 31 March 2014, the Group's undrawn balances of loans and overdrafts under the above-listed agreements amounted to LTL 270,855 thousand (31 December 2013: LTL 272,855 thousand). The Company's undrawn balances of loans and overdrafts amounted to LTL 265,855 thousand (31 December 2013: LTL 265,855 thousand).

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8 Grants

The grants balance consists of grants to finance acquisition of assets. Movements in grants during the three months period ended 31 March 2014 and 31 March 2013 were as follows:

Group/Company	Assets-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
Balance at 1 January 2013	91,729	1,008,732	-	1,100,461
Grants received	-	-	1,040	1,040
Depreciation of immovable property, plant and equipment	(523)	(9,244)	-	(9,767)
Repayable grants	(23)	-	-	(23)
Balance at 31 March 2013	91,183	999,488	1,040	1,091,711
Balance at 1 January 2014	88,842	973,888	-	1,062,730
Grants received	-	5,371	1,358	6,729
Depreciation of immovable property, plant and equipment	(427)	(9,248)	-	(9,675)
Balance at 31 March 2014	88,415	970,011	1,358	1,059,784

During 2014, Company's assets-related grants decreased by LTL 9,675 thousand, i.e. by the amount of depreciation of property, plant and equipment (three-month period ended 31 March 2013 - LTL 9,767 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income

In 2014 the Company received LTL 5,371 thousand grant for equipment of engineering infrastructure in Kruonis industrial park.

In 2014 the Company received an additional grant of LTL 1,358 thousand for emission allowances to utilise for 2013. In 2013 the Company receives a grant of LTL 1,040 thousand for emission allowances.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION For the three-month period ended 31 March 2014

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9 Provisions for emission allowances

Provisions for emission allowances were accounted for as follows:

	Group	Company
Balance at 31 December 2012	13,895	13,895
Emission allowances utilised	-	-
Provisions for pollution emitted*	(2 022)	(2 022)
Balance at 31 March 2013	11,873	11,873
Balance at 31 December 2013	9,745	9,745
Emission allowances utilised	-	-
Provisions for pollution emitted*	(186)	(186)
Balance at 31 March 2014	9,559	9,559

*For the purpose of the statement of comprehensive income, expenses related to provisions for emission rights utilised are accounted for net of government grants utilised.

10 Investments in associates

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

11 Segment information

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

As at 31 March 2014 and 2013, the Board analyses the operations of the Company separating activities to regulated and commercial. The regulated activities include revenue from heat and electricity production of the Lithuanian Thermal Power Plant, revenue from balancing and regulating activities, power reserve, including electric power reservation income of Kruonis Pumped Storage Power Plant. Commercial activities include electricity trade in the market, export / import, electricity production in Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, including related regulatory and balancing services. Administrative costs are allocated between the regulated and commercial activities with a reference to operating expenses, number of employees and purchase volumes. The operations of Energijos Tiekimas UAB representing trade in electricity also constitute a separate segment. Other activities within the Group include repair services of energy facilities and IT services.

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

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11 Segment information (continued)

The table below presents the Group's information on segments for the three-month period ended 31 March 2014:

2014	Electricity production and trade (including export/import)			Other activities	Total Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	58,336	87,481	52,515	18,470	216,802
Inter-segment revenue	-	-	(51,342)	(116)	(51,458)
Revenue from external clients	58,336	87,481	1,173	18,354	165,344
Expenses after elimination of turnover among the Group companies	(47,464)	(62,973)	(301)	(17,859)	(128,597)
including depreciation and amortisation expenses	(13,816)	(5,433)	(24)	(528)	(19,801)
Operating profit	10,872	24,508	872	495	36,747
Finance income	(136)	6,644	4	5	6,517
Finance costs	(5,271)	(68)	-	(65)	(5,404)
Share of result of associates and joint ventures	-	-	-	(266)	(266)
Profit before income tax	5,465	31,084	876	169	37,594
Income tax					(4,569)
Profit for the period from continuing operations					33,025

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For the three-month period ended 31 March 2014

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11 Segment information (continued)

The table below presents the Group's information on segments for the three-month period ended 31 March 2013:

2013	Electricity production and trade (including export/import)			Other activities	Total Regulated activities Regulated activities
	Lietuvos Energijos Gamyba, AB		Energijos Tiekimas, UAB (group)		
	Regulated activities	Commercial activities			
Total segment revenue	90,898	123,589	49,952	6,319	270,758
Inter-segment revenue	-	-	(47,318)	(1,544)	(48,862)
Revenue from external clients	90,898	123,589	2,634	4,775	221,896
Expenses after elimination of turnover among the Group companies	(94,240)	(108,010)	(705)	(5,189)	(208,144)
including depreciation and amortisation expenses	(14,773)	(4,379)	(9)	(509)	(19,670)
Operating profit	(3,342)	15,579	1,929	(414)	13,752
Finance income	135	2,037	150	(2,000)	322
Finance costs	(3,850)	(235)	(9)	(58)	(4,152)
Share of result of associates and joint ventures	-	-	-	595	595
Profit before income tax	(7,057)	17,381	2,070	(1,877)	10,517
Income tax					(3,566)
Profit for the period from continuing operations					6,951

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

The Group's revenue received from a single external client during the three-month period ended 31 March 2014 amounted to LTL 103,156 thousand (the three-month period ended 31 March 2013- LTL 73,221 thousand).

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12 Related-party transactions

Purchase and sale of goods and services:

The Group's transactions with related parties during the period of January to March 2014 and the balances arising on these transactions as at 31 March 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Group	258	239	1,056	795
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	25	9,604	67	103,236
"Lietuvos energija", UAB	-	41,352	-	-
Total	283	51,195	1,123	104,031

The Company's transactions with related parties during the period of January to March 2014 and the balances arising on these transactions as at 31 March 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	87	30,407	102	51,300
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	9	9,573	23	103,156
"Lietuvos energija", UAB	-	41,352	-	-
Associates of the Company	102	-	814	2
Total	198	81,332	939	154,458

The Group's transactions with related parties during the period of January to March 2013 and the balances arising on these transactions as at 31 March 2013 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates of the Group	1,223	256	882	650
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	30	36,958	127	80,099
"Lietuvos energija", UAB	-	105	6	123
Total	1,253	37,319	1,015	80,872

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12 Related-party transactions (continued)

The Company's transactions with related parties during the period of January to March 2013 and the balances arising on these transactions as at 31 March 2013 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	1,039	20,608	1,395	49,284
Entities controlled by the Ministry of the Finance of the Republic of Lithuania (including subsidiaries of "Lietuvos energija", UAB)	9	33,573	30	73,221
"Lietuvos energija", UAB	-	-	6	-
Associates of the Company	65	-	649	-
Total	1,113	54,181	2,080	122,505

The major related-party sale and purchase transactions in 2014 and 2013 comprised transactions with the entity controlled by the Ministry of Finance of the Republic of Lithuania AB LESTO. The Group's sales transactions to this entity mainly included sales of electricity.

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

Payments to key management personnel

	Group 1 January – 31 March 2014	Company 1 January – 31 March 2014	Group 1 January – 31 March 2013	Company 1 January – 31 March 2013
Employment-related payments	774	336	953	345
Termination benefits	-	-	-	-
Number of key management personnel	29	8	18	9

Management consists of heads of administration and their deputies, and the chief financier.

13 Events subsequent to the end of the reporting period

On 04 April 2014, the Ordinary General Meeting of Shareholders of Lietuvos energijos gamyba, AB approved the allocation of profit of Lietuvos energijos gamybos, AB for 2013 and payout of 0.24 litas dividend per share.
