Lietuvos energija GAMYBA

2015-04-03 No. 5D-504

CERTIFICATION STATEMENT

Referring to the provisions of the 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, the undersigned Juozas Bartlingas, Chief Executive Officer, Eglė Čiužaitė, Director of Finance and Administration Department, and Giedruolė Guobienė, Accounting manager of UAB Verslo aptarnavimo centras, hereby confirm that, to the best of our knowledge, "Lietuvos Energijos gamyba", AB and consolidated financial statements for 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, and that the Consolidated Annual Report includes a fair review of the activities and business development as well as the condition of "Lietuvos Energija Gamyba", AB and its consolidated enterprises together with the description of the principle risk and uncertainties it faces.

Chief Executive Officer Juozas Bartlingas

Director of Finance and Administration Department Eglė Čiužaitė

Accounting manager
UAB Verslo aptarnavimo centras
under Order No. V-002 signed on 19 January 2015 Giedruolė Guobienė

"Lietuvos energijos gamyba", AB

Correspondence address:
A. Juozapavičiaus g. 13, LT-09311 Vilnius, Lithuania
Registered address:
Elektrinės g. 21, LT-26108 Elektrėnai, Lithuania

Tel. +370 5 278 2907
Fax +370 5 278 2906
E-mail info@le.lt
www.gamyba.le.lt

Company code - 302648707
VAT code - LT100006256115
Data collected and stored in the Register of Legal Entities

Settlement account
No. LT23 7300 0101 2785 8640
Bank "Swedbank", AB
Bank code - 73000

Lietuvos energija | GAMYBA

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

for the year ended 31 December 2014

Lietuvos energija

Energetikos įmonių grupė | www.le.lt

TABLE OF CONTENTS

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

The Financial Statements was approved by the Chief Executive Officer, Director of Finance and Administration Department of "Lietuvos Energijos Gamyba", AB, and Accounting Manager of UAB Verslo Aptarnavimo Centras on 9 March 2015.

Juozas Bartlingas Chief Executive Officer	**Eglė Čiužaitė** Director of Finance and Administration Department	**Giedruolė Guobienė** Accounting Manager, UAB Verslo Aptarnavimo Centras under Order No. V-002 (signed 2015 01 19)

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

Independent Auditor's Report

To the shareholders of "Lietuvos Energijos gamyba", AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of "Lietuvos Energijos gamyba", AB ("the Company") and its subsidiaries ("the Group") set out on pages 64 to 136, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2014 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

pwc

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2014, 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 2014 set out on pages 5 to 63 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 2014.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Jurgita Krikščiūnienė
Auditor's Certificate No.000495

Vilnius, Republic of Lithuania
9 March 2015

"LIETUVOS ENERGIJOS GAMYBA", AB

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2014
(audited)

TABLE OF CONTENTS

KEY INDICATORS OF "LIETUVOS ENERGIJOS GAMYBA" GROUP

		2014	2013	Change +/-	Change %
KEY OPERATING INDICATORS					
Electricity generation volume	*TWh*	1.84	1.96	-0.12	-6.1
Electricity sales in free market	*TWh*	1.62	1.33	0.29	21.8
KEY FINANCIAL INDICATORS					
Revenues	*LTL'000*	880,221	1,199,396	-319,175	-26.6
Costs of purchase of electricity, fuel and related services	*LTL'000*	497,418	789,539	-292,121	-37.0
Operating expenses[1]	*LTL'000*	114,790	173,925	-59,135	-34.0
EBITDA[2]	*LTL'000*	266,383	239,263	27,120	11.3
EBITDA margin[3]	*%*	30.3	19.9		
Net profit on continued operations	*LTL'000*	141,714	108,608	33,106	30.5
		31/12/2014	**31/12/2013**	**Change +/-**	**Change %**
Assets total	*LTL'000*	3,221,383	3,311,605	-90,222	-2.7
Equity	*LTL'000*	1,293,004	1,413,497	-120,493	-8.5
Financial debts	*LTL'000*	572,525	564,534	7,991	1.4
Net financial debts[4]	*LTL'000*	298,254	344,788	-46,534	-13.5
Return on equity (ROE)[5]	*%*	11.0	7.7		
Equity level[6]	*%*	40.1	42.7		
Net financial debts / 12-month EBITDA	*%*	112.0	144.1		
Net financial debts / Equity	*%*	23.1	24.4		

[1] Operating expenses (OPEX) = operating costs less costs of purchase of electricity and related services, depreciation and amortisation costs, impairment losses and costs of non-current tangible asset write-offs.
[2] EBITDA (earnings before interest, tax, depreciation and amortisation) = profit (loss) before tax + interest costs – interest income – dividend received + depreciation and amortisation costs + impairment losses + non-current tangible asset write-offs.
[3] EBITDA margin = EBITDA / Revenues.
[4] Net financial debts = Financial debts – Cash and cash equivalents – Short-term investments and term deposits – Share of non-current other financial assets consisting of investments in debt securities.
[5] Return on equity (ROE) = Net profit (loss), restated annual expression / Equity at the end of the period.
[6] Equity level = Equity at the end of a period /Total assets at the end of the period.

COMMENT FROM CEO

In 2014 we carried out successful operations in pursuit of "Lietuvos Energijos Gamyba's" long-term strategy's goals. In the beginning of the last year, when discussing the strategic directions of the company until 2020, we emphasised the importance of increasing the value and operating efficiency of the company, of ensuring provision of high-quality services, and of building values-based corporate culture. Today, I can firmly say to the company's shareholders, partners, customers and the general public that the very first year of the implementation of the updated strategy has already justified the major expectations concerning staff's professionalism and determination to work responsibly in pursuit of the set goals.

The Company's sales revenue in 2014 decreased by 26%, i.e. from LTL 1,079.6 million down to LTL 797.9 million, if compared to 2013. There were two main reasons of the decrease. First of all, the change in the trading principle in 2014 resulted in almost 2.9 times smaller sales of the Company to LESTO (from 2.393 TWh in 2013, down to 0.832 TWh in 2014). Second reason, which had major impact on the Company's sales revenue reduction, was decrease in electricity generation by nearly one fifth in Elektrėnai Complex and Kaunas Algirdas Brazauskas' Hydroelectric Power Plant.

The situation on the electricity market in 2014 was stable, thus differently from 2013, when over-quota electricity was generated in Elektrėnai in order to ensure power supply in autumn, last year electricity production in Elektrėnai was according to the schedule agreed with the transmission system operator - mainly in the efficient new combined-cycle unit, during the warm season and without exceeding the quota established by the Government. The quota of 0.9 TWh was established for 2014, while the actual production was 0.857 TWh electricity. In 2013, Elektrėnai generated 20.4% more electricity, i.e. 1.077 TWh, though the quota remained unchanged. While, Kaunas A. Brazauskas' Hydroelectric Power Plant, producing purely green Lithuanian energy, generated smaller volumes in 2014 because of dry weather and consequently decreased inflow of the River Nemunas. Production rates of the plant varied from 0.409 TWh in 2013 down to 0.317 TWh in 2014 (22.5% decrease).

Decrease in Company's sales revenue caused by the shrinking electricity generation in Elektrėnai and growing competition on the exchange is projected by us also in the long-term strategy of the Company. At the same time it stipulates growing value and profitability of the Company through strengthening of the competence in the commercial activities, better use of the capacities that may produce competitive electricity. Kruonis Pumped Storage Hydroelectric Plant showed very effective operation in this respect in 2014, with the increase in its production volumes by 39.3% if compared with 2013. The plant produced 0.661 TWh electricity, which is 0.187 TWh more than in 2013.

Thus, despite all three power plants producing 6.1% less electricity together in 2014 if compared with 2013 (1.84 TWh and 1.96 TWh, respectively), good results were achieved. The Company's sale volumes on the free market were growing by 21.8% (from 1.33 TWh in 2013 up to 1.62 TWh in 2014), while effective generation in Eletrėnai and professional trading activities resulted in 31.8% decrease in costs (from LTL 981.4 million in 2013 down to LTL 669.3 million in 2014), the value of the tradable pollution allowances available was growing (the price changed from EUR 4.91 in the end of 2013 up to EUR 7.2 by the end of 2014). All these factors determined good profitability rates of the Company and the entire "Lietuvos Energijos Gamyba" Group.

The EBITDA of the Company in 2014 amounted to LTL 221.1 million, which was 6.4% higher than in 2013 (LTL 207.9 million), while the net profit from continued operations was growing by 22.1% (from LTL 94.4 million in 2013 up to LTL 115.3 million in 2014). The increase of the value of the tradable pollution allowances that started in the second half of 2014 made positive impact on the Company's yearly profitability rates, which amounted to LTL 19.7 million (the decrease in TPA's value in 2013 resulted in LTL 15.9 million loss).

The total revenue of the Group in 2014 reached LTL 880.2 million and was 26.6% smaller than in 2013 (LTL 1,199.4 million), its expenses dropped down by 34.8% (from LTL 1,076,7 million in 2013 down to LTL 701.8 million in 2013). In 2014, the Group's EBITDA margin was 30.3%. If compared with the same period in 2013, the EBITDA margin increased by 10.4 p.p. (from 19.9 %). The Group's EBITDA in absolute value increased from LTL 239.3 million to LTL 266.4 million. The net profitability of the Group increased by 7.0 p.p.: the net profitability rate in 2013 was 9.1%, while in 2014 - 16.1%. During 2014, the Group's net profit from continued operations was LTL 141.7 million or 30.5% bigger than during the same period in 2013, when the net profit was LTL 108.6 million.

The year 2014 was the year of challenges for the Company and the whole Group in terms of both making adaptations to the changing market conditions and implementing the important development project of new heat generation facilities in Elektrėnai. Staff's involvement and responsible work together in pursuit of the best result contributed to the timely completion of decommissioning of the units 3 and 4 of the reserve power plant, while 2015 witnessed taking of the units 1 and 2 out of operation and starting their decommissioning.

Bigger volumes of electricity generation have been planned in Elektrėnai for this year. Following approval of bigger supported electricity generation quota (1.1 TWh), higher volumes of electricity will be generated at the combined-cycle unit and a more efficient work mode will be selected that will require lower costs. Thus, through using the most efficient capacities, refusing the ones that are no longer in operation and investing into refurbishment of the other capacities, the Company is planning to achieve the set goals and to ensure the return to its shareholders. At the same time, the Company will be further aspiring to make successful contributions to the reduction in the budget of the public service obligation (PSO), thus creating a possibility of cheaper electricity for consumers.

"Lietuvos Energijos Gamyba" will remain being one of the main links guaranteeing national energy security and will firmly aspire just assessment of the Company's activities, taking into consideration actual market conditions, clauses of all effective legal acts and previously adopted regulatory decisions.

Juozas Bartlingas
Chairman of the Board and CEO
"Lietuvos energijos gamyba", AB

Information about the Company and its contact details

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

Core activities of the Company

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

Information about branches and representative offices of the Company

The Company has no branches or representative offices.

Divisions and organizational structure of the Company

The Company is comprised of state-owned power generation facilities:

- Elektrėnai complex with a reserve power plant (former Lietuvos Elektrinė) and a combined-cycle unit,
- Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP),
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant (Kaunas A. Brazauskas HPP).

Reporting period for which the Consolidated Annual Report has been prepared

The Consolidated Annual Report provides information to shareholders, creditors and other stakeholders of "Lietuvos energijos gamyba", AB ("the Company") about the Company's and the Group's operations for the year ended 31 December 2014.

Legal basis for the preparation of the Consolidated Annual Report

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

Persons responsible for the information provided in the Consolidated Annual Report

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

Information about the Group

As of 31 December 2014, the Company has direct control over the following subsidiaries: UAB Kauno Energetikos Remontas and Energijos Tiekimas UAB. The Company holds 100% of shares of these subsidiaries.

Main types of operations of Kauno Energetikos Remontas UAB include: electrical engineering and mechanical repairs and maintenance works, manufacture of steel structures, management of investment projects, provision of the Training Centre's and laboratory services, and production of biofuel.

Energijos Tiekimas UAB is the largest independent Lithuanian capital electricity supplier. The main fields of activities of Energijos Tiekimas UAB include independent electricity supply, including electricity planning, forecasting, balancing, purchasing, trading, import, export, and all other activities related with this field of business. The key activity of the company is electricity trading on the free market.

Indirectly, via UAB Kauno Energetikos Remontas, the Company holds the majority of votes in UAB Gotlitas. The Company also has the majority of votes in Geton Energy OÜ and Geton Energy SIA via Energijos Tiekimas UAB.

Apart from these subsidiaries, the Company takes part in the management of the following associates: NT Valdos, UAB (41.74% of shares), UAB Geoterma (23.44% of shares), and UAB Technologijų ir Inovacijų Centras (20% of shares), UAB Verslo aptarnavimo centras (15% of shares and AS Nordic Energy Link under liquidation (25% of shares).

Data on the companies forming the Group

Name	Registration date and place, business ID	Contact details	Shareholding of the Group	Core business
UAB "Kauno energetikos remontas"	27 April 2000, Register of Legal Persons of the Republic of Lithuania, business ID 135617795	Chemijos g. 17, LT-51331 Kaunas, Lithuania Tel. +370 37 456 702 Fax +370 37 452 948 Email: ker@ker.lt www.ker.lt	100 %	Repairs of energy installations, manufacture of metal structures
Energijos tiekimas UAB	21 October 2009, Register of Legal Persons of the Republic of Lithuania, business ID 302449388	P. Lukšio g. 1, LT-08221 Vilnius, Lithuania Tel. +370 5 278 2770 Fax +370 5 278 2750 Email: info@etiekimas.lt www.etiekimas.lt	100 %	Independent power supply
UAB "Gotlitas"	30 September 2003, Register of Legal Persons of the Republic of Lithuania, business ID 136031358	R. Kalantos g. 119, LT-52311 Kaunas, Lithuania Tel. +370 37 370 390 Fax +370 37 370 390 Email: gotlitas@gmail.com www.gotlitas.lt	100 %	Accommodation services, trade
Geton Energy OÜ	6 March 2013, Republic of Estonia, business ID 12433862	Narva mnt 5, 10117 Tallinn, Estonia Tel. +372 622 5366 Email: info@etiekimas.ee	100 %	Independent power supply
Geton Energy SIA	28 February 2013, Republic of Latvia, business ID 40103642991	Bezdelīgu str. 12, LV-1048 Riga, Latvia Tel. +371 2844 0040 El. paštas klienti@geton.lv	100 %	Independent power supply

MOST-SIGNIFICANT EVENTS IN THE REPORTING PERIOD

Loan agreement concluded

On 21 February 2014, the Company and SEB Bankas concluded a loan agreement for a loan of up to EUR 158 million (LTL 546 million) for 10 years. This is one of the largest business financing transactions in the history of Lithuanian business banking during the years of independence. It contributes to the optimisation of investments made by a strategic national company in the projects implemented at Elektrėnai complex.

The loan funds are intended for the refinancing of three long-term loans received by the Company in 2005 and 2010 from consortia of banks operating in Lithuania and the European Bank for Reconstruction and Development.

Creditors' trust in energy sector and the Company plays a very important role in further pursuit of the set goals and implementation of planned projects. The refinancing of the existing loans will reduce the regulated operating costs of the Company, whereas administration of the obligations will be more convenient. In addition, the diminishing credit risk of the Company allows expecting favourable crediting terms in the future.

Long-Term Operating Strategy Approved

On 25 June 2014, the Board of the Company approved the Operating Strategy of "Lietuvos Energijos Gamyba", AB for 2014–2020 ('the Strategy'). The document defines the long-term strategy of the Company's operations: the strategic lines and objectives and the indicators measuring the implementation of the Strategy.

Strategic lines of the Company's operations are discussed in Section 'Other factors determining financial indicators' of this Report.

Centralisation of Service Functions Initiated

On 21 July 2014, the Company signed, together with Lietuvos energija, UAB, LESTO AB, LITGAS UAB and Technologijų ir inovacijų centras UAB, an agreement establishing a joint venture under the name Verslo aptarnavimo centras UAB (VAC). This company has been formed in order to make improvements in the processes servicing the core operations and to reduce their operating costs. VAC activities are focussed on the servicing of companies forming the Lietuvos Energija Group by providing the services of administration of public procurement, accounting and labour relations. Centralisation of the public procurement, accounting and labour relations administration processes at VAC is aimed at standardising them, ensuring greater transparency and efficiency, and speeding up the processes. Such administration processes' concentration model is in line with the international best practice.

By concentrating the servicing functions at the same company, best specialists in various fields are recruited from the companies of Lietuvos Energija Group. Since the beginning of October 2014, the employees of the Company's Procurement Division, and since December – also employees of the Accounting Division were transferred to VAC.

The Company complains resolutions of National Commission for Energy Control and Price in court

On 7 August, 2014 National Commission for Energy Control and Price (the Commission) adopted resolution "On the results of electricity generation market inquiry". By the resolution the Commission declared the Company as an undertaking having significant power in electricity generation market and placed obligations on the Company, starting from 1 January, 2015, in relations to the application of the prices and disclosure of the information on the regulated activity expenses of the Company. During the public consultations period on the draft resolution, the Company stated that the electricity generation market inquiry is conducted under incorrect presumptions. Due to this, the Commission's decision to declare the Company as an undertaking having significant power in electricity generation market and related obligations should not be imposed on the Company. The Company finds that the Resolution and/or related adopted laws can influence activities of the Company.

On 30 September 2014 the Commission adopted the resolution „On the results of "Lietuvos energijos gamyba", AB audit". The Commission by this Resolution approved act on audit of 2010-2012 activities and decided to reduce Company's income from the supported electricity produced in Lithuanian power plant, owned by the Company, by LTL 21.2 million (EUR 6.14 million) and to reduce the income from services for ensuring the security of power reserve by LTL 25.7 million (EUR 7,44 million). The Resolution states that these decisions should be implemented in the period of 2015-2016 reporting years. The Company finds that the Resolution contradicts previous decisions of the Commission on the same issues. In addition, the Commission, while performing audit, failed to support its audit by the applicable legislation. Taking this into consideration, the Resolution is to be considered as unsubstantiated and unlawful.

The Company complained these and concerned resolutions of 2014 of the Commission in court. More information is placed in Section 'Important events in the Company's activities' of this Report.

Decision to Dispossess Ineffective Production Capacities

On 20 October 2014, the Board of the Company decided, having regard to the market situation and the Company's operating strategy, to decommission Unit 1 and Unit 2 of the reserve power plant in Elektrėnai. Dismantling of Unit 1 was started in January 2015; the dismantling works ar Unit 2 will be commenced in April.

The decision to dismantle old and ineffective 150 MW units of the reserve power plant which were constructed in 1962-1965 was made due to the high price for natural gas, low efficiency coefficient of the units, high maintenance costs, and the construction of new capacities for the production of heat from biofuel in Elektrėnai. Electricity generated at these units is not competitive in the market, therefore, their abandonment will help reduce the need for public service obligation (PSO) funds as well as the final electricity tariff for customers.

It is planned that the works of dismantling Units 1 and 2 will take about two years. At the end of 2014, the Company completed a project on dismantling Units 3 and 4 (150 MW each) of the reserve power plant. It is expected that, upon application of the experience gained in this project, the works of dismantling Units 1 and 2 will be smooth and effective.

Renewed Corporate Organisational Structure

On 20 October 2014, the Board of the Company approved a renewed corporate organisational structure which took effect on 1 January 2015. The decision has been made in order to achieve better efficiency of facilities operation and technical maintenance organisation, as well as staff relay, considering dismantling of power plant‛s units and the planned operation of new heat generation capacities as well as to the centralisation of procurement and accounting functions at Verslo aptarnavimo centras UAB (VAC). In the renewed structure, production divisions have been reorganised, a dedicated dismantling group has been formed, the former Personnel and Administration Department has been joined with the Financial and Legal Department to form a single Finance and Administration Department, and the former Prevention and Control Department has been split into the Prevention Unit and the Health and Safety at Work Division, both subordinate to the CEO. From 5 January 2015, all internal auditors from the Company and other Group‛s companies were transferred to the Internal Audit Unit of Lietuvos energija, UAB – the Group‛s parent company.

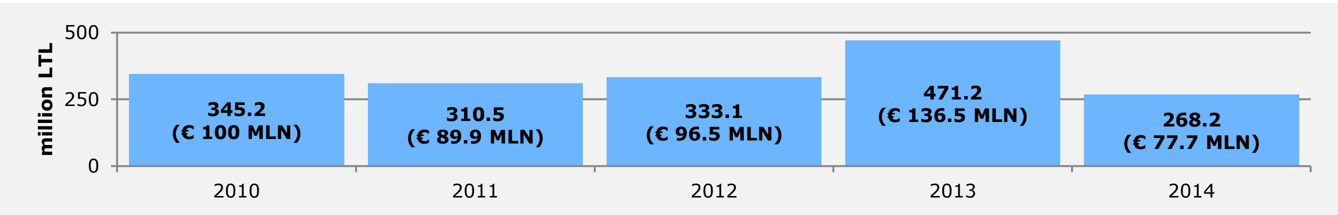
Structural changes are shown in Section ‛The Company and its Management Bodies’.

Production Efficiency and Saving of PSO Funds

On 23 October 2014, the Company has marked two years since the official commissioning of the combined-cycle unit. Generation of the majority of electricity at this unit has led to savings of about LTL 168 million of public service obligation (PSO) funds over the two years. Such amount of funds would have been required if the electricity was produced at the old units in Elektrėnai; for customers, it would have meant an electricity price higher by almost one cent. LTL 100 million in the annual PSO budget is equivalent to approx. 1 cents/kWh in the final electricity tariff. Thus, since the putting into operation, the combined-cycle unit has already saved for the customers at least 0.8 cents per kilowatt-hour each year. The total production volume of the combined-cycle unit with the installed capacity of 455 MW, the efficiency of which is 30 percent higher than that of the old reserve plant‛s units, is slightly over 1.3 TWh of electricity during the two years’ operation. This accounts for approx. 65 percent of all electricity produced at Elektrėnai during this period.

The Company seeks to lower the demand for PSO funds by efficient generation of electricity at Elektrėnai, accurate planning and making of investments, and cutting of the Company‛s operating costs (see Figure 1).

Figure 1
Public service obligation funds for production at Elektrėnai complex



ANALYSIS OF FINANCIAL INDICATORS OF THE COMPANY AND THE GROUP

		Company			Group		
		2014	2013	2012	2014	2013	2012
FINANCIAL INDICATORS							
Sales revenue	*LTL'000*	797,887	1,079,590	1,172,696	807,928	1,088,008	1,347,634
Other operating income	*LTL'000*	7,305	7,572	3,895	72,293	111,388	96,180
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current asset impairment losses)	*LTL'000*	221,060	207,856	146,229	266,383	239,263	170,006
Operating profit	*LTL'000*	135,920	105,798	52,768	178,432	122,705	57,172
Net profit from continued operations	*LTL'000*	115,343	94,356	34,423	141,714	108,608	38,607
Profit before tax	*LTL'000*	131,160	87,071	44,090	162,368	103,053	48,337
Cash flows from operations	*LTL'000*	298,922	441,729	170,590	334,480	469,789	174,953
Liabilities to financial institutions	*LTL'000*	562,414	555,390	660,590	572,525	564,534	679,150
RATIOS							
Liabilities / equity		1.49	1.36	1.56	1.49	1.34	1.56
Financial liabilities / equity		0.44	0.40	0.51	0.44	0.40	0.51
Financial liabilities / assets		0.18	0.17	0.20	0.18	0.17	0.20
LOAN COVERAGE RATIO							
Loan coverage ratio (EBITDA / (interest costs + loans repaid in the reporting period))[1]		4.56	2.55	2.29	5.40	2.80	2.64
PROFITABILITY RATIOS							
Operating profit margin	%	16.88%	9.73%	4.48%	20.27%	10.23%	3.96%
Profit before tax margin	%	16.29%	8.01%	3.75%	18.45%	8.59%	3.35%
Net profit margin	%	14.32%	8.68%	2.93%	16.10%	9.06%	2.67%
Return on equity[2]	%	9.10%	6.87%	2.63%	10.96%	7.68%	2.90%
Return on assets[2]	%	3.65%	2.91%	1.03%	4.40%	3.28%	1.13%
Earnings per share, LTL[2]	*LTL*	0.18	0.15	0.05	0.22	0.17	0.06
P/E[3] (share price / earnings)		14.83	9.16	24.27	12.07	7.95	21.64

[1] Refinanced loans have not been included in the calculations of the indicator.
[2] The calculations of the indicator are based on the net profit of reporting period only.
[3] The indicator has been calculated as a ratio between the share price at the end of the reporting period and the earnings per share in the reporting period.

Profitability ratios for 2014 are better than those for 2013 despite a drop in sales revenue in 2014. Income from regulated activities, i. e. electricity and heat generation at the Elektrėnai Complex and the power reserving services provided by the Elektrėnai Complex and Kruonis PSHP, accounted for about 52% of total revenues of the Group (2013: 43%).

Statement of Financial Position

As of 31 December 2014, the Company‛s liabilities to financial institutions totalled LTL 562.4 million, consisting of liabilities under long-term loan agreements. The Group‛s financial liabilities totalled LTL 572.5 million. As of 31 December 2014, financial liabilities of Kauno Energetikos Remontas UAB under long- and short-term loan and financial lease agreements amounted to LTL 10.1 million.

Changes in both Company‛s and Group‛s asset structure in 2014 compared with 2013 were insignificant.

Comprehensive Income Statement

Income

In 2014, the Company earned income of LTL 805.2 million. Income from the electricity trading, balancing power, power reserving and PSO services, together with income from sale of heat energy, accounted for the largest part of this amount. Compared with 2013, the Company‛s income decreased 26% including a 31% drop in income from electricity trading, a 57% drop in income from power reserving services, and a 5% drop in income from PSO services. The Group's income in 2014 totalled LTL 880.2 million, which shows a 27% decrease compared with 2013.

Costs

The Company incurred costs of LTL 669.3 million and the Group incurred costs of LTL 701.8 million in 2014. The majority of these costs (74%, or LTL 493.2 million in the case of the Company, and 71%, or LTL 497.4 million in the case of the Group) are the costs of purchase of electricity and the related services as well as costs of fuel needed for generation of electricity. Depreciation and amortisation costs amounted to LTL 77.0 million and LTL 79.4 million for the Company and the Group respectively.

The operating expenses of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, pollution permits' revaluation costs and impairment losses amounted to LTL 114.8 million in 2014, which means a decrease compared with 2013 (- LTL 59.1 million).

Profit

The Company‛s EBITDA for 2014 exceeds the same indicator for 2013 by LTL 13.2 million, whereas the Group's EBITDA increased by LTL 27.1 million. This has resulted mainly from the profit of divestment of subsidiary Duomenų Logistikos Centras UAB that has been acknowldged in the consolidated financial statements of the Group. The EBITDA margin of the Group increased 10.4 p. p. and was 30.3% in 2014. The Company‛s EBITDA margin was 27.5% in 2014.

In 2014, gross profit of the Group amounted to LTL 162,4 million and net profit from continued operations to LTL 141.7 million. The net profit margin of the Group increased 7.0 p. p. in 2014 compared with 2013 and was 16.1 %.

The Company earned net profit of LTL 115.3 million from continued operations. Its net profit margin increased from 8.7 % in 2013 to 14.3 % (2014).

In 2014, Kauno Energetikos Remontas UAB group incurred a net loss of LTL 12.3 million, whereas Energijos Tiekimas UAB group earned a net profit of LTL 2.6 million.

Cash Flow Statement

In 2014, net cash flows from operations of the Company amounted to LTL 298.9 million and those of the Group to LTL 334.5 million, compared with LTL 441.7 million for the Company and LTL 469.8 million for the Group in 2013.

In 2014, the Group‛s net cash flows from investments were negative and amounted to LTL -54.3 million (2013: LTL -121.1 million). The Group's cash flows from financial activities were negative and amounted to LTL -225.6 million (2013: LTL -99.4 million).

Investments in non-current assets

The Company‛s investments in non-current tangible and intangible assets totalled LTL 78.5 million in 2014, and those of the Group LTL 111.9 million. The majority of the Group‛s investments of this type (LTL 89.8 million) were investments in the heat production facilities in Elektrėnai.

ANALYSIS OF OPERATING INDICATORS

Performance and Prospects

The Company conducts wholesale trading in electricity in the wholesale market (i. e. between power generation companies and electricity suppliers). The Company sells electricity and provides power balancing services to public and independent suppliers operating in the Lithuanian market; it also exports electricity and sells it on an electricity exchange.

The Company generates the required amounts of electricity at its three power plants (the Elektrėnai complex consisting of a reserve power plant and a combined-cycle unit, the Kruonis PSHP and the Kaunas HPP), purchases electricity from other suppliers and power generating companies under contracts, imports electricity and buys it on an electricity exchange (see Figure 2).

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

Figure 2

Operations of the Company (generation and trading) and prospects

Elektrėnai complex

Reserve power plant and combined-cycle unit

Capacity: 1655 MW*

The main power plant in the Lithuanian power system, having the greatest production capacities in the country and maintaining the tertiary reserve for ensuring the security of energy supply and reserves.

The larger part of the electricity generation will be concentrated at the most efficient unit – the combined-cycle unit.

Units 3 and 4 of the reserve power plant have been dismantled, and Units 1 and 2 decommissioned from 2015 (150 MW capacity each). Units 5 and 6 are being put into prolonged storage, whereas Units 7 and 8 are the reserve ones (these four units - 300 MW capacity each).

A project on the construction of new heat energy production facilities is nearing completion.

** The capacity of the power plant referred to is as of 1 January 2015 when Units 1 and 2 of the reserve power plant were decommissioned.*

Kruonis Pumped Storage Hydroelectric Plant

Capacity: 900 MW

Kruonis PSHP is designed for the balancing of electricity generation and consumption as well as for the power system's emergency prevention and response. Kruonis PSHP is responsible for the securing the larger part of the emergency reserve required for the Lithuanian power system.

As the need for regulation increases, and on completion of the power links with Sweden and Poland, the power plant will increase its generation volumes and will provide more system services.

The Company plans to implement a Kruonis PSHP development project.

Kaunas Algirdas Brazauskas Hydroelectric Power Plant

Capacity: 100,8 MW

Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.

Kaunas HPP contributes to the balancing of electricity generation and consumption and levels out the power system. It is one of the power plants in the Lithuanian power system that can start an autonomous operation in case of the total power system failure.

The plant is going to maximise the generation of green energy, depending on natural conditions, and to provide system services.

Electricity trading

The Company conducts wholesale trading in electricity in the wholesale market, i. e. between power generation companies and electricity suppliers.

On completion of the power links with Sweden and Poland, trading will become more active due to wider opportunities for trading in electricity and system services in the interconnected systems.

The Company seeks to maintain its market share by an efficient combination of its production capacities and the electricity purchasing in both Lithuania and the neighbouring markets.

Key Performance Indicators

Indicators of electricity generation in 2014

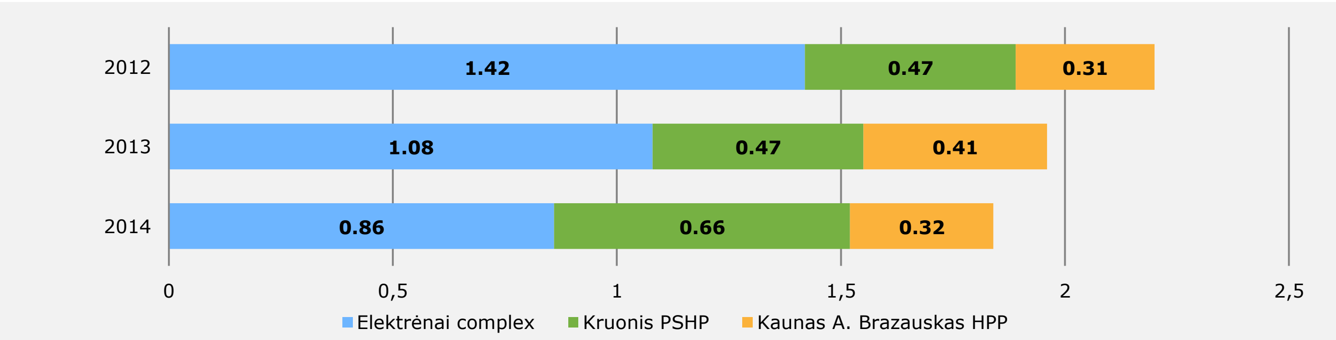
The Company holds permits of unlimited duration to generate electric power. In 2014, 1.84 TWH of electricity generated at the Company's power plants was sold, which is 6.1% less than in 2013 (1.96 TWh). Compared with the same period of past year, the greatest decrease in production was recorded at Kaunas A. Brazauskas HPP.

The Elektrėnai Complex started to generate electricity in April 2014. As established in the legal acts, the units of the Elektrėnai Complex were operated according to a schedule agreed with the TSO. The operation of this power plant is required for securing a reliable functioning of the power system as repairs of other electricity generating sources and limited capacities during the warm season lead to shortages of electricity and rising prices on the electricity exchange. In addition, such orientation of the Elektrėnai operation to the warm period increases the efficiency of the use of the PSO funds. Situation in the electricity market was stable in 2014, therefore, contrary to 2013 when over-the-quota electricity was generated in Elektrėnai in order to secure the supply of electricity, production at the Elektrėnai Complex took place according to the agreed schedule, without exceeding the quota (in 2014, the quota was 0.9 TWh and the electricity generation volume was 0.86 TWh).

The Company also produces electricity from renewable energy resources. Kaunas A. Brazauskas HPP uses hydro power as a clean, flexible national resource which will never be depleted. In 2014, the power plant generated and sold 0.32 TWh of electricity, which is 22% less than in 2013. This power plant was operating at a lower-than-usual capacity due to a relatively dry year and the lower flowrate in the Nemunas River.

Production at Kruonis PSHP has increased compared with the last year: 0.66 TWh of electricity was generated and sold in 2014, which is 39% more than during 2013 (0.47 TWh).

Figure 3
Electricity generated in the Company's controlled power plants and traded (TWh)



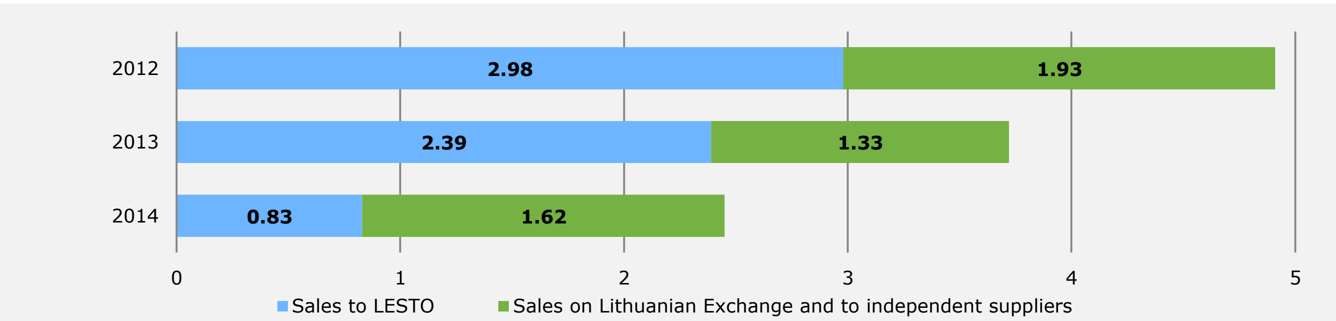
Electricity trading indicators for 2014

In 2014, the Company sold 2.45 TWh of electricity to the domestic market. This is a 34.1% decrease compared with 2013 when sales totalled 3.72 TWh (see Figure 4).

The main reason for the decrease is the change in the terms and conditions of the contract with the public supplier LESTO AB in 2014.

Since 8 January 2013, the Company has been performing the functions of a designated company, i. e. it buys all the electricity produced at wind farms according to forecasts and sells it in the Lithuanian bidding area of Nord Pool Spot (NPS). 0.51 TWh of electricity was sold in 2014.

Figure 4
Company's electricity sales on the domestic market (TWh)



System services

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

Power reserving service is a means to ensure the reliable operations of the energy system when, in unforeseen (emergency) situations, power generation volumes drop or consumption increases suddenly. Power generating companies provide the service of maintaining the secondary and tertiary reserves. Secondary active power reserve is the power of the installations or hydroelectric units in operation maintained by the generating company and activated within 15 minutes. Tertiary reserve is the power of the generating sources maintained by the generating company and activated within 12 hours. All the three power plants managed by the Company provide the secondary and tertiary power reserve services. The secondary power reserve is ensured by the Kaunas A. Brazauskas HPP, Kruonis PSHP and the Elektrėnai Complex, and the tertiary power reserve is ensured by the Elektrėnai Complex. In 2014, the Company sold 1.75 TWh of electricity as secondary power reserve and 2.37 TWh of electricity as tertiary power reserve (in 2013: 1.75 TWh and 2.31 TWh respectively).

Regulation power service is required in order to balance the surplus and deficit of power in the energy system. Real-time trading in the regulation power is conducted, ensuring the reliable operation of the energy system every hour. Where there is not enough power in the system and the TSO gives an instruction to increase the generation, the Company increases its generation volumes and sells the requisite amount of regulation power to the TSO. In case of surplus of power in the energy system, the TSO instructs the Company to reduce the volumes and the Company purchases the surplus regulation power from the TSO. In 2014, the Company sold 0.03 TWh and purchased 0.02 TWh of regulation power (in 2013: 0.09 TWh and 0.03 TWh respectively).

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

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

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

OTHER FACTORS DETERMINING FINANCIAL INDICATORS

Business Strategy of the Company

On 25 June 2014, the Company's Board approved the document of the business strategy of Lietuvos Energijos Gamyba, AB 2014-2020 (hereinafter referred to as the Strategy). The latter document defines the long-term business strategy of the Company: strategic directions and objectives of operations and their indicators measuring the implementation of the Strategy. The Strategy for 2014-2020 was drawn by the Company taking into consideration the internal and external environment factors and most probable values of the main presumptions that have the greatest impact on the Company's operations and setting challenging strategic objectives with the expected outcomes oriented to the purposes set by the shareholder.

The Strategy envisages that in 2014–2020:

- profitability of the Company will increase in accordance with the general objectives of the Group provided for in the strategy of Lietuvos Energija, UAB, the main shareholder of the Company;
- until 2019, revenues of the Company will decrease due to stronger competition on the exchange and shrinking production volumes at the Elektrėnai Complex (market liberalisation effect), however, later stabilisation is expected due to additional revenues from commercial activities of the Company;
- approximately LTL 450 – 650 million will be invested during 2014-2020 in the two main development projects (the biofuel thermal power plant and (if market conditions are favourable) the construction of Unit 5 of Kruonis PSHP).

Strategic Directions

The strategic objectives of the Company will be attained by working along the four strategic directions:

- **Increase value of the Company:** By consistently increasing the profitability of commercial activities; eliminating those production capacities that are not in use; investing in the modernisation of other capacities; increasing process efficiency and cutting operating costs.
- **Ensure quality of service to the clients (TSO, suppliers, customers):** By reducing the dependence on the state support (public service obligation (PSO)); formulating an electricity portfolio that is in line with the wishes of electricity suppliers; ensuring optimal electricity prices for suppliers and end customers; fulfilling the obligations of a socially responsible company to the public and increasing the focus on environmental protection.
- **Increase operational efficiency:** By reviewing and optimising the business processes through the use of LEAN principles and tools; improving project management; developing the employees�really competences; optimising the production capacities under the Company' s control and abandoning those units which are not used in full.
- **Create an organisational culture based on corporate values:** By increasing the employees' involvement and developing the leadership competences; ensuring continuity of business by planning future competence requirements and organising timely employee training and/or requalification; attracting and retaining human resources, reducing the scope of key employees' turnover, implementing and consistently applying the system of providing replacement/substitute personnel; and effecting a cultural change in the health and safety at work area.

Figure 5
Strategic Directions of the Company 2014–2020

Innovations and continuous improvement

Increasing the efficiency of operations as one of the strategies of the Company is based on the optimisation of functions, technological advancement, introduction of innovations, and continuous improvement of business processes. The Company realises not just those ideas that are provided for in the operating plans but also those raised by the employees.

In addition to the ideas' assessment in terms of payback, aspects such as safety at work, quality, corporate values and ergonomic working places are considered. The employees are enabled to realise their ideas and to contribute to the development of the Company and attainment of its objectives.

Since 2012, the Company's employees have made 103 proposals for increasing operational efficiency or improving internal environment of the Company. As of the end of 2014, 32 of the ideas were realised, with the implementation of 22 underway.

Following the LEAN system's principles and applying its tools in practice, innovations and search for new solutions have become an integral part of everyday activities.

Research and development projects

To implement technically and economically viable investment policy, the Company uses long-term strategic planning to identify the lines of development of the Company and to estimate the required investments in the replacement or rehabilitation of production facilities.

Investments of the Company (current or planned by 2020) that exceed LTL 3 million:

- Construction of heat energy and steam production facilities at the Elektrėnai Complex;
- Modernisation of physical security systems (video, perimeter and access monitoring and control);
- Chemical water purification facilities for the combined-cycle unit;
- Renovation of auxiliary integrated distribution equipment and integrated transformer substations;
- Works on the Obeniai lot (ash site) at the Elektrėnai Complex;
- Installation of the gas turbine preservation system at the combined-cycle unit;
- Kruonis PSHP frequency converter;
- Assessment of the potential of installing a wind farm in the territory of Kruonis PSHP;
- Installation of Unit 5 at Kruonis PSHP.

The following research and development projects were underway in 2014:

Investigations into the Syderiai Geological Structure

In 2014, processing of all the data collected during the seismic and geologic investigations was completed and a gas storage tank model was developed. The model enables to analyse the geologic fitness of the storage facility and its behaviour during the gas pumping and extraction processes and to determine the operating parameters of the facility.

All the investigation results and conclusions were submitted to the Ministry of Energy. In order to enable the Government that has initiated the project to make a well-informed decision on further course of the project, the Company's specialists completed the project's cost and benefit analysis on instruction of the Ministry. The results of the analysis have shown that only the regional option of a 500 million m^3 storage facility is financially viable, with part of the storage capacities used for the meeting of the needs of the Polish market; however, completion of Gas Interconnection Poland-Lithuania (GIPL) project is required. The study states that the EU financial assistance under CEF (Connecting Europe Facility) should be raised for the implementation of the project. Upon presentation of the investigation results to the Government, it has been decided to secure CEF's financial assistance for the project and to clarify whether Polish energy companies are interested in and prepared to jointly implement the project; any further preparatory project works should be continued only upon securing co-financing by CEF and upon clarification of the Polish companies' intentions.

Project on the Development of Heat Production Facilities in Elektrėnai

In 2014 the Company carried out construction of new heat production facilities, i. e. biofuel and steam boiler houses. The biofuel storage facility's roofing and process equipment installation works were completed in duly and timely, the flue condensing economiser with the related pipeline, the flue ducts and the electrostatic flue filters were installed, the biofuel weighting equipment building with the weighing equipment was constructed. An internal road for the delivery of biofuel by vehicles to the boiler house territory in winter was built. Adjustment of part of the installed equipment on the boiler house construction site has been started – the newly installed bucket cranes were tested. Installation of the heat pipes was carried out in the biofuel boiler house.

The main mechanical works of the heat pipelines reconstruction, necessary in order to ensure the heat supply to the Elektrėnai town and other customers were timely completed. In the 2014–2015 heating season, heat will be supplied by the new pipes. It is estimated that the supply of the heat energy using the new biofuel boilers will be started prior to the end of the 2014–2015 heating season.

Testing of the newly installed steam production equipment and systems took place in November 2014. The new steam production equipment was put into operation in December. A completion certificate permitting the operation of the new equipment was issued on 19 December 2014.

The steam boiler house was built for the purposes of maintaining the heat reserves, securing the heat energy production at very low temperatures, and starting up of the units of the reserve power plant. The heat energy generated by the steam boiler house is currently supplied to Elektrėnai as well.

Installation of industrial park's infrastructure in the territory of Kruonis PSHP

At the beginning of 2014, the Company completed the planned works of installing the engineering infrastructure for the industrial park within the territory of Kruonis PSHP.

The territory is now ready for direct foreign investments which would help develop the high-tech activities in this attractive area equipped with the requisite infrastructure.

The project required the reconstruction of approx. 5 km of roads and the installation of the engineering infrastructure: a water supply system with water wells and stormwater discharge networks. The road reconstruction and stormwater collector installation works were completed at the end of 2013 and the well-field – the last part of the project – was completed in February 2014.

Assessment of the wind power potential at Kruonis PSHP

Comprehensive measurements of wind speed and directions as well of other meteorological conditions were started in the territory of Kruonis PSHP at the beginning of 2014 in order to make a preliminary assessment of the potential for installing a wind farm. Based on the measurement results the Company has decided to launch a project on the preparatory works for the construction of a wind farm in the territory of Kruonis PSHP. In 2015–2016, a wind farm feasibility study will be prepared, environmental impact assessments will be made and the requisite territorial planning procedures will be completed.

Main risks and contingencies

The main risks related to the Company's operations and measures to manage them:

- In order to avoid equipment failures and emergencies the Company draws up repair plans and maintenance schedules, conducts monitoring of measures contained in the plans, and makes investments in the modernisation of equipment and acquisition of new equipment. Operational continuity plans are formulated, updated and tested regularly in order to ensure continuity of the Company's operations.
- The Company holds an ISO 14001:2004 certificate which testifies to compliance with the environmental regulations and minimisation of impact on the environment.
- In the area of health and safety at work, the Company has been issued an OHSAS 18001:2007 certificate, workplaces and the work organisation quality are being checked periodically, the employees are briefed and provided with personal safety equipment.
- To attract and retain highly competent employees, the Company has a remuneration and motivation system in place, employee development plans are formulated, and there is an employee position replacement system.
- As regards external risks, the Company is being represented at decision-making authorities in order to present and substantiate the Company's position. The Company is active in providing its comments and proposals for draft legal acts and takes part in public discussion and agreement procedures.
- The Company implements the information security requirements set for the companies with strategic or major importance for the national security within the scope of competence of the Minister of Energy.
- The Company manages its financial risks by having a higher than sufficient credit limit in its bank accounts, making cash flow forecasts, monitoring borrowing costs, concluding refinancing agreements, making suppliers' qualifications and solvency checks for the purposes of public procurement procedures, and strict monitoring of payment schedules.

Operations of subsidiaries

Energijos tiekimas UAB

Energijos Tiekimas UAB is the largest independent electricity supplier, a company with Lithuanian capital invested. Its core activity is the sale of electricity in the free market.

The company has over 6,000 customers, which is the largest customer base among the independent electricity suppliers operating in Lithuania. As many as 95% of the customers have given a very good or good evaluation to the services provided by Energijos Tiekimas UAB in 2014.

The company is the sole supplier of certified electricity produced in Lithuania from renewable energy resources, i. e. the 'green Lithuanian energy'. As of the end of 2014, over 100 customers were buying the green Lithuanian energy generated at the Kaunas A. Brazauskas hydroelectric power plant. Drivers of electromobiles can fill up their vehicles free of charge at the first fast charging point in Vilnius. A green Lithuanian energy lounge has been opened in the Vilnius Airport, using the sounds of an iceberg and water.

At the beginning of 2014, Energijos Tiekimas UAB offered a new sales product linked to an electricity exchange price. Upon choosing this flexible-price package, the customer pays a variable monthly price for the energy consumed. It depends on the prices for electricity prevailing on NPS electricity exchange. The electricity used during an hour is paid for at the price prevailing for that hour on NPS plus a fixed supply margin. Open-end contracts are concluded and can be terminated by giving a 30 days' notice. This offer is quite popular among customers: in 2014, 20% of the company's customers have chosen this product linked to the NPS price.

In 2014, Energijos Tiekimas UAB was further expanding its operations in the Latvian and Estonian markets which the company had entered in the summer of 2013. During the reporting period, names of Energijos Tiekimas UAB's subsidiaries in foreign countries were changed into GETON ENERGY and contracts with major customers were concluded.

In the summer of 2014, a pilot project based on an energy saving company (ESCO) model was implemented at the Lithuanian Children and Youth Centre in Vilnius. It was aimed at saving electricity costs by replacing luminescent lamps in part of the Centre's premises and territory with the LED lighting system that allows up to 55% electricity savings. ESCO model offers an alternative to the independent funding of energy efficiency projects as all the costs are normally paid by the ESCO service provider, which receives a payback from the electricity savings within a set term. Furthermore, the service provider assumes the risk related to the implementation of the project and is responsible for the smooth operation of the equipment. On completion of the project, the saving facilities pass into the possession of the customer and the savings output can be used at the customer's discretion. Energijos Tiekimas UAB offers ESCO projects that enable to halve expenses for lighting to companies and organisations interested in energy efficiency.

Energijos Tiekimas UAB is implementing, jointly with partners, a project entitled 'Developing professional skills of employees of the Group companies aimed at increasing competitive advantage'. The project is co-financed by the European Union under the 2007-2013 Operational Programme on Human Resources Development, Priority 1, Measure 'Improving Human Resources of Businesses' (project No VP1-1.1-SADM-01-K-02-162). The project is aimed at securing those management and employee capacities in the areas of leadership, management, sales, procurement, personnel, finances and optimisation of production which are necessary for the effective growth of companies.

UAB "Kauno energetikos remontas"

Main types of operations of UAB "Kauno Energetikos Remontas" include: electrical engineering and mechanical repairs and maintenance works, manufacture of steel structures, management of investment projects, provision of the Training Centre's and laboratory services, and production of biofuel.

In 2014, the company continued its works at various facilities and participated in new tendering procedures.

The largest project being implemented by the company at present is the design, installation and construction of new heat production facilities at the Elektrėnai Complex. Furthermore, works were successfully carried out under the following projects: extension of 330 kV Bitėnai Distribution Station into a 330/110/10 kV transformer substation, design and construction, Phase I; Krekenava transformer substation, design and construction of a 110 kV switchyard; and LITGRID AB 110 kV electricity transmission line Klaipėda–Marios 3, design and construction.

As a continuation of a project 'Increasing the Company's Efficiency' co-financed by the European Union, the majority of the components of the LEAN Management Method and the Sustainable Indicators Management Method that increase the efficiency of the company's business processes have been implemented. The production process has been optimised in accordance with LEAN guidelines by adapting it to rolled products.

An audit of an integrated quality management system, comprising the Quality Management System according to ISO 9001:2008, the Health and Safety at Work Management System according to OHSAS 18001:2007 and the Environmental Management System according to ISO 14001:2004, has been completed. It has confirmed that the company's processes meet the requirements of the said standards. In 2014, the electric equipment checking laboratory was accredited and a periodic assessment of the defectoscopy laboratory's accreditation compliance with LST EN ISO/IEC 17025:2005 was made.

In 2014, UAB "Kauno Energetikos Remontas" has launched a strategically important activity: biofuel preparation. The production was started in December.

Seeking to create a uniform, value-based operating culture, value communication and team formation events were held during the semi-annual general meetings of employees, the value ambassadors' activities were continued, and a number of employee initiatives were implemented (such as the employee's children drawing event, employee bowling tournament, Christmas events for the employees' children, presenting of relevant corporate information to the employees).

INFORMATION ABOUT AUTHORIZED CAPITAL AND SECURITIES OF THE COMPANY

Structure of Authorized Capital and Securities

The authorized capital of the Company amounts to LTL 635,083,615 and has been divided into **635,083,615 ordinary registered shares** with par value of one Litas (0.29 Euro) each. All the shares have been fully paid for.

As of 31 December 2014, the Company has 635,083,615 ordinary registered shares with par value of one Litas each

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

The Company has not acquired or transferred own shares during the reporting period. The Company has not acquired its own shares. No subsidiary has acquired shares of the Company either.

On 1 September 2011, shares of the Company were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange ("VSE").

ISIN code LT0000128571.

Abbreviation of securities – LNR1L.

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

Securities of the Company's subsidiaries are not traded publicly as subsidiaries are private limited liability companies and are 100 per cent owned by the Company.

Structure of Authorized Capital

Class of shares	Number of shares	Par value		Total par value		% of authorised capital
		LTL	EUR	LTL	EUR	
Ordinary registered shares	635,083,615	1	0.29	635,083,615	184,174,248.35	100.00

Rights and responsibilities attached to shares

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

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

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

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

Information about shareholders of the Company

Total number of shareholders as of 31 December 2014: 6,137.

Total number of shareholders as of 31 December 2013: 6,153.

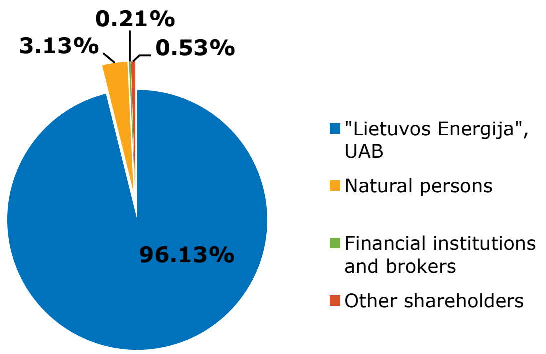
List of shareholders whose shares account for more than 5% of the Company's authorised capital (as of 31 December 2014)

Name	Class of shares	Number of shares	% of authorised capital	% of voting shares
"Lietuvos energija", UAB Business ID – 301844044 Žvejų g. 14, 09310 Vilnius	Ordinary registered shares	610,515,515	96.13	96.13
Other shareholders	Ordinary registered shares	24,568,100	3.87	3.87
TOTAL	Ordinary registered shares	635,083,615	100.00	100.00

Structure of shareholders by country

Country	Number of shareholders
Lithuania	5,953
Russia	46
Belarus	38
Estonia	37
USA	17
Latvia	10
Other	36
Total	**6,137**

Structure of shareholders



Shareholders having special control rights and description of such rights

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

Restrictions on voting rights

There were no restrictions on voting rights in the Group.

Agreements between shareholders on restrictions of the transfer of securities

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

Trading in the Company's Shares

Price and turnover of the Company's shares

		LTL			EUR		
		2012	**2013**	**2014**	**2012**	**2013**	**2014**
Last trading session price		1.316	1.360	2.693	0.381	0.394	0.780
Maximum price		1.571	1.419	2.949	0.455	0.411	0.854
Minimum price		1.288	1.243	1.364	0.373	0.360	0.395
Average price		1.417	1.318	2.205	0.410	0.382	0.639
Turnover, shares		705,095	801,754	1,545,602	705,095	801,754	1,545,602
Turnover, MLN		1.00	1.06	3.41	0.29	0.31	0.99
Capitalisation, MLN	Company	835.46	863.97	1,710.4	241.97	250.22	495.37
	Baltic Main List	16,089.94	16,026.5	15,324.32	4,502.46	4,449.63	4,438.23

Figure 6
Dynamics of the Company's share prices and turnover in the reporting period

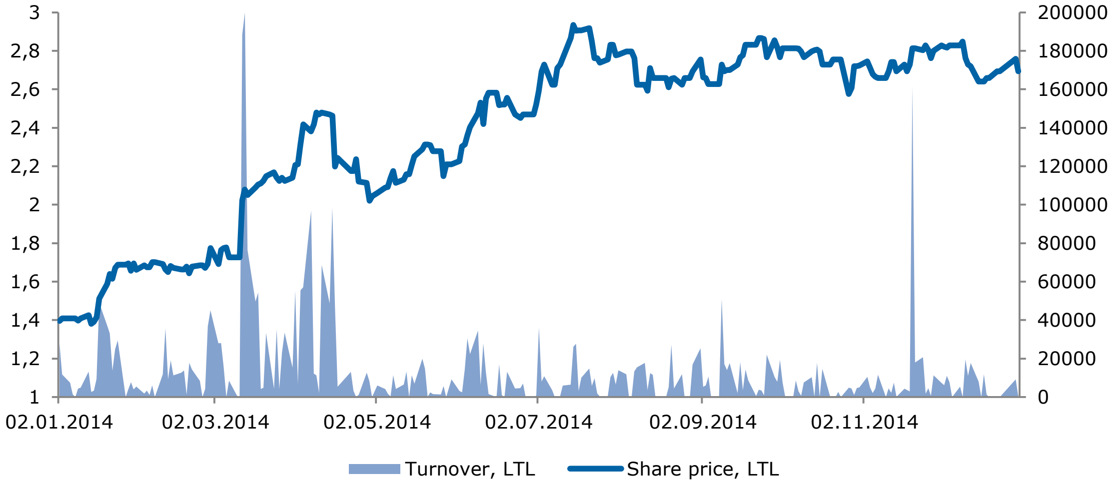


Figure 7
Dynamics of the Company's share prices and turnover since the beginning of trading to the end of the reporting period

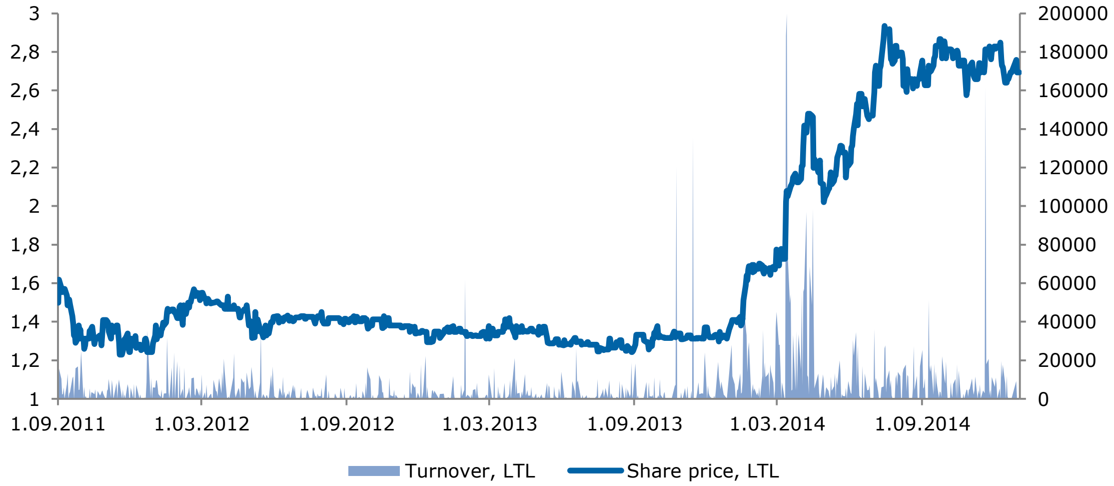
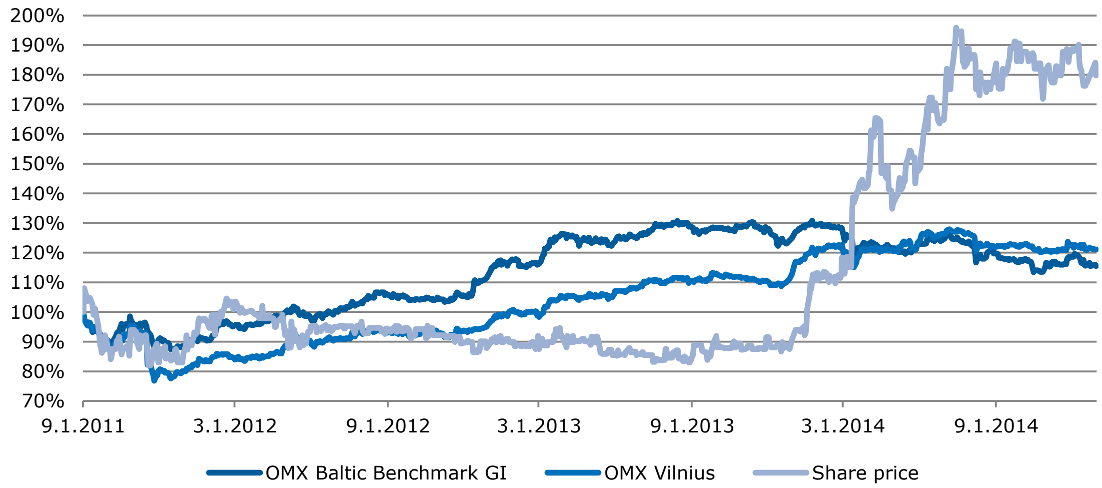


Figure 8

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



Information on agreements with intermediary of public trading in securities

On 9 December 2013 the Company has concluded an agreement on keeping of accounting for the Company's securities and on management of personal securities accounts with Swedbank, AB.

Dividends

The ordinary general meeting of the Company's shareholders held on **4 April 2014** approved the distribution of the Company's profit of 2013 and decided to allocate LTL 150 million to payment of dividends (approximately LTL 0.24 dividend per share).

In 2013 the Company's net profit from continued operations amounted to LTL 94.36 million. Accordingly, its Dividend / Net profit ratio for 2013 was 1.59 (2012: 0.74).

Dividends were paid to the persons who at the end of the tenth business day following the day of the general meeting of shareholders that approved payment of dividends, i.e. at the end of the business day of 18 April 2014, were the Company's shareholders.

The extraordinary general meeting of shareholders of the Company held on **30 September 2014** resolved to declare dividend for a period shorter than the financial year to the shareholders of the Company (shareholders of the Company were allotted dividend of LTL 0.11 per share (total: LTL 69.86 million) in the Company for the six month period ended on 30 June 2014).

For a six-month period ended 30 June 2014, the Company's net profit from continued operations amounted to LTL 77.31 million. Accordingly, its Dividend / Net profit ratio for 6 months of 2014 was 0.9

Dividend was received by those persons who were shareholders of the Company at the end of the tenth working day after the date on which the meeting of shareholders resolving on dividend payment was held, i. e. at the end of working day of 14 October 2014.

CORPORATE SOCIAL RESPONSIBILITY

The Company's social responsibility activities are based on its values and are a manifestation of its attitude toward its operations, inclusion of social, environmental and transparency principles in its business processes, and relations with stakeholders.

Promoting the community spirit

In order to strengthen its relations with the community in the Elektrėnai region where the Company's operations are concentrated, the Company organises its traditional events under the title 'Lietuvos Energijos Gamyba Presents'. Four events took place in 2014: March – a meeting with actors/singers, father and son Saulius and Jokūbas Bareikis, June – with a writer, film director and song lyrics author Vytautas V. Landsbergis, October – with the team of the largest business plan competition in Lithuania ('Verslauk'), and December – with Prof. Donatas Katkus, a well-known musicologist and head of Vilnius St. Christopher's Chamber Orchestra. Nine meetings of this cycle have already been held. The Company organises them in cooperation with the Elektrėnai Library. The Company's aim is to rally the community of the town and of the region as well as the Company's employees, offering them a unique opportunity to meet with famous, interesting, original people.

On the eve of 1 September, primary school pupils' sets ('baskets') were delivered to children of the Elektrėnai Children Care Home. Such sets were also delivered, through the Elektrėnai Municipality, to families receiving social assistance and to the Company's employees having children that attend primary schools.

On Christmas Eve, the children from the Elektrėnai Children Care Home and the families receiving social assistance were invited to a show at the Elektrėnai Culture Centre where they also received Christmas presents.

Environment cleaning initiative

In April 2014, the Company's employees erected new sports facilities and waste bins on the shore of the Elektrėnai Lagoon and took part in the popular national environment cleaning initiative ("Darom'). In all, over 350 bin bags of waste were collected during the cleaning campaign in Elektrėnai, Kaunas and Kruonis.

Educational activities

The Company organises free excursions to its facilities for members of the public: the combined cycle unit, Kruonis PSHP, and Kaunas A. Brazauskas HPP. In this way the Company seeks to increase public awareness of the energy sector, focussing, in particular, on the younger generation.

In 2014, 173 excursions were organised, 3292 people from various organisations including schools were received; there were delegations from foreign countries as well. More than one half of these excursions (107) took place in Kruonis PSHP, 50 – in Kaunas A. Brazauskas HPP, and 16 – in the combined cycle unit.

For more information about the corporate social responsibility of the Company please see the Company's operating reports and social responsibility reports that are published in Social Responsibility section on the Company's website.

Environmental Protection

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

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

The Environmental Management System compliant with LST EN ISO 14001:2005 has been successfully operating at the Company's facilities. The Company implements the requirements for the air, surface water, ground water and soil monitoring and protection laid down in the Integrated Pollution Prevention and Control (IPPC) permits.

In 2014, the Elektrėnai Complex transferred to waste management companies 1221 t of liquid fuel ash, 1392 t of wastewater sludge, 5.8 t of absorbents unfit for use, 1243 t of construction waste, 71 t of tie waste, and sold 554 t of electric engineering waste, 4654 t of ferrous metal scrap, 26.6 t of aluminium waste and 15.9 t of copper waste. Domestic waste collected in the facility's territory is removed by a specialist company under a contract. 310 t of water clarification sludge was generated at the chemical unit and this amount of sludge was discharged into the Obeniai lot.

The Company has significantly reduced the amount of wastewater generated and discharged into the environment at the Elektrėnai Complex: compared with 2013, the amount was reduced by more than 15%.

During the periods of use of liquid fuel (fuel oil) at the reserve power plant, up to 97.6% of sulphur compounds and up to 92.9% of solid particles were collected by means of the air purification equipment.

In 2014, Kruonis PSHP transferred 14.7 t of hazardous waste and 1.3 t of non-hazardous waste for processing. 12.9 t of ferrous metal scrap was sold. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 33.3 t of domestic waste was generated in 2014.

The Kaunas A. Brazauskas HPP transferred almost 0.5 t of hazardous waste and 0.9 t of non-hazardous waste for processing in 2014. Domestic waste collected in the plant's territory is removed by a specialist company under a contract; approx. 6.5 t of domestic waste was generated in 2014.

Preventive environmental protection measures

Divisions of the Company comply with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection as stated in the IPPC Permits. Results of analyses made in 2014 show that the maximum allowable environmental (air and water) pollution values set in the IPPC Permits issued to the Lithuanian Power Plant, Kruonis PSHP and Kaunas A. Brazauskas HPP were not exceeded.

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

The Company's Waste Management Instructions have been updated in order to ensure a more explicit regulation of the waste sorting procedures and to reduce the amounts of unsorted waste. Additional waste bins were acquired for these purposes.

In 2014, the works of repairing the external layer of chimney No 3 (250 m tall) at the reserve power plant were completed including the repairs and repainting of structures and the placing of a protective concrete layer.

Reconstruction of the flotation equipment in the reserve power plant's fuel facilities was completed in 2014, including the cleaning of the sediment collectors No 1 and No 2.

The dismantling of equipment of Unit 3 and Unit 4 of the reserve power plant that had been started in second half of 2012 was completed. The works were performed strictly in accordance with the environmental and health and safety at work regulations.

Implementation of the project on the installation of new modern equipment for the preparation of process water at the reserve power plant is continued. It is planned that the water preparation equipment with the capacity of up to 100 m3 will be installed in the chemical unit of the plant. It is estimated that implementation of this project should cut the process water preparation costs up to 25% and water losses up to 20%.

THE COMPANY AND ITS MANAGEMENT BODIES

Organizational Structure

Figure 9
Structure of the Company (as of 31 December 2014)

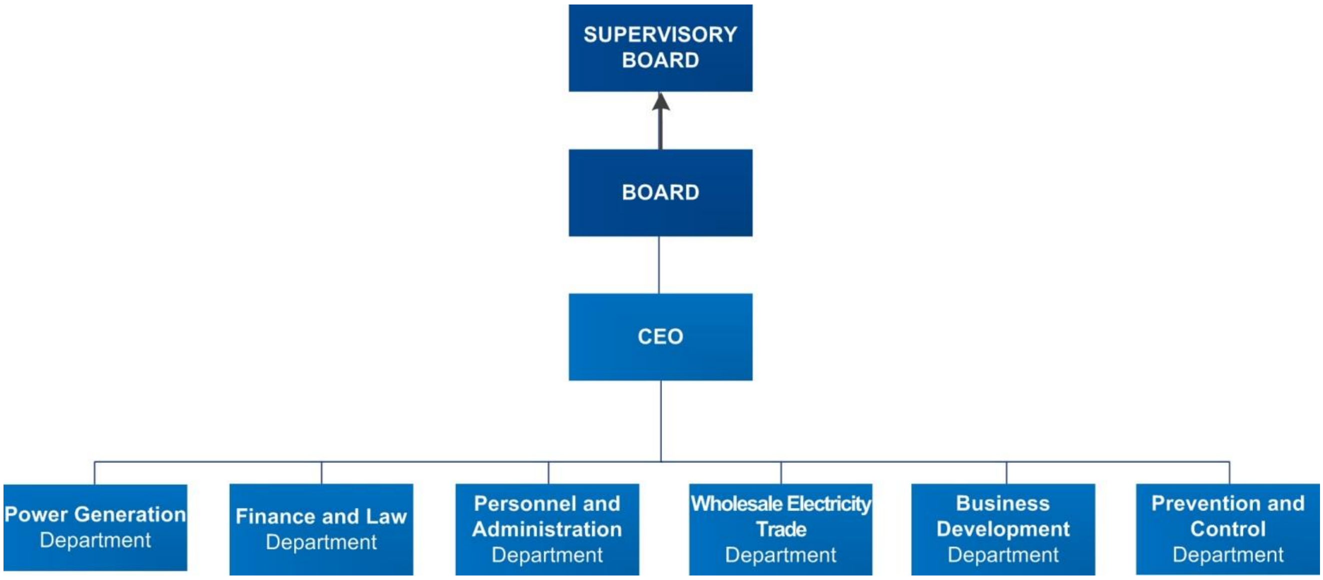
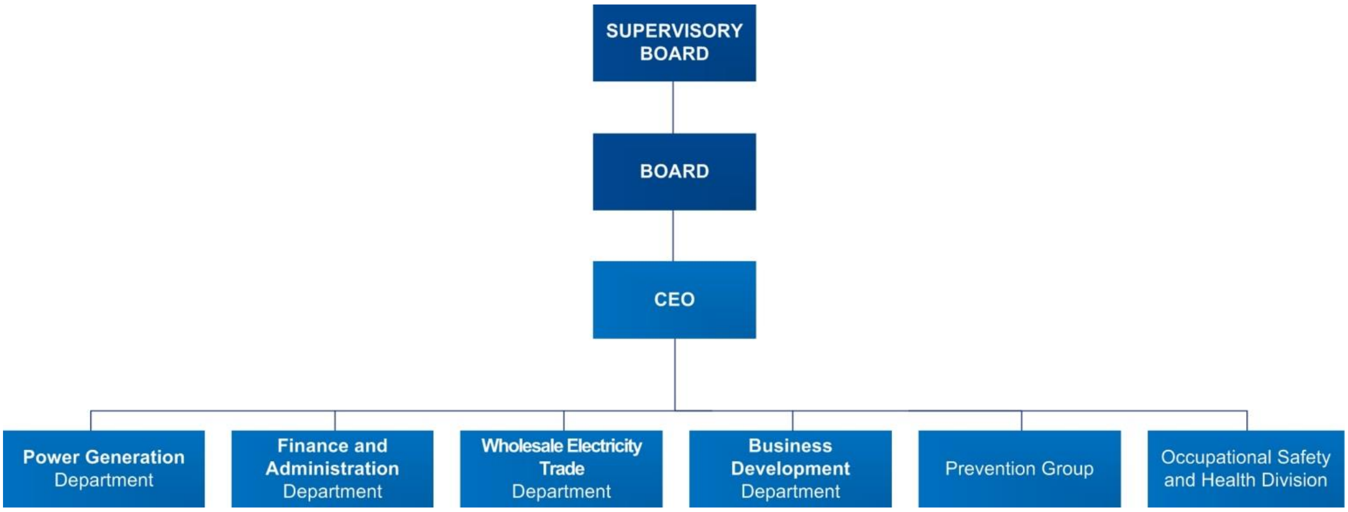


Figure 10
Structure of the Company (from 1 January 2015)



Information about Management Bodies of the Company

According to the Articles of Association valid as of 31 December 2014, management bodies of the Company include:

- the General Meeting of Shareholders;
- the Supervisory Board;
- the Board;
- the Managing Director – Chief Executive Officer.

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

General Meeting of Shareholders

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

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

In 2014, four general meetings of shareholders of the Company were convened:

1. The ordinary general meeting of shareholders held on 4 April adopted the resolutions on the approval of the consolidated annual report 2013 of the Company and its subsidiaries, on the approval of the audited consolidated financial statements and the Company's annual financial statements of 2013, and on the distribution of the Company's profit of 2013. By the latter resolution, the funds of LTL 150 million were allocated for payment of dividends.
2. The extraordinary general meeting of shareholders held on 25 June adopted the resolutions on auditor's selection and establishment of remuneration for auditing services. PricewaterhouseCoopers UAB was selected to carry out auditing of the Company's financial statements 2014, the ceiling remuneration of LTL 80,000, excluding VAT, was established for the above-mentioned auditing services.
3. The extraordinary meeting of shareholders of the Company held on 30 September resolved to approve the Company's interim financial statements for the six-month period ended on 30 June 2014 and to declare dividend for the Company's shareholders for a period shorter than the financial year. It has been resolved to pay dividend totalling LTL 69.86 million.
4. The extraordinary meeting of shareholders of the Company held on 20 November adopted a decision to elect Mr Mindaugas Keizeris as Member of the Supervisory Board of the Company until the end of the term of office of the present Supervisory Board, who replaced Mr Liudas Liutkevičius.

Information on the shareholders' votes is available on the Company's website, under the section For Investors.

Three of four general meetings of shareholders of the Company held in January – December 2014 were attended by the Chair of the Company's Board and the Chief Executive Officer and the Director of Financial and Legal Department of the Company.

Supervisory Board

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

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

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

The scope of competence of the Supervisory Board includes the following main powers:

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

The Supervisory Board of the Company was formed on 5 August 2013. The expected end of the term of office of the current Supervisory Board of the Company is 5 August 2017.

Members of the Supervisory Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Dalius Misiūnas Chairman	5 August 2013 – to date	–	Lietuvos Energija, UAB – Chief Executive Officer and Chairman of the Board. National Electricity Association – President. EURELECTRIC – Member of Council of Directors. Association of KTU Alumni – President.	–
Liudas Liutkevičius Member	5 August 2013 – 12 November 2014	–	Lietuvos Energija, UAB – Director for Production and Services, Member of the Board. UAB Duomenų Logistikos Centras – Chairman of the Board NT Valdos, UAB - Member of the Board. Energijos Tiekimas UAB -Member of the Board. UAB "Kauno Energetikos Remontas" – Member of the Board. UAB LITGAS - Member of the Board.	–
Mindaugas Keizeris Member	20 November 2014 – to date	–	Lietuvos energija, UAB Director for Strategy and Development, Member of the Board. UAB "Elektros tinklo paslaugos" Member of the Board. Energijos tiekimas UAB Member of the Board.AB "Lietuvos dujos" Member of the Board.	–
Pranas Vilkas Independent members	5 August 2013 – to date	–	–	–

On 28 October, 2014 the Company received notice from Mr Liudas Liutkevičius, Member of the Supervisory board regarding the resignation from the duties of member of Supervisory Board of the Company from 12 November 2014. The extraordinary meeting of shareholders of the Company held on 20 November 2014 adopted a decision to elect Mr Mindaugas Keizeris as Member of the Supervisory Board of the Company until the end of the term of office of the present Supervisory Board

No other changes took place in the composition of the Company's Supervisory Board during the reporting period.

12 meetings of the Company's Supervisory Board were held in 2014. 10 of the meetings were attended by all three members, while two meetings was attended by two members.

Further information on the members of the Company's Supervisory Board is available on the Company's website, under the section Company Management.

Information on amounts paid to Members of the Supervisory Board during the reporting period

	Pay in 2014, LTL	Other payments in 2014, LTL	Total, LTL
All members of the Supervisory Board collectively	–	19,500	19,500
Per member of the Supervisory Board on average *	–	19,500	19,500

* According to the Company's Articles of Association (namely, Articles 21 and 25), the Supervisory Board shall consist of a minimum of 1/3 (one third) independent members and payment of remuneration to independent members of the Supervisory Board can be established by the general meeting of shareholders for their activities in the Supervisory Board. Terms and conditions of the agreements and independence criteria of the members of the Supervisory Board are established by the general meeting of shareholders following the requirements established by the legislation and good corporate governance practices.

Audit Committee

The Company has no Audit Committees. On 27 August 2014, the Supervisory Board of Lietuvos Energija, UAB formed an Audit Committee servicing Lietuvos energija, UAB and its directly and indirectly controlled affiliates, including Lietuvos energijos gamyba, AB. The Committee also performs the functions of the Group's Audit Committee in accordance with the Law on Audit.

Main functions of the Audit Committee:

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

Members of the Audit Committee (as of 31 December 2014)

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
Rasa Noreikienė Chairperson	–	August 2013	Ministry of the Economy of the Republic of Lithuania, Vice-Minister
Aušra Vičkačkienė Member	–	August 2013	Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department
Danielius Merkinas Independent member	–	August 2013	UAB Nordnet, Finance Director
Gintaras Adžgauskas Member	–	August 2013	World Energy Council, Lithuania Committee, Director
Irena Petruškevičienė Member	–	28 October 2014	Member of European Commission Audit Development Committee

On 28 October 2014 I. Petruškevičienė took a position as a member of the Audit Committee. No other changes took place in the composition of the Audit Committee.

The Board

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

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

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

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

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

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

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

Members of the Board (during the reporting period)

Name	Term of office	Shareholding in the Company	Participation in other companies and organisations	Interests in other companies (if over 5%)
Juozas Bartlingas Chairman of the Board, Chief Executive Officer	17 September 2013 – to date	–	–	–
Eglė Čiužaitė Member of the Board, Director of Finance and Legal Department	17 September 2013 – to date	–	UAB Geoterma, member of the Board. UAB Verslo aptarnavimo centras, member of the Board	–
Adomas Birulis Member of the Board, Director of Business Development Department	17 September 2013 – to date	–	UAB Technologijų ir Inovacijų Centras, member of the Board.	–
Darius Kucinas Member of the Board, Director of Production Department	17 September 2013 – to date	–	–	–
Vidmantas Salietis Member of the Board, Director of Wholesale Department	17 September 2013 – to date	–	Nord Pool Spot – Member of Client Advisory Council EURELECTRIC – Member of Market Committee.	–

No changes took place in the composition of the Company's Board during the reporting period. The expected end of the term of office of the current Board of the Company is 17 September 2017.

In 2014, the Board met for 47 times. All members of the Board attended 45 of them, while two meetings were attended by four out of five Board members (80%).

Further information on the members of the Company's Board is available on the Company's website, under the section Company Management.

Information on amounts paid to Members of the Board during the reporting period

	Pay in 2014, LTL	Other payments in 2014, LTL	Total, LTL
All members of the Board collectively	941,593	206,639	1,148,232
Per member of the Board on average	188,319	41,328	229,647

Management Bodies

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

Information on amounts paid to CEO and Chief Financier during the reporting period

	Pay in 2014, LTL	Other payments in 2014, LTL	Total, LTL
Chief Executive Officer Juozas Bartlingas	243,948	60,500	304,448
Chief Financier Giedruolė Guobienė*	124,938	19,793	144,731

* Pay for the period of January – November 2014 is given for the Chief Financier. From 1 December 2014 accounting function was moved to UAB Verslo aptarnavimo centras, therefore the Company no longer has accounting employees or Chief Financier. Verslo aptarnavimo centras performs the complete set of accounting functions for the Company starting from primary documents accounting and finishing with preparation of financial statements, i.e. accounting and reporting functions.

Employees of the Company

The main purpose of the Company's human resources policy is to attract and retain highly-qualified employees and to ensure, based on a long-term partnership and mutual-value creation, a common successful future of the Company.

In 2014, the Company continued the process of formation of its organisational culture, implementing the Human Resources Management Policy of the Lietuvos Energija Group approved at the end of 2013. The policy establishes the general principles and provisions of human resources management in the implementation of strategic corporate objectives.

Improvement of a uniform operations' management system based on the setting of objectives and the competence model was continued, the principles of long-term human resources planning and employee recruitment were identified, and the staff replacement programme – one of the Company's priorities in 2014 – was developed. In order to secure the continuity of the key functions, a system of replacement was implemented for the main positions according to this programme, i. e. replacement ('duplicating') employees have been appointed for all the most important positions and their training according to special development programmes is taking place. The Company is highly interested in ensuring that experienced and highly qualified employees who have worked with the Company for many years would have a replacement and would transfer their knowledge and experience to young specialists.

Based on the Company's reward system, pay received by all employees of the Company including management consists of the fixed part, the variable part, and fringe benefits.

The fixed part of pay is established based on a position level and the competences possessed by the employee.

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

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

The performance evaluation process starts from a '360° assessment' whereby management and general competences of managers and specialists are assessed. The competences are assessed by the employees themselves and their supervisors and colleagues. During annual interviews, the employee and his/her manager discuss the results of the review, assess the level of achievement of last year's targets, plan objectives and, based on the competence assessment, outline tasks and specific employee development measures for next year.

When a need for a new employee arises, an internal selection process is organised in the first place. In case if there are no suitable candidates among the present employees, the search is continued outside the Company. In 2014, nine employees of the Company were promoted - transferred to positions that were more attractive to them. 14 employees were transferred to other companies of Lietuvos Energija Group as part of the process of broadening the employee career opportunities and encouraging intra-Group employee mobility.

Number of the Company's employees and change during the reporting period

As of 31 December 2014, the Company employed 474 people (including employees on child care leave) including specialists and line managers 57%, blue-collar workers 42%, and top management 1%. As of the end of 2013 the Company had 503 employees. The change in the employee numbers is related to the establishment of Verslo Aptarnavimo Centras UAB, to which all the Company's public procurement and accounting staff have been transferred.

The distribution of employees by position levels and the information on average pay is provided in the table below. The pay amounts include the fixed pay, the variable pay, and the extra pay for extraordinary performance.

Number of the Company's employees and average pay (as of 31 December 2014)

	CEO	Top management	Line management	Experts, specialists and workers
Numbers of employees by position levels	1	5*	35	433
Average pay, LTL	20,333	13,042	7,173	3,577

* The table presents the average wage of the Company's top management as of 31 December 2014. In QIV 2014, two persons from the top management (director of the department and chief financier) left the Company. In accordance with the existing procedure of the Company, they were paid the annual variable remuneration component for 2014, whereas the annual variable remuneration component to be paid in 2015 and 2016 has been deferred. The total amount paid to the above persons in QIV 2014 accounts for LTL 104,135, LTL 30,209 of this amount being the compensation in respect of leave accrued but not taken.

Men account for 80% and women account for 20% of the Company's employees. 39% of the employees have higher educational attainment, 15% further education, and 46% vocational secondary education.

In 2014, most employees of the company were people aged from 35 to 54, having a 10-year or longer record of service with the Company. These are highly qualified and experienced specialists forming the core of the organisation, in particular in production units where know-how and experience are of vital importance. Employees in this age group account for 53% of all employees in the Company.

Employees aged from 25 to 34 and having a record of service up to 10 years account for 20% of the Company's employees. The majority of them work in the auxiliary divisions.

Collective agreement and trade unions

A new version of the collective agreement was approved at the conference of the Company's employees on 28 February 2014. It contains a social benefit package that is more favourable to the Company's employees compared with the provisions of the Labour Code of the Republic of Lithuania.

According to the collective agreement, the employees receive additional guarantees (payments) in case of accident, illness, death in the family, childbirth (as well as additional days of paid leave), marriage etc.

Organisational culture, development of competences, training and internship/apprenticeship opportunities

At the beginning of 2014, an employee opinion survey was organised in order to learn the employees' opinions on such important areas as working environment and organisational culture, dissemination of information within the Company, career and development opportunities, pay and recognition. The survey has shown that the employee satisfaction level has remained the same as in previous year.

Upon analysing the survey results the Company has drawn up, together with its employees, an action plan on organisational strengthening the aim of which is to improve those areas which have received poor evaluation and to promote employee involvement.

The Company has continued its value dialogue project on the communication and practical implementation of the corporate values. Four sessions of the 'value game' were held, led by a group of twelve 'value ambassadors' selected from among the employees for the project. In this way new models of working behaviour that is in line with the corporate values and operating objectives were being developed and implemented.

Proactive communication with the employees is a priority for the Company. In March, June, September and December of 2014, regular quarterly meetings attended by top management, Board Members and employees from all the divisions were held. Operating results of the Company, progress in projects that are underway, and new projects being planned were discussed at the meetings; the employees' questions were answered by management during the meeting.

The Company seeks to purposefully develop and improve skills of the employees based on the work objectives set for the employees, assessment of competences and the skills improvement needs, therefore, the employees are encouraged to take part in the training aimed at skills improvement and competence development. At such professional training courses, the employees refresh the technical knowledge mandatory for their jobs and are issued relevant certificates upon completion. During seminars and conferences, the employees familiarise themselves with innovations and best practices in the energy sector. In 2014, 175 employees of the Company took part in technical training and 141 employees took part in management training courses. Employee excursions to other production enterprises are organised in order to acquaint the employees with organisation of work, innovations, production equipment, problem resolution etc.

In order to attract young highly-qualified specialists, the Company is actively collaborating with educational establishments and accepts students of higher and vocational schools for internships/apprenticeships so that they can use their theoretical knowledge and acquire practical skills. In March 2014, the Company took part in the Career Days organised by the Kaunas University of Technology, Vilnius Gediminas Technical University and ISM University of Management and Economics. 12 students from Lithuanian and foreign higher educational establishments had placements in the Company in 2014 including a student from the Stockholm School of Economics in Riga (Latvia) and student from Sheffield University (United Kingdom). Two of the students were offered jobs at the Company upon successful completion of placements.

Employees of the Group

The Group employed 725 people as of the end of 2014 (including employees on child care leave). As already mentioned, Lietuvos Energijos Gamyba, AB employed 474 people, Kauno Energetikos Remontas UAB 236, and Energijos Tiekimas UAB 15. The numbers of employees and their distribution by level of positions, and number of employees compared to 2013, is shown in the table below.

	CEO	Top management	Line managers	Experts, specialists and workers	Total as of 31 December 2014	Total as of 31 December 2013
Lietuvos Energijos Gamyba, AB	1	5	35	433	**474**	**503**
Kauno Energetikos Remontas UAB	1	4	9	222	**236**	**224**
Energijos Tiekimas UAB	1		2	12	**15**	**17**
Total	**3**	**9**	**46**	**667**	**725**	**744**

Information on other Committees

Besides the Audit Committee, Lietuvos Energija UAB group has formed the Nomination and Remuneration Committee and the Risk Management Supervision Committee.

Risk Management Supervision Committee

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant to the attainment of objectives of Lietuvos Energija UAB and the Group;
- assess appropriateness of internal control procedures and risk management measures with respect to the risks identified;
- assess progress in the implementation of risk management measures;
- monitor the risk management process;
- analyse availability of funding for the implementation of risk management measures;
- assess the risks and risk management plant of Lietuvos Energija UAB and the Group;
- assess the periodic risk identification and assessment cycle;
- exercise control over risk registers, analyse data therein and make proposals;
- monitor the drawing up of internal risk management documentation;

perform other functions falling within the scope of the Committee as decided by the Supervisory Board.

Members of the Risk Management Supervision Committee (as of 31 December 2014)

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
Antanas Danys Chairperson	–	August 2013	Public Entity „Lietuvos Junior Achievement“, Board Member
Tomas Garasimavičius Member	–	August 2013	Energy Advisor to the Prime Minister of the Republic of Lithuania

Raimundas Petrauskas Independent member	–	August 2013	Schmitz Cargobull Baltic, UAB, Chief Executive Officer
Donatas Kauburys Independent member	–	October 2013	UAB Dovirma, Director

Nomination and Remuneration Committee

Main functions of the Committee:

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

Members of the Nomination and Remuneration Committee (as of 31 December 2014)

Member	Shareholding in the Company	Start of work in the Committee	Institution/company and position
Aloyzas Vitkauskas Chairperson	–	August 2013	Ministry of Finance of the Republic of Lithuania, Vice-Minister
Tomas Garasimavičius Member	–	August 2013	Energy Advisor to the Prime Minister of the Republic of Lithuania
Virginijus Lepeška Independent member	–	August 2013	UAB Organizacijų Vystymo Centras, Chairman of the Board

IMPORTANT EVENTS IN THE COMPANY'S ACTIVITIES

Material events during the reporting period

A strategy of Lietuvos Energija Group approved

On 16 January 2014, the Board of the parent company Lietuvos Energija, UAB approved the Operating Strategy of the Lietuvos Energija, UAB Group for 2014–2020. The strategy sets out the operating goals of the Lietuvos Energija, UAB Group, their implementation programmes and target financial results. The strategy has been published in www.le.lt.

Link to the notification on material event: Regarding the group strategy approved by the "Lietuvos energijos gamyba", AB shareholder

Loan agreement concluded

On 21 February 2014, the Company and SEB Bankas concluded a loan agreement for a loan of up to EUR 158 million (LTL 546 million) for 10 years. The loan funds are intended for the refinancing of three long-term loans received by the Company in 2005 and 2010 from consortia of banks operating in Lithuania and the European Bank for Reconstruction and Development.

This is one of the largest business financing transactions in the history of Lithuanian business banking during the years of independence. It contributes to the optimisation of investments made by a strategic national company in the projects implemented at Elektrėnai complex. The refinancing of the existing loans will reduce the regulated operating costs of the Company, whereas administration of the obligations will be more convenient. In addition, the diminishing credit risk of the Company allows expecting favourable crediting terms in the future.

Link to the notification on material event: Regarding the concluded loan agreement

Nordic Energy Link AS under liquidation

The general meeting of shareholders of Nordic Energy Link AS (NEL) held on 19 March 2014 decided to liquidate NEL, in which the Company has a shareholding.

NEL was established in 2004 with the aim of implementing a project on the interconnection of the energy systems of the Baltic States and Finland by constructing a power cable on the Baltic Sea bed (Estlink 1). The cable was handed over to Elering and Fingrid, the transmission system operators of Estonia and Finland, respectively, on 30 December 2013, therefore, as stipulated in the Memorandum of Association of NEL, the company's shareholders passed a decision on its liquidation.

The Company holds 25% of the shares of NEL. Other NEL shareholders include Latvenergo AS and Eesti Energia AS, holding 25% and 50% respectively.

Link to the notification on material event: On termination of Nordic Energy Link AS

Sale of shares in UAB Duomenų Logistikos Centras

On 31 March 2014, the Company concluded an agreement on sale – purchase of its shares in Duomenų Logistikos Centras UAB with the parent company Lietuvos Energija, UAB.

Under this agreement the Company sold to Lietuvos Energija, UAB 31,835,166 (thirty one million eight hundred thirty-five thousand one hundred and sixty-six) ordinary registered shares in Duomenų Logistikos Centras UAB. These shares account for 54.04% of the authorised capital of Duomenų Logistikos Centras UAB.

Link to the notification on material event: Regarding the sale of UAB Duomenų logistikos centras shares

Shareholders of the Company decide to pay dividend

The ordinary general meeting of the Company's shareholders held on 4 April 2014 approved the distribution of the Company's profit of 2013 and decided to allocate LTL 150 million to payment of dividends (approximately LTL 0.24 dividend per share).

Link to the notification on material event: Regarding decisions adopted at the ordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB on 4 April 2014

Pledged share of the Company's assets

On 12 May 2014, following the decision of the Company's Management Board and the Supervisory Board, the combined cycle unit owned by the Company and units 7 and 8 of the Lithuanian Power Plant were pledged through a subsequent mortgage. The above assets were pledged by the Company in line with its obligations under the crediting agreement of 21 February 2014 concluded with AB SEB Bankas. The Agreement does not foresee any other measures to secure the performance of the obligations.

Link to the notification on material event: Regarding the pledge of the "Lietuvos energijos gamyba", AB property

Auditor Elected

The extraordinary general meeting of the Company's shareholders held on 25 June 2014 decided to appoint UAB PricewaterhouseCoopers as the auditor of financial statements for 2014 of "Lietuvos energijos gamyba", AB, and to fix a fee not exceeding LTL 80,000, VAT excluded, for the above mentioned audit services.

Link to the notification on material event: Regarding Decision adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB on 25 June 2014

Business Strategy Adopted

On 25 June 2014, the Company's Board approved the document of the business strategy of Lietuvos Energijos Gamyba, AB for 2014-2020. The latter document defines the long-term busi¬ness strategy of the Company: strategic directions and objectives of operations and their indicators measuring the implementation of the Strategy.

Link to the notification on material event: Presentation of Lietuvos Energijos Gamyba, AB Business Strategy for 2014-2020

Increase in the authorised capital of Technologijų ir Inovacijų Centras UAB

On 10 July 2014, a new version of the Articles of Association of Technologijų ir Inovacijų Centras UAB, an associated company, was registered upon increase of the authorised capital of the Company (from LTL 10,000 to LTL 20,000,000).

In the authorised capital increase process, the Company paid, by a cash contribution, for 4,442,222 newly issued ordinary registered shares.

Link to the notification on material event: Regarding signature of UAB Technologijų ir inovacijų centras shares and changes of authorized capital

Joint venture agreement signed

On 21 July 2014, the Company and Lietuvos Energija, UAB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB concluded an agreement on the formation of a joint venture, Verslo Aptarnavimo Centras UAB. The purpose of the new company is to create and enhance value added in the energy sector by providing the services of organisation and conduct of public procurement, accounting and human resources administration to the companies of the state-controlled energy group. The Company has acquired 20% of the shares in the newly established private company.

Link to the notification on material event: Regarding the establishment of the jointly owned company

National Commission on Energy Control and Prices issued a legal act relevant to the Company's operations

On 7 August 2014, the National Commission on Energy Control and Prices (NCC) passed a resolution 'Concerning Results of an Inquiry of the Electricity Generation Market', whereby the Company was recognised as an entity having significant influence in the electricity generation market and obligations related to the setting of prices and publication of information on the costs of regulated activities were imposed with the effect from 1 January 2015.

While making comments on the draft resolution during a public consultation, the Company has noted that wrong assumptions had been selected for the market inquiry. In the opinion of the Company, NCC's decision to recognise the Company as an entity having significant influence in the electricity generation market and the related obligations should not be applicable.

Link to the notification on material event: Regarding the adopted resolution of the National Commission for Energy Control and Prices of significant importance on the activities of the Company

The Company's complaint concerning reversal of NCC's Resolution has been accepted by the court

On 23 September 2014, Vilnius Regional Administrative Court accepted the Company's complaint whereby it requests to reverse the NCC's Resolution 'Concerning Results of an Inquiry of the Electricity Generation Market'. By this Resolution NCC has recognised the Company as an entity having significant influence in the electricity generation market and has imposed obligations related to the setting of prices and publication of information on the costs of regulated activities with the effect from 1 January 2015.

Link to the notification on material event: On adopted resolution of the court

Shareholders of the Company decide to pay dividend

On 30 September 2014, the extraordinary meeting of shareholders of the Company decided to pay dividend to the Company's shareholders for the six month period ended on 30 June 2014, at the rate of LTL 0.11 per share.

Link to the notification on material event: Regarding Decisions adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB, on 30 September 2014

Decided to decommission units 1, 2

The Board of the Company, implementing the strategy of the Company and taking into account the opinion of the Supervisory Board, on 20 October, 2014 decided to decommission units 1, 2 of the Lithuanian power plant owned by the Company starting from 1 January, 2015 (1 unit will be decommissioned starting 1 January, 2015, 2 unit will be decommissioned starting from 1 April, 2015).

Units 1 and 2 of the Lithuanian power plant, built in 1962-1965, are non-competitive, require significant investment in repairs and were mainly used for the production of heat power. They will be replaced by the new facility which will produce heat from biofuel in Elektrėnai

Link to the notification on material event: Regarding the decommissioning of the units 1 and 2 of Lithuanian power plant owned by "Lietuvos energijos gamyba", AB

Member of the Supervisory board resigned

On 28 October, 2014 the Company received notice from Mr Liudas Liutkevičius, Member of the Supervisory Board regarding the resignation from the duties of member of Supervisory Board of the Company.

Link to the notification on material event: Regarding the Extraordinary General Meeting of Shareholders of "Lietuvos Energijos Gamyba", AB

The Court accepted the Company's appeal

On 31 October, 2014 Vilnius Regional Administrative Court accepted Company's appeal for the repeal of the resolution „On the results of "Lietuvos energijos gamyba", AB audit" (the Resolution), dated 30/09/2014, No. O3-818, of the National Commission for Energy Control and Prices (the Commission).
Link to the notification on material event: Regarding legal proceedings initiated by the "Lietuvos energijos gamyba", AB

The Court accepted the Company's appeal

On 18 November, 2014 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices „On the approval of the price caps for 2015 of the AB "Lietuvos energijos gamyba" services of electricity power reserve security", dated 17/10/2014, No. O3-852 and "On the approval of the purchase price for the 2015 of the electricity power generated in the Lithuanian power plant owned by the AB "Lietuvos energijos gamyba"", dated 30/10/2014, No. O3-866

Link to the notification on material event: On adopted Resolution of the Court

Member of the Supervisory Board Elected

The extraordinary general meeting of shareholders held on 20 November 2014 adopted the decision to elect Mr Mindaugas Keizeris as Member of the Supervisory Board with effect from the date of decision until the end of the term of office of the present Supervisory Board.

Link to the notification on material event: Regarding Decisions adopted at the extraordinary general meeting of shareholders of public company "Lietuvos energijos gamyba", AB

The Court accepted a decision on buyout of the shares of AB Lietuvos Elektrinė

On 19 November, 2014 the Supreme Court of the Republic of Lithuania (the Court) adopted decision by cassation in cases regarding the legal obligation of the state of buyout of the shares of the expired legal entity AB Lietuvos elektrinė of the minority shareholders and the correct pricing of these shares. The Court stated that the legal obligation for buyout of shares of the state is intact and also found that the price of buyout of these shares in question is fixed at LTL 6.13 per share.

Link to the notification on material event: On adopted Resolution of the Supreme Court of the Republic of Lithuania

The Court accepted the Company's appeal

On 5 December, 2014 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices „On the approval of the recount of the components of the price on the production of the heat of "Lietuvos energijos gamyba", AB", dated 30/11/2014, No. O3-875.

Link to the notification on material event: On adopted Resolution of the Court

Adopted a resolution of significant importance on the activities of the Company

On 19 December, 2014 National Commission for Energy Control and Price adopted amendment of the resolution "On the setting of the purchase price of the electricity for 2015 generated in the Lithuanian power plant owned by the AB "Lietuvos energijos gamyba"" (the Resolution). By Resolution, which is adopted on the basis of the National Commission for Energy Control and Price Resolution "On the results of electricity generation market inquiry" dated 7 August, 2014, National Commission for Energy Control and Price reduced the allocated PSO budget of the Company for 2015 by 29,35 million LTL. The Company finds that the Resolution and/or related adopted laws can influence activities of the Company.

Link to the notification on material event: Regarding the adopted resolution of the National Commission for Energy Controland Prices of significant importance on the activities of the Company

The Court accepted the Company's appeal

On 30 December, 2014 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices "On amendment of the resolution on the setting of the purchase price of the electricity for 2015 generated in the Lithuanian power plant owned by the "Lietuvos Energijos Gamyba", AB, dated 30/10/2014, No O3-866,.

Link to the notification on material event: On adopted Resolution of the Court.

Other events during the reporting period

Gross bidding arrangement

In March 2014, the Company started trading on Nord Pool Spot exchange according to the gross bidding arrangement. This means that now the Company conducts all its electricity purchase and sale transactions separately, which contributes to enhancing the non-regulated market transparency and increasing its efficiency.

Now the Company can assess the benefits of the fixed-price transactions better, which enables it to increase the efficiency of its trading activities. At the same time, the Company contributed to the development of a transparent electricity market in the Baltic States.

The Company has obtained OHSAS occupational safety and health certificate

On 17 May 2014 the Company received OHSAS 18001:2007 certificate to confirm that the Company's occupational safety and health (OHS) management system complies with the requirements of this management standard.

The Company has been recognised for the virtually continuous improvements of the OHS policy which is a part of the Company's management system covering organisational structure, planning activities, distribution of responsibilities, practical operations, internal regulations and procedures, methods, process management and resources required for the implementation, maintenance and enhancement of the OHS policy. The Company has also been recognised for safeguarding the occupational safety and health in terms of mitigation of accidents at work.

The Company's activities were presented to the investors

On 3 June 2014, Ms Eglė Čižaitė, Director of the Legal Department and a member of the Company's Management Board, presented the Company's activities and results in a traditional meeting of the managers of the NASDAQ OMX Baltic listed companies and investors (CEO meets investors).

Optimal operation scenario of Elektrėnai complex has been established

On 11 June 2014 the Company announced the findings from the project "Perspectives of Elektrėnai Complex" initiated in February 2014 (hereinafter Analysis). Drawing on the findings of the Analysis, a recommended operational scenario for the Elektrėnai complex embracing the old units of Lithuanian Power Plan and the combined cycle gas turbine unit was established.

In accordance with the optimal operational scenario of the Elektrėnai complex, the exploitation of the units 1 and 2 of the reserve power station (with 150 MW capacity each) should be phased out once the new biofuel boiler house, currently being constructed in Elektrėnai, comes into operation, while the units 5 and 6 (with 300 MW capacity each) should be phased out once the connections with Sweden and Poland start functioning. Hence from 2016 the power generation capacities in Elektrėnai complex would consist of a modern 455 MW capacity combined cycle gas turbine unit and units 7 and 8 of the reserve power station (with 300 MW capacity each) able to generate electricity by using both gas and fuel oil. The total installed capacity of the power station would be 1055 MW.

The Company became a member of NASDAQ OMX Commodities

"Lietuvos Energijos Gamyba", a company engaged in the production and wholesale trading of electricity, is pursuing its goal to actively contribute to the integration of Nordic and Baltic electricity markets. The Company is the first Lithuanian company that joined the derivatives exchange NASDAQ OMX Commodities.

NASDAQ OMX Commodities is the derivatives exchange trading in financial instruments pegged with the electricity price on the Nord Pool Spot exchange. Through trading in financial instruments, the risk of fluctuation of electricity prices can be controlled.

Link to the press release: Lietuvos Energijos Gamyba, AB becomes a member of NASDAQ OMX Commodities.

The Commission approved the planned inspection report of the Company

On 30 September 2014 the Commission approved act on audit and decided to reduce Company's income from the supported electricity produced in Lithuanian power plant, owned by the Company, by LTL 21.2 million for the reporting year 2015 and to reduce the income from services for ensuring the security of power reserve by LTL 25.7 million for the reporting years 2015-2016. The Company complains the decision in court.

Material events after the end of the reporting period

The Court accepted the Company's appeal

On 16 January, 2015 Vilnius Regional Administrative Court accepted the Company's appeal on the resolutions of the National Commission for Energy Control and Prices (the Commission) „On the approval of the components of the price on the production of the heat of "Lietuvos energijos gamyba", AB", dated 11/12/2015, No. O3-934 (the Resolution).

By this the Commission its sole decision approved components of the heat prices produced by the Company.

Link to the notification on material event: On adopted Resolution of the Court

The Court accepted the Company's appeal

On 21 January, 2015 Vilnius Regional Administrative Court accepted the Company's appeal on the partial repeal of Resolution No O3-941 of 19 December 2014 of the National Commission for Energy Control and Prices (the Commission) "On the amendment of Resolution No O3-840 of 17 October 2014 of the National Commission for Energy Control and Prices "On the establishment of the funds and the price of services of general interest for 2015" (the Resolution).

The Company seeks to repeal the clauses of the Resolution whereby the Commission decided to reduce the funds for the Company for 2015 for the provision of the service of general interest – the production of electricity, which is vital for ensuring the security of electricity supply.

Link to the notification on material event: On adopted Resolution of the Court

Significant agreements

No significant agreements, to which the Company is a party and which would take effect or be amended/terminated in case of change of the Company's control situation, were concluded.

No agreements were concluded by and between the Company and members of its management bodies or employees stipulating compensation in case of resignation/dismissal without a valid reason or in case of termination of work/employment due to a change of the Company's control situation.

Information on related party transactions

Information on significant related party transactions is disclosed in the Explanatory Notes forming part of annual financial information for the year 2014.

Guarantees provided

On 8 September 2014, the Company amended its guarantee in the amount of EUR 1,766,000.00 provided on 18 April 2011 to Kauno Energetikos Remontas UAB as a borrower. The Company guarantees the discharge of another obligation of the borrower to Nordea Bank Finland Plc under an agreement (and all amendments and supplementes thereto) on a bank account credit of EUR 1,448,100.00 as amended.

Detrimental transactions

No detrimental transactions have been concluded in the reporting period on behalf of the Company (transactions that are not consistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders etc.), which have or could potentially have a negative impact on the Company's operations and/or operating results, or transactions concluded under a conflict of interests between the Company's management's, majority shareholders' or other related parties' responsibilities to the Company and their private interests and/or other responsibilities.

OTHER IMPORTANT INFORMATION

The main characteristics of the internal control and risk management systems in relation to drawing of consolidated financial statements

The Group's consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by EU.

The Company collects and analyses financial statements from its subsidiary companies on a monthly basis. The Company consolidated the financial statements of its subsidiary companies. The chief financial officer of the Company safeguards the financial statements are properly consolidated and drawn up and makes sure the data of the Group's companies is collected in a timely and accurate manner. The drawing up of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the consolidated financial statements are controlled and managed.

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

The Explanatory Notes to the Financial Statements for the year 2014 contain detailed explanations of financial information.

Audit information

The extraordinary general meeting of shareholders of the Company held on 25 June 2014 decided to elect PricewaterhouseCoopers UAB (J. Jasinskio 16B, 01112 Vilnius, Lithuania) as an auditor of the Company's financial statements for 2014 and to set a remuneration for the audit services not more than LTL 80,000 excluding VAT.

Other agreements with auditors

The audit firm that audited financial statements of "Lietuvos energijos gamyba", AB for 2014, provided training services and consulting on preparation of evaluation of prices of public procurement.

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

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

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

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	YES	Supervisory board of the company is a collegial body responsible for the supervision of company's activities. Supervisory board appoints and removes members of the board of directors, supervises activities by the board of directors and Chief Executive Officer, delivers opinions and proposals to the general shareholders' meeting on matters of importance to the company. The supervisory board also has an additional authority on other matters of importance to the company. In accordance with corporate articles of association the board of directors reports to the supervisory board and the general shareholders' meeting. The board of directors analyses, considers, approves and assesses company's activities and operational circumstances, plans activities, and makes important decisions in connection with company's governance. The board of directors takes account of the opinions of the supervisory board and nominates and removes Chief Executive Officer of the company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's Chief Executive Officer.	YES	The company has a supervisory board, see commentary under clause 2.2.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	YES	The company has implemented recommendations set out in Principles III and IV. The company has a supervisory board, see commentary under clause 2.2.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	YES	In accordance with Article 21 of corporate articles of association the supervisory board of the company comprises 3 (three) members. In accordance with Article 5 of corporate articles of association the board of directors comprises 5 (five) members. The company believes that the above mentioned numbers of members on the supervisory board and board of directors are sufficient as they ensure expedient and effective decision-making. The supervisory board and board of directors adopt decisions in board meetings. A meeting of the supervisory board is deemed effective and may pass decisions when the meeting is attended by more than half of its members. A meeting of the board of directors is deemed effective and the board may pass decisions if the meeting is attended by at least 4 (four) of its members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	YES	The supervisory board is elected for a term of 4 (four) years. The duration of the term of office of members on the supervisory board is the maximum term of office provided for by the Law on Companies of the Republic of Lithuania. A general shareholders' meeting may remove both the entire supervisory board and individual members thereof before the end of their term of office.

[1] 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 4.4 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.

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

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and Chief Executive Officer of the company should be a different person. Former company's Chief Executive Officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	YES	The supervisory board elects chairman of the supervisory board from among its members. Article 24 of corporate articles of association sets out that director general, member of the board of directors, member of a supervisory body, management body or administration of an entity engaged in the transmission of electricity or gas, or some other person who cannot hold the office under applicable legislation, cannot be a member of the supervisory board of the company. The company also complies with the requirements set out in Article 31 of the Law on Companies of the Republic of Lithuania.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	In accordance with Article 23 of corporate articles of association every candidate to become a member of the supervisory board must produce to the general shareholders' meeting a declaration of candidate's interests specifying all circumstances that could lead to a conflict of candidate's and company's interests. Supervisory board of the company is elected by the general shareholders' meeting in compliance with the requirements set out in the Law on Companies of the Republic of Lithuania.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	YES	At present the company essentially follows this recommendation. The company continuously collects, stores and presents in its annual reports and company's website information on offices held by the members of its supervisory board and/or their involvement in activities of other businesses. Article 22 of corporate articles of association defines that a person proposing a candidate to members of the supervisory board has the obligation to produce written explanations to the general shareholders' meeting as to the qualifications of each candidate proposed to members of the supervisory board, candidate experience of managerial work, and fitness to hold the office of a member of the supervisory board. Information on candidates to become members of the supervisory board is produced to shareholders before the day of the general shareholders' meeting in accordance with the procedure prescribed in legislation.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	YES	Information on qualifications, work experience and office held, as well as other information describing particular competence of the candidate is made available to shareholders (Article 22 of corporate articles of association). Information on offices held by the members of the supervisory board of the company, or their participation in activities of other businesses, is continuously collected, stored and presented in annual reports of the company.

[3] 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.

3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	YES/NO	In accordance with the Law on Companies of the Republic of Lithuania the supervisory board is elected and simultaneously qualifications of its members are evaluated by the general shareholders' meeting. The supervisory board cannot determine its own composition. It should also be noted that the main activities of the company are the production and import and export of and trade in electricity, and ensuring energy security and the majority of members on the supervisory board are experts in the field of energy. As to the audit committee, see commentary under clause 4.14. As to the remuneration committee, see commentary under clause 4.13.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	YES/NO	Once elected members of the supervisory board are familiarized with activities of the company, its organizational and governance structure, operational and financial plans. It should also be noted that members of the supervisory board are regularly updated on the activities of the company during board meetings and personally if required or requested by the members.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	YES	Corporate articles of association establish that at least 1/3 (one third) of members on the supervisory board shall be independent members. Currently one of the three elected members of the supervisory board is independent.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration	YES	Terms of agreements with members of the supervisory board and criteria of member independence are defined by the general shareholders' meeting taking into account statutory requirements and good practice of corporate governance. Terms of the agreement with an independent member of the supervisory board approved by the general shareholders' meeting contain a statement of independence of a member of the supervisory board as stipulated in the provisions on independent members of a company's supervisory board set out in the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius. Also see commentary under clause 2.7.

[4] 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.

[5] 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.

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

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	YES	The company discloses in its annual reports which members of the supervisory board it considers to be independent. Also see commentaries under clauses 3.6 and 3.8.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	NO	See commentary under clause 3.9.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	YES	Corporate articles of association establish that independent members of the supervisory board may be remunerated for their work on the supervisory board if the general shareholders' meeting decides so.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	YES	Corporate articles of association establish that the supervisory board produces to the general shareholders' meeting opinions and proposals as to the annual financial statements of the company, draft profit (loss) distribution proposal, annual report of the company, and activities of the board of directors and Chief Executive Officer. The supervisory board produces to the board of directors opinions regarding the operational strategies of the company, budget drafting, execution of transactions involving company's assets, candidates to the office of Chief Executive Officer and members of management bodies of company's subsidiaries, supervises activities of the board of directors and of the Chief Executive Officer, also performs other supervisory functions with regards to the company and its governance bodies attributed to the competence of the supervisory board.

[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.
[7] See Footnote 3.
[8] 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.

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	YES	The duties set out in this recommendation are embedded in the agreement of activities of a member of the supervisory board, and agreement of activities of an independent member of the supervisory board signed by all members of the supervisory board. All members of the supervisory board act in good faith towards the company and in the best interests of the company.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	YES	Members of the supervisory body are actively involved in the meetings of the supervisory board. All members of the supervisory board were in attendance in all meetings of the board that were held in 2013. Names of the members of the supervisory board in attendance are recorded in the minutes of the meeting.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	YES	Shareholders are notified of company's strategies, risk management, and resolutions of conflicts of interests in accordance withy the procedure prescribed in legislation. The role of members of the supervisory board in communicating and committing to shareholders is defined in accordance with statutory requirements and corporate articles of association. See commentary under clause 4.1.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	YES/NO	Management bodies of the company conclude and approve transactions in accordance with the requirements set out in applicable legislation and corporate articles of association. Corporate articles of association set out that a general shareholders' meeting passes decisions with regards to the terms and conditions of agreements with members of the supervisory board for activities on the supervisory board. See commentaries under clause 3.11 and other.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	YES/NO	The supervisory board acts independently in passing decisions that are of significance to company's operations and strategies. The company ensures that the supervisory board is supplied with all necessary resources (technical support during board meetings, provision of all required information). Agreement of activities of a member of the supervisory board defines that the company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. Corporate articles of association set out that the supervisory board has the right to apply to the board of directors and Chief Executive Officer asking for documents and information pertaining to company's operations, and the board of directors and Chief Executive Officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board. The company has no remuneration committee, see commentary under clause 4.13.

[9] 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.
[10] 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.

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[11]. 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.	YES/NO	In accordance with corporate articles of association the supervisory board passes decisions in key areas. The supervisory board produces opinions to the board of directors as to the candidacy of Chief Executive Officer of the company. Corporate articles of association stipulate that the division discharging internal audit functions reports to the supervisory board. Based on the opinion of the board of directors the supervisory board decides on the nomination and removal of the head of the structural division performing internal audit functions, approval of his/her job description, promotion and disciplinary action. The company has no audit, nomination or remuneration committees. These committees were formed in the parent company and activities of the said committees include the coordination of the company's activities. The company believes that work of the supervisory board is sufficiently effective, balanced and well organized meaning that the supervisory board can discharge all functions attributed to these committees properly. No special or exclusive voting rights are conferred on independent members of the supervisory board. Independent members of the board can always express their opinion which is then recorded in the minutes of the meeting. In accordance with the Law on Audit of the Republic of Lithuania a public interest company which is a subsidiary and prepares consolidated financial statements may omit the requirement to form an audit committee defined in the Law on Audit of the Republic of Lithuania if its parent company has the required committee. Since the parent company, i.e. *Lietuvos energija UAB*, has an audit committee, there is no need or the obligation for the company to have a separate audit committee. *Lietuvos energija UAB*, being the parent company, also has nomination and remuneration, and risk management committees. In addition to other functions, the nomination and remuneration committee at *Lietuvos energija UAB* inter alia evaluates and drafts proposals as to long-term remuneration policy of the company, policy of annual bonuses (tantiems); evaluates terms and conditions of agreements concluded with corporate management bodies; evaluates recruitment and selection procedures for candidates to members of management bodies and senior management of the company, and their qualification requirements; regularly evaluates the structure of corporate governance and supervisory bodies, their size, composition and activities. Risk management committee at *Lietuvos energija UAB* monitors the assessment and management of risks relevant to the achievement of company's goals; assesses the adequacy of internal control procedures and risk management measures to identified risks; assesses risks and company's risk management plan; and monitors the implementation of risk management process.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	YES/NO	See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-	YES/NO	The company implements the recommendation through the committees of the supervisory board formed at *Lietuvos energija UAB*. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.

executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	YES/NO	See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	YES/NO	See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • 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; • 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; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • 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.	YES/NO	The company has no nomination committee but its functions are indirectly performed through the nomination and remuneration committee of *Lietuvos energija UAB*. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • 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; • 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; • 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; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 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: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • 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.	YES/NO	The company has no remuneration committee but its functions are indirectly performed through the nomination and remuneration committee of *Lietuvos energija UAB*. See commentaries under clause 3.4 and other.

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • 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); • 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; • 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; • 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; • 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; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, Chief Executive Officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the	YES/NO	The company has no audit committee but its functions are indirectly performed through the audit committee of *Lietuvos energija UAB*. See commentaries under clauses 4.7, 4.12, 4.13, and 4.14.

collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	NO	Up until now there was no need or practice in the company for the supervisory board to conduct a formal performance review and publish its findings since no requirements to this effect were established in legislation. Performance of the supervisory board is assessed by company's shareholders in accordance with applicable legislation.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	YES	In accordance with corporate articles of association and approved work regulations of both the supervisory board and board of directors this recommendation is implemented in the company.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	YES	Meetings of collegial bodies of the company are held in accordance with an annual schedule of meetings. Intervals at which meetings should be held are defined in corporate articles of association and work regulations of the supervisory board and board of directors. As per corporate articles of association, meetings of the supervisory board must be held at least once in three months, and meetings of the board of directors at least once in two calendar weeks.

[12] 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	Work regulation of the supervisory board sets out that attendees of the meeting should be notified of the convocation of the meeting at least 3 (three) working days before the day of the meeting (unless there are no objections as to a shorter term of notice), and they are supplied with all material required to discuss matters on the meeting's agenda. Work regulation of the board of directors sets out that attendees of the meeting should be notified of the convocation of the meeting at least 3 (three) working days before the day of the meeting (unless there are no objections as to a shorter term of notice), and they are supplied with all material required to discuss matters on the meeting's agenda.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	YES	Members of the supervisory board and board of directors and board chairmen cooperate actively and closely and exchange important information in order to meet best interests of the company.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The authorized capital of the company consists of ordinary registered shares at par value of 1 litas which grant the same property and non-property rights to all their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	The articles of association, published in the website of the company, provide information concerning the rights attached to the shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	NO	Article 19 of the company's articles of association provides the transactions that shall be approved by the general shareholders' meeting. The transactions only partially correspond to the provided recommendation.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	YES	The venue, date, and time of the convened general shareholders' meeting is indicated in order to ensure equal opportunities to participate at the meeting to all shareholders, procedures of convening and conducting a general shareholders' meeting are implemented under the Joint Stock Company Law of the Republic of Lithuania. The shareholders of the company are enabled to get acquainted with the agenda and documentation under the order determined by laws.

[13] 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.

6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	YES	Following the Joint Stock Company Law of the Republic of Lithuania, the company places information about the calling of a general shareholders' meeting, agenda, and prepared draft resolutions of the general shareholders' meeting in Lithuanian and English in its publicly accessible website in advance. Information about resolutions adopted by the general shareholders' meeting is published in Lithuanian and English in the website of the company. Following the company's articles of association and other laws, the information is also published in NASDAQ OMX Vilnius Stock Exchange and an e-journal of the Centre of Register.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The company's shareholders may implement their right to participate in the general shareholders' meeting in person and through a representative if the person has an appropriate authorization or an agreement on the transfer of the right to vote was made with the person under the order determined by laws. The company enables the shareholders to vote by completing the general voting ballot as it is provided by the Joint Stock Company Law of the Republic of Lithuania.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	NO	On request of the shareholders and considering objective circumstances, the company would allow the shareholders to vote using telecommunication terminal equipment, however, it is not applied yet because it needs extra investment.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	YES	The company follows the recommendations. Responsibilities deriving from this recommendation are entrenched in the company's articles of association. The company follows the recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	YES	The company follows the recommendations.

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	YES	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	Members of the company's supervisory and management bodies shall abstain from voting and do not vote in case a conflict of a member's and the company's interest may arise when voting on those issues (Rules of procedure of the supervisory board and the management). Moreover, according to laws, the company's supervisory and management bodies have to avoid situations where their personal interests are or may contradict the interests of the company.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	NO	Following Article 25(5) of the Law on Energy of the Republic of Lithuania, the company makes publicly available the information about the remuneration of the members of the company's management bodies and other payments related to the functions of the members of the company's management bodies.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	NO	Annual statement does not include the directors' remuneration policy of the company for the following year and the subsequent years. Annual statement includes information about the sums of money attributed to the members of the company's supervisory and management bodies (wages, other payments, bonuses and other benefits from profit).

8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • 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; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	NO	Annual statement includes information about the sums of money attributed to the members of the company's supervisory and management bodies (wages, other payments, bonuses and other benefits from profit), the disposed property and guaranties given to the members of the management bodies, also other information related to remunerations to the members of the supervisory and management bodies. See the comment of clause 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	NO	See the comment of clause 8.1

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • 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; • The remuneration and advantages received from any undertaking belonging to the same group; • 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; • 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; • 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; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • 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; • 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; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • 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.	IRRELEVANT	See the comment of clause 8.1
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	YES/NO	See the comment of clause 8.1
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	YES	See the comment of clause 8.1
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	YES/NO	See the comment of clause 8.1

8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	IRRELEVANT	See the comment of clause 8.1
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	IRRELEVANT	See the comment of clause 8.1
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	IRRELEVANT	See the comment of clause 8.1
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	IRRELEVANT	See the comment of clause 8.1
8.13. Shares should not vest for at least three years after their award.	IRRELEVANT	See the comment of clause 8.1
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	IRRELEVANT	See the comment of clause 8.1
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	IRRELEVANT	See the comment of clause 8.1
8.16. Remuneration of non-executive or supervisory directors should not include share options.	IRRELEVANT	See the comment of clause 8.1
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	IRRELEVANT	See the comment of clause 8.1
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	IRRELEVANT	See the comment of clause 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	IRRELEVANT IRRELEVANT	See the comment of clause 8.1 See the comment of clause 8.1

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	IRRELEVANT IRRELEVANT IRRELEVANT	See the comment of clause 8.1 See the comment of clause 8.1
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		See the comment of clause 8.1
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
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.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES YES	The corporate governance framework ensures that the rights of shareholders that are protected by law are respected. The company follows the recommendations. For instance, representatives of the employees of the company participate

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

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

"LIETUVOS ENERGIJOS GAMYBA", AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2014

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2014

All amounts are in LTL thousands unless otherwise stated

ASSETS	Notes	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Non-current assets					
Intangible assets	4	37,991	37,520	29,542	28,968
Property, plant and equipment	5	2,569,543	2,520,234	2,636,706	2,597,392
Prepayments for property, plant, equipment		-	-	384	10,479
Investment property	6	-	-	-	-
Investments in subsidiaries	7	-	21,043	-	52,397
Investments in associates and joint ventures	7	131,403	135,464	154,833	153,884
Deferred income tax assets	23	731	-	988	-
Other non-current assets	8	26,152	26,152	17,850	17,850
Other amounts receivable	11	1,954	1,954	20,949	20,949
Total non-current assets		**2,767,774**	**2,742,367**	**2,861,252**	**2,881,919**
Current assets					
Inventories	9	21,359	19,149	24,032	23,113
Prepayments		30,164	18,900	15,725	5,659
Trade receivables	10	116,392	106,642	169,973	133,274
Other amounts receivable	11	4,085	2,342	10,513	9,242
Prepaid income tax		7,213	7,108	10,147	10,073
Other financial assets		1	-	86	-
Cash and cash equivalents	12	274,271	261,552	219,746	178,087
		453,485	**415,693**	**450,222**	**359,448**
Non-current assets classified as held for sale	13	124	-	131	-
Total current assets		**453,609**	**415,693**	**450,353**	**359,448**
TOTAL ASSETS		**3,221,383**	**3,158,060**	**3,311,605**	**3,241,367**

(Continued on the next page)

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2014

All amounts are in LTL thousands unless otherwise stated

EQUITY AND LIABILITIES	Notes	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Capital and reserves					
Share capital	14	635,084	635,084	635,084	635,084
Share premium	14	295,767	295,767	295,767	295,767
Revaluation reserve	15	6,944	3,786	7,928	4,015
Legal reserve	16	37,896	37,540	37,852	37,540
Other reserves	17	-	-	677,775	677,775
Retained earnings (deficit)		317,313	295,959	(284,805)	(277,529)
Total equity attributable to owners of the Company		**1,293,004**	**1,268,136**	**1,369,601**	**1,372,652**
Non-controlling interest		-	-	43,896	-
Total equity		**1,293,004**	**1,268,136**	**1,413,497**	**1,372,652**
Non-current liabilities					
Borrowings	19	507,471	500,171	506,761	498,261
Finance lease liabilities	20	118	-	36	-
Grants	21	1,026,188	1,026,188	1,062,730	1,062,730
Other non-current amounts payable and liabilities	22	58,379	58,279	77,879	75,631
Deferred income tax liabilities	23	53,093	48,792	39,688	39,688
Total non-current liabilities		**1,645,249**	**1,633,430**	**1,687,094**	**1,676,310**
Current liabilities					
Borrowings	19	64,883	62,243	57,729	57,129
Finance lease liabilities	20	53	-	8	-
Trade payables	24	102,240	89,587	85,428	76,753
Advance amounts received	25	82,725	74,310	29,489	27,564
Income tax payable		-	-	1,222	-
Provisions for emission allowances	26	9,803	9,803	9,745	9,745
Other amounts payable and liabilities	27	23,426	20,551	27,393	21,214
Other current liabilities		**283,130**	**256,494**	**211,014**	**192,405**
Total liabilities		**1,928,379**	**1,889,924**	**1,898,108**	**1,868,715**
TOTAL EQUITY AND LIABILITIES		**3,221,383**	**3,158,060**	**3,311,605**	**3,241,367**

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

All amounts are in LTL thousands unless otherwise stated

	Notes	Group 2014	Company 2014	Group 2013	Company 2013
Revenue					
Sales revenue	28	807,928	797,887	1,088,008	1,079,590
Other operating income	30	72,293	7,305	111,388	7,572
		880,221	**805,192**	**1,199,396**	**1,087,162**
Operating expenses					
Purchase of electricity and related services		(235,475)	(231,292)	(415,375)	(415,346)
Gas and heavy fuel expenses		(261,943)	(261,943)	(374,164)	(374,164)
Depreciation and amortisation	4,5,6,21	(79,432)	(77,047)	(91,590)	(78,693)
Wages and salaries and related expenses		(44,839)	(31,507)	(63,778)	(33,555)
Repair and maintenance expenses		(24,944)	(24,265)	(21,772)	(23,197)
Expenses of revaluation and provisions for emission allowances		2,249	2,249	(14,320)	(14,320)
Reversal of impairment (impairment) of other non-current assets	8	8,302	8,302	(5,873)	(5,873)
Loss on revaluation and impairment of property, plant and equipment	5,21	(32,829)	(32,829)	(1,021)	(1,021)
Impairment of investments in subsidiaries and associates	7	-	(1,988)	-	(3,799)
Reversal of inventory write-down allowance	9	560	560	2,263	2,263
Other expenses		(33,438)	(19,512)	(91,061)	(33,659)
		(701,789)	**(669,272)**	**(1,076,691)**	**(981,364)**
OPERATING PROFIT		**178,432**	**135,920**	**122,705**	**105,798**
Finance income	31	377	11,905	2,278	4,147
Finance (costs):					
Share of result of operations of associates and joint ventures	7	518	-	1,348	-
Other finance (costs)	32	(16,959)	(16,665)	(23,278)	(22,874)
		(16,064)	(4,760)	(19,652)	(18,727)
PROFIT BEFORE INCOME TAX		**162,368**	**131,160**	**103,053**	**87,071**
Current income tax expense	23	(7,274)	(6,713)	(5,912)	(3,421)
Deferred tax income / (expense)	23	(13,380)	(9,104)	11,467	10,706
		(20,654)	(15,817)	5,555	7,285
NET PROFIT FOR THE YEAR		**141,714**	**115,343**	**108,608**	**94,356**

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

All amounts are in LTL thousands unless otherwise stated

	Notes	Group 2014	Company 2014	Group 2013	Company 2013
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Loss on revaluation of property, plant and equipment	5	-	-	(3,796)	(3,796)
Deferred income tax related to loss on revaluation of property, plant and equipment and impairment of investment property	23	-	-	569	569
Gain on revaluation of non-current assets of associates, net of deferred income tax	7	1,832	-	-	-
Other comprehensive income (loss), net of deferred income tax		1,832		(3,227)	(3,227)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**143,546**	**115,343**	**105,381**	**91,129**
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		141,430	115,343	106,210	94,356
Non-controlling interests		284	-	2,398	
		141,714	**115,343**	**108,608**	**94,356**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		143,262	115,343	102,983	91,129
Non-controlling interests		284	-	2,398	-
		143,546	**115,343**	**105,381**	**91,129**
Basic and diluted earnings per share (in LTL)	34	**0.22**		**0.17**	

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2014

All amounts are in LTL thousands unless otherwise stated

		Equity attributable to owners of the Group								
Group	**Note**	**Share capital**	**Share premium**	**Revalu-ation reserve**	**Legal reserve**	**Other reserves**	**Retained earnings (deficit)**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2013		**635,084**	**295,767**	**12,055**	**36,145**	**717,775**	**(30,037)**	**1,666,789**	**41,498**	**1,708,287**
Restatement of non-current assets		-	-	-	-	-	(374,769)	(374,769)	-	(374,769)
Balance at 1 January 2013 (restated)		**635,084**	**295,767**	**12,055**	**36,145**	**717,775**	**(404,806)**	**1,292,020**	**41,498**	**1,333,518**
Revaluation of PP&E net of deferred income tax effects	5,23	-	-	(3,227)	-	-	-	(3,227)	-	(3,227)
Total other comprehensive income (expenses)		-	-	**(3,227)**	**-**	**-**	**-**	**(3,227)**	-	**(3,227)**
Net profit (loss) for the year							106,210	106,210	2,398	108,608
Total comprehensive income (expenses) for the year		**-**	**-**	**(3,227)**	**-**	**-**	**106,210**	**102,983**	**2,398**	**105,381**
Depreciation of revaluation reserve	15	-	-	(900)	-	-	900	-	-	-
Formation/(dissolution) of reserves	16,17	-	-	-	1,707	(40,000)	38,293	-	-	-
Dividends paid	18	-	-	-	-	-	(25,402)	(25,402)	-	(25,402)
Balance at 31 December 2013		**635,084**	**295,767**	**7,928**	**37,852**	**677,775**	**(284,805)**	**1,369,601**	**43,896**	**1,413,497**
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**
Gain on revaluation of non-current assets of associates, net of deferred income tax effects	7	-	-	-	-	-	1,832	1,832	-	1,832
Total other comprehensive income (expenses)		-	-	-	-	-	**1,832**	**1,832**	**-**	**1,832**
Net profit (loss) for the year							141,430	141,430	284	141,714
Total comprehensive income (expenses) for the year		-	-	-	-	-	**143,262**	**143,262**	**284**	**143,546**
Depreciation of revaluation reserve	15	-	-	(567)	-	-	567	-	-	-
Transfers to reserves	16	-	-	-	44	-	(44)	-	-	-
Transfers from reserves	17	-	-	-	-	(677,775)	677,775	-	-	-
Dividends paid	18	-	-	-	-	-	(219,859)	(219,859)	-	(219,859)
Disposal of subsidiaries	7	-	-	-	-	-	-	-	(44,180)	(44,180)
Profit (loss) not recognised in the income statement		-	-	(417)	-	-	417	-	-	-
Balance at 31 December 2014		**635,084**	**295,767**	**6,944**	**37,896**	**-**	**317,313**	**1,293,004**	**-**	**1,293,004**

(Continued on the next page)

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2014

All amounts are in LTL thousands unless otherwise stated

Company	Notes	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 1 January 2013		**635,084**	**295,767**	**7,774**	**35,867**	**717,775**	**(10,572)**	**1,681,695**
Restatement of property, plant and equipment		-	-	-	-	-	(374,769)	(374,769)
Balance at 1 January 2013 (restated)		**635,084**	**295,767**	**7,774**	**35,867**	**717,775**	**(385,341)**	**1,306,926**
Revaluation of PP&E net of deferred income tax effects		-	-	(3,227)	-	-	-	(3,227)
Total other comprehensive income (expenses)		**-**	**-**	**(3,227)**	**-**	**-**	**-**	**(3,227)**
Net profit (loss) for the year		-	-	-	-	-	94,356	94,356
Total comprehensive income (expenses) for the year		**-**	**-**	**(3,227)**	**-**	**-**	**94,356**	**91,129**
Depreciation of revaluation reserve	16,17	-	-	-	1,673	(40,000)	38,327	-
Formation/(dissolution) of reserves	15	-	-	(532)	-	-	532	-
Dividends paid	18	-	-	-	-	-	(25,403)	(25,403)
Balance at 31 December 2013		**635,084**	**295,767**	**4,015**	**37,540**	**677,775**	**(277,529)**	**1,372,652**
Balance at 1 January 2014		**635,084**	**295,767**	**4,015**	**37,540**	**677,775**	**(277,529)**	**1,372,652**
		-	-	-	-	-	-	-
Total other comprehensive income (expenses)								
Net profit (loss) for the year		-	-	-	-	-	115,343	115,343
Total comprehensive income (expenses) for the year		-	-	-	-	-	**115,343**	**115,343**
Depreciation of revaluation reserve	15	-	-	(229)	-	-	229	-
Dissolution of reserves	17	-	-	-	-	(677,775)	677,775	-
Dividends paid	18	-	-	-	-	-	(219,859)	(219,859)
Balance at 31 December 2014		**635,084**	**295,767**	**3,786**	**37,540**	**-**	**295,959**	**1,268,136**

(End)

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

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2014

All amounts are in LTL thousands unless otherwise stated

	Notes	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Net profit for the year		141,714	115,343	108,608	94,356
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortisation expense	4,5,6	118,314	115,929	130,678	117,781
Loss on revaluation of property, plant and equipment	5	33,303	32,829	1,021	1,021
(Reversal) Impairment write-down of inventories	9	(560)	(560)	(2,263)	(2,263)
(Gain) on disposal of investments in subsidiaries and associates/impairment		(22,836)	1,988	-	3,799
Revaluation (gain)/expenses of emission allowances		(12,038)	(12,038)	9,994	9,994
Other impairments/(reversals)		(14,045)	(14,023)	12,332	12,282
Share of (profit) of associates and joint ventures	7	(518)	-	(1,348)	-
Income tax expense		7,274	6,713	5,912	3,356
Change in deferred income tax liability	23	13,375	9,104	(11,467)	(10,706)
(Income) from grants	4,21	(38,882)	(38,882)	(39,088)	(39,088)
Increase in other provisions		9,803	9,803	9,745	9,745
Loss on write-off of non-current assets		681	268	127	47
Elimination of results of financing and investing activities:			-		
- Interest (income)	31	(298)	(254)	(118)	(46)
- Interest expense	32	14,730	14,457	23,130	22,839
- Other finance costs (income)		2,150	(9,443)	(2,012)	(4,065)
Changes in working capital					
Decrease in trade receivables and other amounts receivable		58,188	52,953	129,845	118,518
(Increase) decrease in inventories and prepayments		(12,429)	(9,888)	22,304	29,835
Increase in amounts payable and advance amounts received		41,578	29,121	82,704	83,832
Income tax (paid)		(5,024)	(4,498)	(10,315)	(9,508)
Net cash generated from operating activities		**334,480**	**298,922**	**469,789**	**441,729**
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(100,362)	(56,893)	(122,460)	(120,104)
Disposal of property, plant and equipment and intangible assets		-	-	1,277	166
Disposal of subsidiaries		14,801	41,347	-	-
Acquisition of investments in associates		(4,742)	(14,735)	-	-
Disposal of investments in associates		19,955	19,955	(2)	(2)
Grants		9,082	9,082	-	-
Dividends received		6,643	11,643	-	2,000
Interest received		298	254	113	46
Net cash (used in) generated from investing activities		**(54,325)**	**10,653**	**(121,072)**	**(117,894)**
Cash flows from financing activities					
Proceeds from borrowings		42,826	41,386	11,893	10,465
Repayments of borrowings		(34,137)	(33,537)	(62,204)	(58,159)
Finance lease payments		(87)	-	(327)	-
Interest (paid)		(15,225)	(14,952)	(23,374)	(23,369)
Dividends (paid out)		(219,007)	(219,007)	(25,414)	(25,414)
Net cash (used in) financing activities		**(225,630)**	**(226,110)**	**(99,426)**	**(96,477)**
Net increase in cash flows		**54,525**	**83,465**	**249,291**	**227,358**
Cash and cash equivalents at the beginning of the year		**219,746**	**178,087**	**(29,545)**	**(49,271)**
Cash and cash equivalents at end of the year		**274,271**	**261,552**	**219,746**	**178,087**

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

1 General information

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

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

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

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 Energija AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. As at 31 December 2014 and 2013, the Company had not acquired its own shares.

During 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 collectively referred to as the Elektrėnai Complex), Kaunas Hydro Power Plant named after Algirdas Brazauskas 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 Elektrėnai Complex 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 subsidiaries Energijos Tiekimas UAB as well as Geton Energy SIA and Geton Energy OU (controlled through Energijos Tiekimas UAB) also hold a licence of an independent electricity supplier. Energijos Tiekimas UAB holds 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 preparation of these financial statements, the Company had direct participation (control or significant influence) in the management of the following companies: Kauno Energetikos Remontas UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Technologijų ir Inovacijų Centras UAB (Lithuania), Nordic Energy Link AS (Estonia), Geoterma UAB (Lithuania), NT Valdos UAB (Lithuania) and Verslo Aptarnavimo Centras UAB (Lithuania). Indirectly, the Company had the majority of votes in Geton Energy SIA (Latvia) and Geton Energy OU (Estonia) through Energijos Tiekimas UAB, and the majority of votes in Gotlitas UAB (Lithuania) through Kauno Energetikos Remontas UAB. More details about the subsidiaries, associates and joint ventures and changes therein during 2014 are disclosed in Note 7.

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

1 General information (continued)

As at 31 December 2014, the Group consisted of Lietuvos Energijos Gamyba AB and the following directly and indirectly controlled subsidiaries:

Company	Office address	Group's ownership interest at 31 December 2014	Subsidiary's share capital at 31 December 2014	Profit (loss) for 2014 (unaudited)	Equity at 31 December 2014 (unaudited)	Profile of activities
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas, Lithuania	100 %	15,244	(12,142)	18,065	Repair of energy equipment, manufacturing of metal structures
Gotlitas UAB (controlled through Kauno Energetikos Remontas UAB)	R.Kalantos g. 119, Kaunas, Lithuania	100 %	1,100	324	1,336	Accommodation services, trade
Energijos Tiekimas UAB	Žvejų g. 14, Vilnius, Lithuania	100 %	750	2,562	9,911	Independent electricity supply
Geton Energy OU (controlled through Energijos Tiekimas UAB)	Narva mnt 5, 10117 Tallinn	100 %	121	(7)	101	Independent electricity supply
Geton Energy SIA(controlled through Energijos Tiekimas UAB)	Elizabetes iela 45/47, Riga, LV-1010	100 %	99	11	95	Independent electricity supply

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

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

As at 31 December 2014, the number of labor contract of the Group was 736 (31 December 2013 the number of employees – 1,104). As at 31 December 2014, the number of labor contract of the Company was 474 (31 December 2013 the number of employees - 503).

2 Accounting policies

Presented below are the principal accounting policies adopted in the preparation of the Group's and the Company's financial statements for the year 2014:

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

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

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

IFRS 10 Consolidated Financial Statements 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. Application of this standard had no significant impact on the Group's financial statements.

IFRS 11 Joint Arrangements 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. Application of this standard had no significant impact on the Group's financial statements.

IFRS 12, Disclosure of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014), 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 (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group presented additional disclosures in the financial statements as a result of application of this standard.

IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014). The objective of the revised standard is 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. Application of this standard had no significant impact on the Company's financial statements.

IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014). The standard was revised following the issue of IFRS 11 and it now includes the requirements for joint ventures, as well as associates, to be equity accounted. Application of this standard had no significant impact on the Group's/Company's 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 presented additional disclosures in the financial statements as a result of application of this standard.

2 Accounting policies (continued)

2.2 Changes in accounting policies (continued)

Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2014). 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 presented additional disclosures in the financial statements as a result of application of these guidelines.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27(effective for annual periods beginning on or after 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. Application of this standard had no significant impact on the Group's/Company's financial statements.

Recoverable Amount Disclosures for Non-financial Assets - Amendments to IAS 36 (effective for annual periods beginning on or after 1 January 2014; earlier application is allowed if IFRS 13 is applied for the same reporting and comparative periods). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. Application of this standard had no significant impact on the Group's/Company's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 (effective for annual periods beginning on or after 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. Application of this standard had no significant impact on the Group's/Company's financial statements.

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

IFRIC 21 – Levies. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the interpretation on its financial statements.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective for annual periods beginning on or after 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group/Company is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015). The improvements consist of changes to seven standards.
IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

2 Accounting policies (continued)

2.2 Changes in accounting policies (continued)

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group/Company is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013. The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. [The Group/Company is currently assessing the impact of the amendments on its 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 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
- IFRS 9, Financial Instruments: Classification and Measurement
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
- IFRS 15, Revenue from Contracts with Customers
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41
- Equity Method in Separate Financial Statements - Amendments to IAS 27
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28
- Annual Improvements to IFRSs 2014
- Disclosure Initiative – Amendments to IAS 1
- Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28

The Group/Company is currently assessing the impact of these amendments on its financial statements.
There are no other new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group/Company.

2.3 Consolidation

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

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All intra-group transactions and balances, unrealised gains and losses on transactions between the Group entities are eliminated. For the purpose of the Group's consolidated financial statements, total comprehensive income of subsidiaries was attributed to owners of the parent company from the date when effective control was transferred to the Company.

2.4 Business combinations

Acquisitions of subsidiaries, except for acquisitions involving entities under common control, are accounted for using the acquisition method. The consideration transferred in return for control over the acquiree is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group at the date of acquisition.
All acquisition-related costs are expensed when incurred. The acquiree's identifiable assets acquired, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. On each acquisition, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2 Accounting policies (continued)

2.4 Business combinations *(continued)*

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2.5 Investments in subsidiaries (the Company)

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

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence and that is neither a subsidiary nor interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% to 50% of the voting rights. The Group has investment in a joint venture, which is an entity of joint operations, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity.
In the parent company's statement of financial position investments in associates and joint ventures are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.
In the consolidated financial statements of the Group, results of operation of associates and joint ventures are accounted at equity method, except when the investment is classified as held-for-sale and it is recognised according to IFRS 5 *Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. The Group's share of post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

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

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

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

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

2 Accounting policies (continued)

2.7 Property, plant and equipment and intangible assets

Property, plant, and equipment

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

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

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

Intangible assets

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

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

Depreciation and amortisation

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

2 *Accounting policies (continued)*

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

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

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

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

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

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

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

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

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

2 *Accounting policies (continued)*

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

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

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

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

2.9 Investment property

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

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

2.10 Non-current assets held for sale

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

2.11 Emission allowances

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

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

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

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

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

2 Accounting policies (continued)

2.11 Emission allowances (continued)

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

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

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

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

2.12 Financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Effective interest rate method

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

2 *Accounting policies (continued)*

2.12 Financial assets (continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

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

2.13 Inventories

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

2.14 Cash and cash equivalents

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

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

2 *Accounting policies (continued)*

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

Recognition of instruments as debt or equity instruments

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

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

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

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

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

Derecognition of financial liabilities

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

2.16 Foreign currency

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

From 2 February 2002, the Lithuanian litas was pegged to the euro at the rate of LTL 3.4528 to EUR 1, and the exchange rates of the litas against other currencies were set daily by the Bank of Lithuania. On 1 January 2015, Lithuania joined the euro zone. The exchange rates used for principal currencies were as follows:

At 31 December 2014			At 31 December 2013		
			LVL 1	=	LTL 4.9184
RUB 100	=	LTL 5.0251	RUB 100	=	LTL 7.6727
SEK 10	=	LTL 3.6246	SEK 10	=	LTL 3.8492
USD 1	=	LTL 2.8387	USD 1	=	LTL 2.5098

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

2 *Accounting policies (continued)*

2.16 Foreign currency (continued)

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

2.17 Grants

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

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

2.18 Provisions

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

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

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

2.19 Employee benefits

(a) Social security contributions

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

2 Accounting policies (continued)

2.19 Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group/Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group/Company recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

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

2.20 Leases

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

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

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

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

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

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

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

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

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

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

2 *Accounting policies (continued)*

2.21 Segment reporting

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

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

2.22 Revenue and expense recognition

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

Revenue from sale of electricity

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

Revenue from electricity-related services

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

Tariff regulation

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

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

Tariffs for import and export of electricity are not regulated.

The Group/Company generates income from public service obligation fees (PSO service fees). PSO service fees are the fees payable to the producers of electricity under a public service obligations scheme based on pre-determined annual quantities and prices of services set by the Commission. The tariff is established by the Commission based on the estimates of variable and fixed electricity production costs provided by the producers. Thus, a difference between accrued income and actually paid amounts during a year is recognised as a non-current amount receivable/payable (under the line items 'Other amounts receivable' or 'Other non-current amounts payable and liabilities'). At the end of the upcoming year, this amount is reclassified as a current amount receivable/payable (under the line items 'Other amounts receivable' or 'Advance amounts received').

2 *Accounting policies (continued)*

2.22 Revenue and expense recognition (continued)

Revenue from repair services

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

Other operating income

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

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

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

Recognition of expenses

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

2.23 Borrowing costs

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

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

2.24 Income tax

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

Income tax
Current tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2014 and 2014.

Profit of foreign entities is subject to income tax rates applicable in those foreign countries. The standard income tax rates in foreign countries are as follows:

Estonia*	21%
Latvia	15%

* Taxation of profit of subsidiaries operating in Estonia is deferred until the moment of profit appropriation, i.e. payment of dividends.

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

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

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

2. Accounting policies (continued)

2.24 Income tax (continued)

Current income tax and deferred income tax

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

2.25 Earnings per share

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

As at 31 December 2014 and 31 December 2013, the weighted average number of shares, based on which the earnings per share are calculated, was 635,083,615. As at 31 December 2014 and 31 December 2013 and during the periods then ended, the Company had no dilutive options, therefore, its basic and diluted earnings per share are the same.

2.26 Contingencies

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

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

2.27 Events after the end of the reporting period

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

2.28 Related parties

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

2.29 Inter-company offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.30 Fair value

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

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

3 Critical accounting estimates and uncertainties

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

Tax audits

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

Depreciation rates of property, plant and equipment

When assessing the remaining useful life of property, plant and equipment, management takes into consideration the conclusions provided by employees responsible for technical maintenance of assets.
In 2014 and 2013, the Group/Company reviewed the depreciation rates used for property, plant and equipment. As a result, the effective depreciation rates were recognised as appropriate and were not adjusted.

Revaluation of property, plant and equipment

No independent valuation was performed for the Company's/Group's assets stated at revalued amount in 2014 (for the subsidiaries' assets stated at revalued amount in 2013), because, in management's opinion, the fair value of assets did not differ significantly from the carrying amount.

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 comparable and cost method.

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

Impairment of property, plant and equipment

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

In 2014 and 2013, the Group and the Company accounted for property, plant and equipment, except for the assets of Hydro Power Plant, Pumped Storage Power Plant, Elektrėnai Complex (Combined-Cycle Unit and Reserve Power Plant), at revalued amount in accordance with IAS 16 *Property, Plant and Equipment.*

As of 31 December 2014 and 2013, the Company's management tested for impairment the property, plant and equipment of Kruonis Pumped Storage Power Plant and Kaunas Hydro Power Plant named after Algirdas Brazauskas and did not identify any impairment indications.

In view of the Company's management decision on dismantling units 1 and 2 of the Reserve Power Plant at the end of 2014, the Company recognised impairment loss of LTL 39.6 million equal to the carrying value of units 1 and 2 of the Reserve Power Plant as at 31 December 2014.

As of 31 December 2014 and 2013, impairment test was carried out for the rest of property, plant and equipment of the Reserve Power Plant and Combined-Cycle Unit (collectively "Elektrėnai Complex"), and it was determined that the recoverable amount exceeded the carrying amount of LTL 2,038 million (31 December 2013: LTL 2,090 million), hence no impairment was recognised.

Elektrėnai Complex is treated as a single cash generating unit based on the following:

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

3 Critical accounting estimates and uncertainties (continued)

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

The management estimated the projected operating profit in view of historical data, forecasts of market position and the legal acts in effect.

Key assumptions used in performing the impairment test as at 31 December 2014 were as follows:

1. Value in use was estimated with reference to the most up-to-date budget for the year 2015, the financial plan covering the period 2016-2019, the projected pre-tax discounted cash flows using a pre-tax weighted average capital cost (WACC) of 6.53% (2013: 7.09%). The WACC was estimated with reference to long-term borrowing cost in the market and the effective average Euro Interbank Offered Rate (EURIBOR).
2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. The projections of income from regulated activities also take into account the depreciation expenses of property, plant and equipment and return on investments, which is calculated on the value of assets used in the regulated activities. When estimating return on investments, the management used the rate of return on investments set by the Commission for the year 2015, which was 6.79%.

As a result of the analysis, the Company's management determined that it was not necessary to recognise any impairment losses as of 31 December 2014 and 31 December 2013, except for the impairment losses for units 1 and 2 of the Reserve Power Plant. Had the discount rate increased by 1 p.p. in 2014, the value in use of the Combined Cycle Unit and the Reserve Power Plant would exceed the carrying amount.

Impairment of investments in subsidiaries (Company)

As at 31 December 2014, the preliminary results of valuation of investment in Kauno Energetikos Remontas UAB revealed that the fair value of the investment did not differ significantly from its carrying amount as at 31 December 2014. The valuation was performed by independent property valuer, and the value of investment was determined seperately in respect of project execution activities and the rest of activites. Income method was selected as the principal method of valuation based on discounted cash flows. Cash flow forecast covered the period of 6 years. Forecast shift in income ranged from -2% to -4% for project execution activities and from 7% to 29% for the rest of activities. Discount rate of 50% was applied to project execution activities (in view of its early development stage), and discount rate of 14.15% was applied to the rest of activities.

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

Impairment of investments in subsidiaries and joint ventures (Group)

In 2014, additional impairment of LTL 1,987 thousand was recognised for investment in associate Geoterma UAB with the carrying amount of investment equal to LTL 0 as at 31 December 2014. The Company's management decided to recognise additional impairment in view of the fact that Geoterma UAB failed to achieve the forecast results based on which Jungtinis Verslas UAB determined the market value of Geoterma UAB as at 30 September 2013. In addition, the entity's net assets were negative as at 31 December 2014.

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

Write-down of inventory to net realisable value

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

3 Critical accounting estimates and uncertainties (continued)

Provisions for emission allowances

The Group/Company estimates the provisions for emission allowances/emission reduction units based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance/emission reduction unit. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Group/Company does not expect any material differences between the amount of estimated provisions as at 31 December 2014 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 the reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electricity production costs – natural gas, heavy fuel oil, emission allowance costs, and costs for reagent desulphurisation. As at 31 December 2014, the Group's/Company's management accounted for refundable amount of PSO service fees of LTL 50,775 thousand (to be compensated during 2016) under the line item 'Other non-current amounts payable and liabilities' (Note 22). As at 31 December 2013, the Group's/Company's management accounted for refundable amount of PSO service fees of LTL 56,955 thousand (to be compensated during 2015) under the line item 'Other non-current amounts payable and liabilities'. The remaining balance of LTL 13,104 thousand relates to the year 2011 (in 2011, when allocating PSO service fees for 2012, PSO service fees were reduced for the years 2012-2015). In 2014 these amounts were classified under 'Advance amounts received' (Note 25).

Accrual of income from capacity reserve services

Based on *Methodology for establishing the prices for electricity and capacity reserve services* approved by Resolution No. O3-229 of the National Control Commission for Prices and Energy, the Group's/Company's management accounted for refundable amount of capacity reserve services equal to LTL 2,407 thousand as at 31 December 2014 (to be compensated during 2016) under the line item 'Other non-current amounts payable and liabilities' (Note 22). As at 31 December 2013, receivable amount of capacity reserve services equal to LTL 19,082 thousand (to be compensated during 2015) was recognised under the line item 'Other amounts receivable after one year' (Note 11). In 2014 this amount was reclassified to 'Trade receivables' (Note 10).

Disputes over the Commission's decisions

In 2014, following the completion of audit of the Company's regulated activity expenses for the period 2010-2012, the Commission made decisions on restatement of expenses attributed to regulated activities. As a result of restatement, PSO services fees allocated to the Company for 2015 were reduced by LTL 21.2 million, and income from capacity reserve services allocated for the years 2015-2016 was reduced by LTL 25.7 million. As described in Note 37, in the opinion of the Company, all decisions of the Commission pertaining to the audit report on regulated activity expenses, are considered to be unsubstantiated, in respect of which the Company has filed complaints to the court. Accordingly, the effects of these decisions have not been recognised in the financial statements.

4 *Intangible assets*

The structure of the Group's intangible assets as at 31 December 2014 and 31 December 2013 was as follows:

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
At 31 December 2012					
Cost	1,859	6,414	55,413	232	63,918
Accumulated amortisation	(982)	(4,361)	-	(34)	(5,377)
Net book amount at 31 December 2012	**877**	**2,053**	**55,413**	**198**	**58,541**
Year ended 31 December 2013					
Opening net book amount	877	2,053	55,413	198	58,541
Additions	15	366	181	47	609
Grant received	-	-	1,040	-	1,040
Emission allowances utilised (Note 26)	-	-	(13,895)	-	(13,895)
Revaluation costs of emission allowances	-	-	(9,994)	-	(9,994)
Disposals	(807)	(266)	(4,041)	(19)	(5,133)
Reclassification from property, plant and equipment (Note 5)	653	-	-	-	653
Amortisation	(739)	(1,520)	-	(20)	(2,279)
Net book amount at 31 December 2013	**-**	**633**	**28,704**	**206**	**29,542**
At 31 December 2013					
Cost	37	3,106	28,704	227	32,073
Accumulated amortisation	(37)	(2,473)	-	(21)	(2,531)
Net book amount at 31 December 2013	**-**	**633**	**28,704**	**206**	**29,542**
Year ended 31 December 2014					
Opening net book amount	-	633	28,704	206	29,542
Additions	-	241	-	-	241
Grant received	-	-	8,039	-	8,039
Disposal of subsidiaries (Note 7)	-	(5)	-	(23)	(28)
Emission allowances utilised (Note 26)	-	-	(9,745)	-	(9,745)
Reclassifications between groups	-	10	-	(132)	(122)
Revaluation costs of emission allowances	-	-	9,365	-	9,365
Reclassification from property, plant and equipment (Note 5)	-	1,253	-	-	1,253
Amortisation	-	(535)	-	(19)	(554)
Net book amount at 31 December 2014	**-**	**1,597**	**36,363**	**31**	**37,991**
At 31 December 2014					
Cost	-	4,249	36,363	69	40,681
Accumulated amortisation	-	(2,652)	-	(38)	(2,690)
Net book amount at 31 December 2014	**-**	**1,597**	**36,363**	**31**	**37,991**

In 2014, the Group carried out testing of the Biofuel Boiler Plant and capitalised the emission allowances utilised during the testing by adding their value of LTL 14 thousand to the cost of the Biofuel Boiler Plant.

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

4 Intangible assets (continued)

The structure of the Company's intangible assets as at 31 December 2014 and 31 December 2013 was as follows:

Company	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Total
At 31 December 2012					
Cost	-	2,140	55,413	69	57,622
Accumulated amortisation	-	(1,558)	-	(4)	(1,562)
Net book amount at 31 December 2012	**-**	**582**	**55,413**	**65**	**56,060**
Year ended 31 December 2013					
Opening net book amount	-	582	55,413	65	56,060
Additions	-	4	181	-	185
Grant received	-	-	1,040	-	1,040
Emission allowances utilised (Note 26)	-	-	(13,895)	-	(13,895)
Revaluation costs of emission allowances	-	-	(9,994)	-	(9,994)
Disposals	-	-	(4,041)	-	(4,041)
Amortisation	-	(370)	-	(17)	(387)
Net book amount at 31 December 2013	**-**	**216**	**28,704**	**48**	**28,968**
At 31 December 2013					
Cost	-	2,144	28,704	69	30,917
Accumulated amortisation	-	(1,928)	-	(21)	(1,949)
Net book amount at 31 December 2013	**-**	**216**	**28,704**	**48**	**28,968**
Year ended 31 December 2014					
Opening net book amount	-	216	28,704	48	28,968
Additions	-	-	-	-	-
Grant received	-	-	8,039	-	8,039
Emission allowances utilised (Note 26)	-	-	(9,745)	-	(9,745)
Revaluation costs of emission allowances	-	-	9,365	-	9,365
Reclassification from property, plant and equipment (Note 5)	-	-	-	-	-
Disposals	-	1,253	-	-	1,253
Amortisation	-	(343)	-	(17)	(360)
Net book amount at 31 December 2013	**-**	**1,126**	**36,363**	**31**	**37,520**
At 31 December 2014					
Cost	-	3,278	36,363	69	39,710
Accumulated amortisation	-	(2,152)	-	(38)	(2,190)
Net book amount at 31 December 2014	**-**	**1,126**	**36,363**	**31**	**37,520**

In 2014, the Company carried out testing of the Biofuel Boiler-House and capitalised the emission allowances utilised during the testing by adding their value of LTL 14 thousand to the cost of the Biofuel Boiler-House.

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

5 Property, plant, and equipment

The structure of the Group's property, plant and equipment as at 31 December 2014 and 31 December 2013 was as follows:

Group	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Structures and equipment of Reserve Power Plant**	**Combined-Cycle Unit**	**Motor vehicles**	**Computer, communication hardware and other office equipment**	**Other PP&E**	**Construction in progress**	**Total**
Net book amount at 31 December 2012											
Cost or revalued amount	5,737	17,902	30,986	702,298	1,951,985	1,329,152	1,811	71	40,976	12,916	4,093,834
Accumulated depreciation	-	(1,506)	(6,608)	(190,759)	(1,109,974)	(12,615)	(927)	(1)	(19,575)	-	(1,341,965)
Accumulated impairment	-	-	-	-	(5,130)	-	-			(769)	(5,899)
Net book amount at 31 December 2012	**5,737**	**16,396**	**24,378**	**511,539**	**836,881**	**1,316,537**	**884**	**70**	**21,401**	**12,147**	**2,745,970**
Year ended 31 December 2013											
Opening net book amount											
Additions	5,737	16,396	24,378	511,539	836,881	1,316,537	884	70	21,401	12,147	2,745,970
Write-offs	-	-	597	238	814	163	-	45	4,391	24,979	31,227
Disposals	-	-	-	-	(4,401)	-	-	-	(18)	(62)	(4,481)
Reclassifications between groups	-	-	(1,469)	-	(166)	-	(4)	-	(12,677)	-	(14,316)
Reclassification to intangible assets (Note 4)	-	329	940	924	9,849	248	-	-	2,350	(14,640)	-
Reclassification from non-current assets held for sale	-	-	-	-	-	-	-	-	-	(653)	(653)
Reclassification from investment property (Note 6)	-	440	-	-	-	-	-	-	-	-	440
Reclassifications from inventories	-	800	-	-	-	-	-	-	-	-	800
Reversal of impairment for assets written off	-	-	-	516	3,781	2,275	-	-	-	-	6,572
Revaluation	-	(12)	20	-	4,668	-	-	-	-	-	4,676
Depreciation	753	465	(6,191)	-	-	-	229	-	(73)	-	(4,817)
Net book amount at 31 December 2013	-	(462)	(3,273)	(28,910)	(37,320)	(50,533)	(216)	(21)	(7,977)	-	(128,712)
Net book amount at 31 December 2013	**6,490**	**17,956**	**15,002**	**484,307**	**814,106**	**1,268,690**	**893**	**94**	**7,397**	**21,771**	**2,636,706**
Cost or revalued amount											
Accumulated depreciation											
Accumulated impairment	6,490	20,066	20,297	703,576	1,955,681	1,331,838	1,847	116	12,895	22,540	4,075,346
Net book amount at 31 December 2013	-	(2,085)	(5,295)	(219,269)	(1,141,575)	(63,148)	(954)	(22)	(5,498)	-	(1,437,846)

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

Group	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Structures and equipment of Reserve Power Plant**	**Combined-Cycle Unit**	**Motor vehicles**	**Computer, communication hardware and other office equipment**	**Other PP&E**	**Construction in progress**	**Total**
Year ended 31 December 2014											
Opening net book amount	6,490	17,956	15,002	484,307	814,106	1,268,690	893	94	7,397	21,771	2,636,706
Additions	-	276	756	123	848	143	791	19	203	108,525	111,684
Write-offs	-	-	-	-	(2)	-	-	-	(1)	-	(3)
Disposals	-	(952)	-	-	(477)	-	(11)	-	(6)	-	(1,446)
Disposal of subsidiaries (Note 7)	-	(27)	(3,573)	-	-	-	(38)	-	(9,358)	(6,514)	(19,510)
Reclassifications between groups	-	115	3,998	1,923	5,883	-	1	-	3,069	(14,989)	-
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	-	-	-	(1,253)	(1,253)
Reclassifications from inventories	-	-	-	190	332	648	-	-	-	-	1,170
Impairment	-	(467)	(7)	-	(39,571)	-	-	-	-	-	(40,045)
Capitalisation to construction in progress	-	-	-	-	(82)	-	-	-	-	82	-
Depreciation	-	(510)	(1,418)	(27,278)	(37,052)	(50,557)	(354)	(30)	(561)	-	(117,760)
Net book amount at 31 December 2014	**6,490**	**16,391**	**14,758**	**459,265**	**743,985**	**1,218,924**	**1,282**	**83**	**743**	**107,622**	**2,569,543**
Net book amount at 31 December 2014											
Cost or revalued amount	6,490	18,709	20,028	705,812	1,850,065	1,332,630	2,373	135	1,404	108,391	4,046,037
Accumulated depreciation	-	(2,318)	(5,270)	(246,547)	(1,066,509)	(113,706)	(1,091)	(52)	(661)	-	(1,436,154)
Accumulated impairment	-	-	-	-	(39,571)	-	-	-	-	(769)	(40,340)
Net book amount at 31 December 2014	**6,490**	**16,391**	**14,758**	**459,265**	**743,985**	**1,218,924**	**1,282**	**83**	**743**	**107,622**	**2,569,543**

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

In December 2014, no independent valuation was performed for the Group's assets carried at revalued amount since the fair value of assets did not differ significantly from their carrying amounts, accordingly no difference was recognised.

Assets carried at revalued amount are attributed to Level 2 in the fair value hierarchy:

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other observable data, directly or indirectly	Non-observable data	**Total**
Land	-	6,490	-	6,490
Structures and equipment	-	14,758	-	14,758
Buildings	-	16,391	-	16,391
Motor vehicles	-	1,282	-	1,282
Other PP&E	-	826	-	826
Fair value at 31 December 2014	**-**	**39,747**	**-**	**39,747**

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

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

As described in Note 3, as at 31 December 2014 the Group recognised impairment loss of LTL 39.6 million in respect of units 1 and 2. As at 31 December 2014 and 2013, the Group's management decided not to perform an additional revaluation/impairment testing for property, plant and equipment.

In 2013, the Group recognised reversal of impairment in respect of units 3 and 4 of the Reserve Power Plant. Reversal of impairment amounting to LTL 4,668 thousand as at 31 December 2013 was performed through restatement of property, plant and equipment.

Assets restated in 2013 using the fair value method are attributed to Level 2 in the fair value hierarchy:

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other observable market data, directly or indirectly	Non-observable data	**Total:**
Land	-	6,490	-	6,490
Structures and equipment	-	15,002	-	15,002
Buildings	-	17,956	-	17,956
Motor vehicles	-	893	-	893
Other PP&E	-	7,491	-	7,491
Fair value at 31 December 2014	**-**	**47,832**	**-**	**47,832**

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

The structure of the Company's property, plant and equipment as at 31 December 2014 and 31 December 2013 was as follows:

Company	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Structures and equipment of Reserve Power Plant**	**Combined -Cycle Unit**	**Motor vehicles**	**Computer, communication hardware and other office equipment**	**Other PP&E**	**Construction in progress**	**Total**
Net book amount at 31 December 2012											
Cost or revalued amount	5,737	1,530	11,153	701,949	1,950,791	1,329,152	420	71	173	11,540	4,012,516
Accumulated depreciation	-	(110)	(782)	(190,410)	(1,108,780)	(12,615)	(124)	(1)	(28)	-	(1,312,850)
Accumulated impairment	-	-	-	-	(5,130)	-	-		-	(769)	(5,899)
Net book amount at 31 December 2012	**5,737**	**1,420**	**10,371**	**511,539**	**836,881**	**1,316,537**	**296**	**70**	**145**	**10,771**	**2,693,767**
Year ended 31 December 2013											
Opening net book amount	5,737	1,420	10,371	511,539	836,881	1,316,537	296	70	145	10,771	2,693,767
Additions	-	-	-	238	814	163	-	45	61	18,157	19,477
Write-offs	-	-	-	-	(4,401)	-	-	-	-	-	(4,401)
Disposals	-	-	-	-	(166)	-	-	-	-	-	(166)
Reclassifications between groups	-	329	-	924	9,849	248	-	-	-	(11,350)	-
Reclassification from inventory	-	-	-	516	3,781	2,275	-	-	-	-	6,572
Reversal of impairment for assets written off	-	-	-	-	4,668	-	-	-	-	-	4,668
Revaluation	753	465	(6,191)	-	-	-	229	-	(73)	-	(4,817)
Depreciation	-	(28)	(799)	(28,910)	(37,320	(50,533)	(64)	(21)	(33)	-	(117,708)
Net book amount at 31 December 2013	**6,490**	**2,186**	**3,381**	**484,307**	**814,106**	**1,268,690**	**461**	**94**	**100**	**17,578**	**2,597,392**
At 31 December 2013											
Cost or revalued amount	6,490	2,186	3,381	703,576	1,955,681	1,331,838	461	116	100	18,347	4,022,176
Accumulated depreciation	-	-	-	(219,269)	(1,141,575)	(63,148)	-	(22)	-	-	(1,423,992)
Accumulated impairment	-	-	-	-	-	-	-	-	-	(769)	(769)
Net book amount at 31 December 2013	**6,490**	**2,186**	**3,381**	**484,307**	**814,106**	**1,268,690**	**461**	**94**	**100**	**17,578**	**2,597,392**

5 Property, plant, and equipment (continued)

Company	**Land**	**Buildings**	**Structures and equipment**	**Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant**	**Structures and equipment of Reserve Power Plant**	**Combined-Cycle Unit**	**Motor vehicles**	**Computer, communication hardware and other office equipment**	**Other PP&E**	**Construction in progress**	**Total**
Year ended 31 December 2014											
Opening net book amount	6,490	2,186	3,381	484,307	814,106	1,268,690	461	94	100	17,578	2,597,392
Additions	-	-	-	123	848	143	17	18	13	77,381	78,543
Write-offs	-	-	-	-	(2)	-	-	-	-	-	(2)
Disposals	-	-	-	-	(477)	-	-	-	-	-	(477)
Reclassifications between groups	-	82	6,859	1,923	5,883	-	-	-	241	(14,988)	-
Reclassification from inventory	-	-	-	190	332	648	-	-	-	-	1,170
Reclassification to intangible assets (Note 4)	-	-	-	-	-	-	-	-	-	(1,253)	(1,253)
Impairment	-	-	-	-	(39,571)	-	-	-	-	-	(39,571)
Capitalisation to construction in progress	-	-	-	-	(82)	-	-	-	-	82	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(47)	(335)	(27,278)	(37,052)	(50,557)	(228)	(30)	(42)	-	(115,569)
Net book amount at 31 December 2014	**6,490**	**2,221**	**9,905**	**459,265**	**743,985**	**1,218,924**	**250**	**82**	**312**	**78,800**	**2,520,234**
At 31 December 2014											
Cost or revalued amount	6,490	2,268	10,240	705,812	1,850,065	1,332,630	478	134	354	79,569	3,988,040
Accumulated depreciation		(47)	(335)	(246,547)	(1,066,509)	(113,706)	(228)	(52)	(42)		(1,427,466)
Accumulated impairment					(39,571)					(769)	(40,340)
Net book amount at 31 December 2014	**6,490**	**2,221**	**9,905**	**459,265**	**743,985**	**1,218,924**	**250**	**82**	**312**	**78,800**	**2,520,234**

In 2014, the Company recognised expenses of LTL 61,089 thousand relating to the project for the construction of heat production facility at the Lithuanian Power Plant to be completed by August 2015.

As of 31 December 2014, the Company's commitments to acquire or construct property, plant and equipment amounted to LTL 28 million (31 December 2013: LTL 86 million).

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

In December 2014, no independent valuation was performed for the Company's assets carried at revalued amount since the fair value of assets did not differ significantly from their carrying amounts, accordingly no difference was recognised.

Assets carried at revalued amount are attributed to Level 2 in the fair value hierarchy:

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other observable market data, directly or indirectly	Non-observable data	**Total**
Land	-	6,490	-	6,490
Structures and equipment	-	9,905	-	9,905
Buildings	-	2,221	-	2,221
Motor vehicles	-	250	-	250
Other PP&E	-	394	-	394
Fair value at 31 December 2014	**-**	**19,260**	**-**	**19,260**

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

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

As described in Note 3, as at 31 December 2014 the Company recognised impairment loss of LTL 39.6 million in respect of units 1 and 2.

In 2013, the Company recognised reversal of impairment in respect of units 3 and 4 of the Reserve Power Plant. Reversal of impairment amounting to LTL 4,668 thousand as at 31 December 2013 was performed through restatement of property, plant and equipment.

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

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other observable market data, directly or indirectly	Non-observable data	**Total**
Land	-	6,490	-	6,490
Structures and equipment	-	3,381	-	3,381
Buildings	-	2,186	-	2,186
Motor vehicles	-	461	-	461
Other PP&E	-	194	-	194
Fair value at 31 December 2014	**-**	**12,712**	**-**	**12,712**

As of 31 December 2014, the Group's property, plant and equipment amounting to LTL 1,150,812 thousand was pledged to the banks as collateral (31 December 2013: LTL 1,347,271 thousand). As of 31 December 2014, the Company's property, plant and equipment amounting to LTL 1,150,812 thousand was pledged to the banks as collateral (31 December 2013: LTL 1,347,271 thousand).
In 2014, the Group capitalised interest expenses of 1,203 thousand (2013: LTL 941 thousand) on loans related to development of non-current tangible assets. In 2014 the average loan capitalisation rate was 1.20% (2013: 1.88%).

Net book amounts of property, plant and equipment acquired by the Group under financial lease contracts as at 31 December 2014 and 31 December 2013 were as follows:

Category of PP&E	**At 31 December 2014**	**At 31 December 2013**
Plant and machinery	243	1,982
Motor vehicles	-	48
Total	**243**	**2,030**

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

The table below presents the carrying amounts of the Company's/Group's property, plant and equipment that would have been recognised if the cost method had been used in accounting for assets as at 31 December 2014 and 31 December 2013:

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-Cycle Unit	Motor vehicles	Computer, communication hardware and other office equipment	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2014	**5,867**	**8,160**	**13,554**	**459,265**	**743,985**	**1,218,924**	**1,228**	**83**	**799**	**107,622**	**2,559,486**
Net book amount at 31 December 2013	**5,867**	**11,171**	**7,006**	**484,307**	**814,106**	**1,268,690**	**596**	**94**	**696**	**17,578**	**2,610,111**

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined-Cycle Unit	Motor vehicles	Computer, communication hardware and other office equipment	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2014	**5,867**	**585**	**8,758**	**459,265**	**743,985**	**1,218,924**	**214**	**83**	**391**	**78,800**	**2,516,871**
Net book amount at 31 December 2013	**5,867**	**516**	**2,264**	**484,307**	**814,106**	**1,268,690**	**270**	**94**	**211**	**17,578**	**2,593,903**

6 *Investment property*

	Group	Company
At 31 December 2012		
Cost	800	-
Accumulated depreciation	-	-
Net book amount at 31 December 2012	**800**	-
Year ended 31 December 2013		
Opening net book amount	800	-
Reclassification to PP&E (Note 5)	(800)	-
Net book amount at 31 December 2013	**-**	-
Year ended 31 December 2013		
Opening net book amount	800	-
Reclassification to PP&E (Note 5)	(800)	-
Net book amount at 31 December 2013	**-**	-
Year ended 31 December 2014		
Opening net book amount	-	-
Net book amount at 31 December 2014	**-**	-
At 31 December 2014		
Cost	-	-
Accumulated depreciation	-	-
Net book amount at 31 December 2014	**-**	**-**

7 *Investments*

As at 31 December 2014, the Company had direct control over the following subsidiaries:

Subsidiary

At 31 December 2014	**Cost**	**Impairment**	**Carrying amount**
Kauno Energetikos Remontas UAB	41,334	(21,041)	20,293
Energijos Tiekimas UAB	750	-	750
Total	**42,084**	**(21,041)**	**21,043**

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

Subsidiary

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

Movements of investments in subsidiaries during the years ended 31 December 2014 and 31 December 2013 were as follows:

	Company at 31 December 2014	**Company at 31 December 2013**
Carrying amount as at 1 January	**52,397**	**54,651**
Disposal of subsidiaries	(41,347)	-
Increase in share capital	9,993	-
Additional impairment of subsidiaries	**-**	(2,254)
Carrying amount at 31 December	**21,043**	**52,397**

7 Investments (continued)

Based on decision made on 17 November 2014 by sole shareholder of Kauno Energetikos Remontas UAB, the share capital of Kauno Energetikos Remontas UAB was increased by LTL 9,993,340. On 18 November 2014, the Agreement on the Subscription for Shares was signed between the Company and Kauno Energetikos Remontas UAB, based on which Lietuvos Energijos Gamyba AB subscribed for 999,334 ordinary registered intangible shares of Kaunas Energetikos Remontas UAB with par value of LTL 10 each. The total issue price amounting to LTL 9,993,340 was paid by cash contribution. Following increase in share capital of Kaunas Energetikos Remontas UAB, the interest of percentage held by the Company did not change.

On 31 March 2014, the Company sold 31,835,166 (thirty-one million, eight thousand and thirty-five thousand, one hundred and sixty-six) ordinary registered shares of Duomenų Logistikos Centras UAB, which were acquired by Lietuvos Energija UAB for the amount of LTL 41,347 thousand. Following the transaction, the Company lost control over its indirectly controlled subsidiary VŠĮ Respublikinis Energetikų Mokymo Centras. Gain on disposal of subsidiary was recognised in the Group's statement of comprehensive income under the caption 'Other operating income'.

Disposal of these entities was recognised on 31 March 2014, and the carrying amounts of assets and liabilities disposed were as follows:

	Carrying amount (LTL)		
	Duomenų Logistikos Centras UAB	VŠĮ Respublikinis Energetikų Mokymo Centras	Total
Non-current intangible assets (Note 4)	28	-	28
Property, plant and equipment (Note 5)	19,376	134	19,510
Investments in subsidiaries and associates (Note 7)	1,723	-	1,723
Prepayments for non-current assets	371	-	371
Deferred income tax assets (Note 23)	287	-	287
Inventories	-	16	16
Current amounts receivable	21,928	216	22,144
Cash and cash equivalents	26,018	528	26,546
Non-current liabilities	(1,638)	(506)	(2,144)
Income tax liabilities	(1,222)	-	(1,222)
Current amounts payable and other liabilities	(4,268)	(1,282)	(5,550)
Net assets	**62,603**	**(894)**	**61,709**
Cost of consideration			**41,347**
Difference recorded in:			**20,250**
Statement of comprehensive income			**23,818**
Equity **Attributable to non-controlling interest**			**(44,180)**

Structure of the Company's investments in the associates and the joint venture as at 31 December 2014 and 31 December 2013 was as follows:

Group **At 31 December 2014**	**Cost**	**Ownership interest (%)**	**Impairment and equity method**	**Carrying amount**
NT Valdos UAB	130,720	41.74	(3,816)	126,904
Nordic Energy Link AS	-	25.00	-	-
Geoterma UAB	7,396	23.44	(7,396)	-
Technologijų ir Inovacijų Centras UAB	4,444	20.00	(152)	4,292
Verslo Aptarnavimo Centras UAB	300	15.00	(93)	207
Total	**142,860**		**(11,457)**	**131,403**

7 Investments (continued)

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

Disposal of shares in Nordic Energy Link AS

During the shareholders' meeting held on 19 March 2014, the shareholders of Nordic Energy Link AS ("NEL") made a decision on dissolution of Nordic Energy Link AS. On 19 March 2014, NEL bought out from its shareholders a proportionate share of 10% shares. The Company sold 860,000 ordinary registered shares for the amount of LTL 1,898 thousand. On 29 December 2014, NEL bought out from its shareholders the remaining shares. The Company sold 7,740,000 ordinary registered shares for the amount of LTL 18,056 thousand. On 19 March 2014, dividends transferred by NEL to the Company totalled LTL 6,643 thousand. Loss on dissolution of NEL was recognised in the Group's statement of comprehensive income under the caption 'Finance costs'. As at 31 December 2014, the company was not deregistered from the Register of Entities.

Increase in share capital of Technologijų ir Inovacijų Centras UAB

During the Ordinary General Meeting of Shareholders of Technologijų ir Inovacijų Centras UAB held on 30 April 2014, the decision was made to increase the company's authorised share capital by LTL 19,990,000, by way of issuing 19,990,000 ordinary registered shares. On 19 May 2014, the Company and Technologijų ir Inovacijų Centras UAB signed the Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 4,442,222 newly issued ordinary registered shares of Technologijų ir Inovacijų Centras UAB with par value of LTL 1 each. The total issue price was paid by cash contribution. As a result of increase in share capital of Technologijų ir Inovacijų Centras UAB, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB increased from 20% to 22,22%.

During the Extraordinary General Meeting of Shareholders of Technologijų ir Inovacijų Centras UAB held on 19 December 2014, the decision was made to increase the company's authorised share capital by LTL 2,200,525 by way of issuing 2,200,525 ordinary registered shares. As a result of increase in share capital of Technologijų ir Inovacijų Centras UAB, the Company's ownership interest in Technologijų ir Inovacijų Centras UAB decreased from 22.22% to 20%.

Establishment and increase in share capital of Verslo Aptarnavimo Centras UAB

On 21 July 2014, Lietuvos Energijos Gamyba AB together with Lietuvos Energija UAB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB signed an agreement on the establishment of joint venture Verslo Aptarnavimo Centras UAB. Based on this agreement, the Company acquired 20,000 ordinary registered shares with par value of LTL 1 each. The total issue price was paid by cash contribution. Verslo Aptarnavimo Centras UAB was registered with the state enterprise Centre of Registers on 30 July 2014. Following this transaction, the Company owned 20% of shares in Verslo Aptarnavimo Centras UAB.

During the Extraordinary General Meeting of Shareholders of Verslo Aptarnavimo Centras UAB held on 28 October 2014, the decision was made to increase the company's authorised share capital by LTL 1,400,000, by way of issuing 1,400,000 ordinary registered shares. On 29 October 2014, the Company and Verslo Aptarnavimo Centras UAB signed the Agreement for the Subscription of Shares, based on which Lietuvos Energijos Gamyba AB subscribed for 280,000 newly issued ordinary registered shares of Verslo Aptarnavimo Centras UAB with par value of LTL 1 each. The total issue price was paid by cash contribution. As a result of increase in share capital of Verslo Aptarnavimo Centras UAB, the Company's ownership interest in Verslo Aptarnavimo Centras UAB did not change.

During the Extraordinary General Meeting of Shareholders of Verslo Aptarnavimo Centras UAB held on 12 December 2014, the decision was made to increase the company's authorised share capital by LTL 500,000, by way of issuing 500,000 ordinary registered shares. As a result of increase in share capital of Verslo Aptarnavimo Centras UAB, the Company's ownership interest in Verslo Aptarnavimo Centras UAB decreased from 20% to 15%.

The shareholders of Verslo Aptarnavimo Centras UAB who hold 5 (five) or more percent of shares may each nominate 1 (one) candidate to the Company's board, and all shareholders who hold less than 5 (five) percent of shares may all nominate 1 (one candidate. During the voting, each member has one vote. When the number of affirmative votes is equal to the number of negative votes, the casting vote is that of the chairman of the board. Since the Group has significant power in governance of the company when the decisions are made, Verslo Aptarnavimo Centras UAB is treated as an associate.

7 Investments (continued)

Disposal of shares held by NT Valdos UAB Group

As a result of the Company's disposal of ordinary registered shares of Duomenų Logistikos Centras UAB on 31 March 2014, the Group's ownership interest in associate NT Valdos UAB decreased from 42.32% to 41.74%.

Reduction of share capital of Technologijų ir Inovacijų Centras UAB

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

Change of name of Technologijų ir Inovacijų Centras UAB

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

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

During the General Meeting of Shareholders of Duomenų Logistikos Centras UAB held on 27 September 2013, the decision was made to give approval to the action plan and its fulfilment for spin-off of commercial and non-commercial activities (functions) of Duomenų Logistikos Centras UAB. Based on the approved plan, the activities of Duomenų Logistikos Centras UAB were reorganised to separate its direct activities (functions), i.e. transmission of data and provision of data centre lease services, and to move (transfer) its non-commercial activities (functions), i.e. IT maintenance and support for the group of electricity companies, to a new entity established by the shareholders of Duomenų Logistikos Centras UAB.
On 4 December 2013, a new entity was established, named Technologijų ir Inovacijų Centras UAB. On 25 November 2013 the Company and Technologijų ir Inovacijų Centras UAB signed the 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 by cash contribution.

Structure of the Company's investments in the associates and the joint venture as at 31 December 2014 and 31 December 2013 was as follows:

Company At 31 December 2014	**Cost**	**Ownership interest (%)**	**Impairment and equity method**	**Carrying amount**
NT Valdos UAB	130,720	41.74		130,720
Nordic Energy Link AS	-	25.00	-	-
Geoterma UAB	7,396	23.44	(7,396)	-
Technologijų ir Inovacijų Centras UAB	4,444	20.00		4,444
Verslo Aptarnavimo Centras UAB	300	15.00		300
Total	**142.860**		**(7.396)**	**135,464**

As described in Note 3, additional impairment was recognised in 2014 for the investment in associate Geoterma UAB.

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

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

7 Investments (continued)

Movements of investments in the associates and the joint venture during the years ended 31 December 2014 and 31 December 2013 were as follows:

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Carrying amount at 1 January	**154,833**	**153,884**	**153,496**	**155,427**
Acquisition of associates	4,742	4,742	2	2
Disposal/liquidation of associates	(22,157)	(21,175)		
Dividends received from associates	(6,643)	-	-	-
Impairment of investments	-	(1,987)	-	(1,545)
Write-off of investment in associates and joint ventures	-	-	(13)	-
Disposal of share in associate on sale of subsidiary	(1,723)	-	-	-
Share of result of revaluation reserve of associates and joint ventures	1,832	-	-	-
Share of result of operations of associates and joint ventures, (loss)/profit	518	-	1,348	-
Carrying amount at 31 December	**131,403**	**135,464**	**154,833**	**153,884**

The Group's share of loss not recognised in 2014 in the Group's financial statements is as follows:

	Geoterma UAB 2014
Comprehensive income (loss) of the associate	(3,738)
Group's share of comprehensive income (loss) loss	(876)
Investment value	-
Share of loss not recognised in the Group's financial statements	(876)

The Group's share of loss not recognised in 2013 in the Group's financial statements is as follows:

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

7 Investments (continued)

Summarised statement of financial position of associates and joint venture as at 31 December 2014 and 31 December 2013 (unaudited):

	Technologijų ir Inovacijų Centras UAB		**Verslo Aptarnavimo Centras UAB**		**Geoterma UAB**		**Nordic Energy Link AS**		**NT Valdos UAB**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Current assets and liabilities										
Cash and cash equivalents	32	10	1,016	-	58	10	715	112,865	19,353	18,478
Other current assets	9,710	21	775	-	1,633	2,359	-	981	10,132	9,612
Total current assets	**9,742**	**31**	**1,791**	**-**	**1,691**	**2,369**	**715**	**113,846**	**29,485**	**28,090**
Financial liabilities	(761)	(17,484)	-	-	(5,684)	(3,848)	-	-	-	-
Other current liabilities	(11,671)	(9)	(522)	-	(2 089)	(1,805)	(712)	(4,372)	(7,465)	(10,908)
Total current financial liabilities	**(12,432)**	**(17,493)**	**(522)**	**-**	**(7,773)**	**(5,653)**	**(712)**	**(4,372)**	**(7,465)**	**(10,908)**
Non-current assets and liabilities										
Non-current assets	22,520	14,958	-	-	25,560	27,258	-	546	286,153	283,549
Grants	-	-			(15,766)	(17,246)	-	-	-	-
Financial liabilities	-	-	-	-	(4,970)	(6,383)	-	-	-	-
Other non-current liabilities	(43)	-	-	-	(234)	(267)	-	-	(4,485)	(3,357)
Total non-current assets	**22,477**	**14,958**	**-**	**-**	**4,590**	**3,362**	**-**	**546**	**281,668**	**280,192**
Net assets	**19,787**	**(2,504)**	**1,269**	**-**	**(1,492)**	**78**	**3**	**110,020**	**303,688**	**297,374**

7 Investments (continued)

Summarised statement of comprehensive income of associates and joint venture as at 31 December 2014 and 31 December 2013 (unaudited):

	Technologijų ir Inovacijų Centras UAB		Verslo Aptarnavimo Centras UAB		Geoterma UAB		Nordic Energy Link AS		NT Valdos UAB	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	**45,963**	**2**	**1,143**	**-**	**7,230**	**7,246**	**331**	**56,291**	**57,456**	**53,649**
Depreciation and amortisation	(7,004)	-	-	-	(1,039)	(3,326)	-	-	(9,158)	(7,972)
Interest income	-	-	-	-	-		-	-	115	39
Interest expenses	(11)	-	-	-	(133)	(133)	-	-	(3)	(97)
Profit (loss) before tax	**2,104**	**(4)**	**(622)**	**-**	**(1,604)**	**(16,553)**	**1,005**	**14,968**	**2,200**	**3,405**
Income tax income/(expenses)	(364)	-	-	-	-	-	(4,634)	(1,616)	(277)	(660)
Net profit (loss)	**1,740**	**(4)**	**(622)**	**-**	**(1,604)**	**(16,553)**	**(3,629)**	**13,352**	**1,923**	**2,745**
Other comprehensive income	**-**	**-**	**-**	**-**	**225**	**47**	**-**	**-**	**4,391**	**(59)**
Total comprehensive income	**1,740**	**(4)**	**(622)**	**-**	**(1,379)**	**(16,506)**	**(3,629)**	**13,352**	**6,314**	**2,686**
Dividends received from associate	**-**	**-**	**-**	**-**	**-**	**-**	**6,643**	**-**	**-**	**-**

7 Investments (continued)

Summarised financial information of associates and joint venture as at 31 December 2014 and 31 December 2013 (unaudited):

Summarised	**Technologijų ir Inovacijų Centras UAB**		**Verslo Aptarnavimo Centras UAB**		**Geoterma UAB**		**Nordic Energy Link AS**		**NT Valdos UAB**	
Financial information	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Net assets at 1 January	**(2,504)**	**-**	**-**	**-**	**78**	**16,584**	**110,020**	**96,668**	**297,374**	**294,688**
Formation/ dissolution of share capital, changes in reserves	20,551	10	1,891	-	(191)	-	(106,388)	-	-	-
Profit (loss) for the year	1,740	(4)	(622)	-	(1,604)	(16,553)	(3,629)	13,352	1,923	2,745
Business acquisition	-	(2,510)	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	225	47	-	-	4,391	(59)
Net assets at 31 December 31	**19,787**	**(2,504)**	**1,269**	**-**	**(1,492)**	**78**	**3**	**110,020**	**303,688**	**297,374**
Ownership %	20%	20%	15%	-	23.44%	23.44%	25%	25%	41.47%	41.47%
Investment in associate	4,292	-	207	-	-	-	-	27,505	126,904	126,033
Guarantees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,295**	**-**	**-**
Carrying amount	**4,292**	**-**	**207**	**-**	**-**	**-**	**-**	**28,800**	**126,904**	**126,033**

8 *Other non-current assets*

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Right to receive emission allowances in future	33,498	33,498	33,498	33,498
Less: impairment	(7,346)	(7,346)	(15,648)	(15,648)
Carrying amount at 31 December	**26,152**	**26,152**	**17,850**	**17,850**

As at 31 December 2011, 400,000 units of emission allowances were lent under the provisions of the lending agreement signed with STX Services BV on 1 December 2009. The agreement expires in 2012. On 16 April 2012, additional 650,000 units of emission allowances were lent under the provisions of the lending agreement signed with CF Partners (UK) LLP on 13 April 2012. On 25 June 2013, this agreement was supplemented to extend the validity term of the agreement until 31 March 2015. Impairment of emission allowances was estimated with reference to the market prices of emission allowances as at 31 December 2014.

9 *Inventories*

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Heavy fuel oil	16,474	16,474	20,740	20,740
Materials	7,232	5,022	5,878	4,959
Spare parts	4,036	4,036	4,373	4,373
Biofuel	1,052	1,052	-	-
Goods for resale	21	21	1,058	1,058
Less: write-down to net realisable value	(7,456)	(7,456)	(8,017)	(8,017)
Carrying amount	**21,359**	**19,149**	**24,032**	**23,113**

The cost of the Group's inventories carried at net realisable value as at 31 December 2014 amounted to LTL 7,572 thousand (31 December 2013: LTL 8,169 thousand). The cost of the Company's inventories carried at net realisable value as at 31 December 2014 amounted to LTL 7,572 thousand (31 December 2013: LTL 8,169 thousand).

The Group's inventories expensed during the period ended 31 December 2014 amounted to LTL 25,867 thousand (2013: LTL 56,654 thousand). The Company's inventories expensed during the period ended 31 December 2014 amounted to LTL 6,954 thousand (2013: LTL 37,352 thousand).

Movements in impairment of inventories during the years ended 31 December 2014 and 31 December 2013 are shown in the table below:

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Impairment of inventories at 1 January	8,017	8,017	10,298	10,280
Write-down of inventories during the reporting period	295	295	1,122	1,122
Write-off of impairment	-	-	(18)	-
Reversal of inventory write-down	(856)	(856)	(3,385)	(3,385)
Impairment of inventories at 31 December	**7,456**	**7,456**	**8,017**	**8,017**

The impairment charge and reversal of inventory write-down were included in operating expenses in the statement of comprehensive income. In 2014 and 2013, the Group/Company made additional write-downs to net realisable value for obsolete and slow-moving spare parts stored at the warehouse. In 2014 and 2013, reversal of inventory write-down was recognised for inventories that were utilised and moved to emergency reserve. The reversal was included in operating expenses.

As at 31 December 2014, there were no inventories pledged as collateral by the Group/Company (31 December 2013: LTL 6,000 thousand) (Note 19).

10 Trade receivables

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Receivables for sales of electricity in Lithuania	77,688	73,799	125,680	119,490
Unbilled accrued revenue from electricity sales*	19,082	19,082	11,280	11,280
Receivables for repair and design works	10,718	-	10,144	-
Receivables for sales of thermal energy	10,680	10,680	9,988	9,988
Receivables for exported electricity	7,275	7,275	1,819	1,819
Other trade receivables	79	79	25,249	5
Total	**125,522**	**110,915**	**184,160**	**142,582**
Less: allowance for doubtful receivables	(9,130)	(4,273)	(14,187)	(9,308)
Carrying amount	**116,392**	**106,642**	**169,973**	**133,274**

* In 2014 the Group/Company recognised additional amount of LTL 19,082 thousand in relation to income from capacity reserve services (Note 3). As at 31 December 2014, this amount was reclassified from 'Other non-current amounts receivable' (Note 11).

The carrying amount of trade receivables at the year-end was estimated as the present value of future payments using a discount rate of 6% (as at 31 December 2014 and 2013). The difference between the fair value and carrying amount was not recognised, because the fair value of trade receivables did not differ significantly from their carrying amount. The fair value of trade receivables is attributed to Level 3 of fair value hierarchy.

Movements in impairment of trade receivables during the years ended 31 December 2014 and 31 December 2013 were as follows:

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Carrying amount at 1 January	**14,187**	**9,308**	**18,325**	**13,483**
Reversal of impairment for doubtful trade receivables	(6,080)	(5,974)	(3,896)	(3,553)
Write-off of doubtful trade receivables	-	-	(9,612)	(9,612)
Recognised as doubtful receivables during the reporting period	1,023	939	9,370	8,990
Carrying amount at 31 December	**9,130**	**4,273**	**14,187**	**9,308**

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

In 2013, additional impairment of LTL 6,859 thousand was recognised in respect of amount receivable for sales of electricity from Energijos Kodas UAB, and reversal of impairment was recognised for the amount of LTL 2,730 thousand recovered from Sky Energy UAB. In 2014, reversal of impairment was recognised for the amount of LTL 2,167 thousand recovered from Energijos Kodas UAB, and amount of LTL 3,492 thousand was reclassified to non-current amounts receivable.

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Not past due	106,976	99,615	162,132	129,525
Past due up to 30 days	2,628	810	2,514	4
Past due from 30 to 60 days	212	0	1,530	940
Past due from 60 to 90 days	29	-	220	-
Past due over 90 days	101	-	352	-
Carrying amount	**109,946**	**100,425**	**166,748**	**130,469**

10 Trade receivables (continued)

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Not past due	16	-	121	-
Past due up to 30 days	17	-	33	-
Past due from 30 to 60 days	156	-	5,027	4,520
Past due from 60 to 90 days	58	1	2,949	2,767
Past due over 90 days	15,329	10,489	9,282	4,826
Carrying amount	**15,576**	**10,490**	**17,412**	**12,113**

As at 31 December 2014, no trade receivables were pledged as collateral. As at 31 December 2013, trade receivables pledged as collateral amounted to LTL 1,249 thousand (Note 19).

11 Other amounts receivable

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Unbilled accrued revenue from electricity sales*(Note 3)	-	-	19,082	19,082
Receivables for emission allowances lent	949	949	1,244	1,244
Receivables for apartments	525	525	623	623
Other receivables	480	480	-	-
Total	**1,954**	**1,954**	**20,949**	**20,949**

*In 2013 the Group/Company accounted for LTL 19,082 thousand relating to income from capacity reserve services (Note 3). In 2014, this amount was reclassified to 'Trade receivables'.

Receivables for emission allowances lent represent future proceeds under the lending agreement signed with STX BV and CF Partners (UK) LLP. Receivables were estimated at the present value of future payments using a 6% discount rate (as at 31 December 2014 and 31 December 2013). The fair value of amounts receivable for emission allowances lent is attributed to Level 3 in the fair value hierarchy.

Accrued revenues from sales of electricity are attributed to Level 3 in the fair value hierarchy. The fair value of these amounts receivable did not differ significantly from their carrying amount.

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Other receivables	4,137	3,211	4,736	3,467
Excise receivable on heavy fuel	1,060	1,060	3,059	3,059
VAT receivable from the state budget	817	-	-	-
Grants receivable for the Syderių project	107	107	55	55
Receivables for IT and telecommunications services	21	21	40	38
Grant receivable for emission allowances*	-	-	5,366	5,366
	6,142	**4,399**	**13,256**	**11,985**
Less: allowance for doubtful receivables	(2,057)	(2,057)	(2,743)	(2,743)
Carrying amount	**4,085**	**2,342**	**10,513**	**9,242**

11 Other amounts receivable (continued)

*Grant receivable for emission allowances was accounted for in line with the European Commission Decision of 5 September 2013 No 2013/448/ES *Concerning national implementation measures for the transitional free allocation of greenhouse gas emission allowances in accordance with Article 11(3) of Directive 2003/87/EB of the European Parliament of the Council* and in line with the list of operators participating in the EU trading scheme of greenhouse gas emission allowances approved by the Ministry of Environment, under which a certain quantity of emission allowances were allocated to the Company free of charge for the period 2013-2020. The Company received this grant in March 2015.

Movements in impairment of doubtful other amounts receivable during the years ended 31 December 2014 and 31 December 2013 were as follows:

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Carrying amount at 1 January	**2,743**	**2,743**	**1,771**	**1,771**
Reversal of impairment	(835)	(835)	(35)	(35)
Write-off of doubtful receivables	-	-	(251)	(251)
Recognised as doubtful receivables during the reporting period	149	149	1,258	1,258
Carrying amount at 31 December	**2,057**	**2,057**	**2,743**	**2,743**

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

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Not past due	3,319	1,661	10,413	9,142
Past due up to 30 days	1	1	81	81
Past due from 30 to 60 days	-	-	1	1
Past due over 60 days	85	-	-	-
Carrying amount	**3,405**	**1,662**	**10,495**	**9,224**

The carrying amount of other amounts receivable at the year-end was estimated as the present value of future payments using a discount rate of 6% (as at 31 December 2014 and 2013). The difference between the fair value and carrying amount was not recognised, because the fair value of other amounts receivable did not differ significantly from their carrying amount. The fair value of other current amounts receivables is attributed to Level 3 of fair value hierarchy

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Past due up to 30 days	-	-	20	20
Past due from 60 to 90 days	1	1	6	6
Past due over 90 days	2,736	2,736	2,735	2,735
Carrying amount	**2,737**	**2,737**	**2,761**	**2,761**

11 Cash and cash equivalents

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Cash at bank and in hand	274,271	261,552	219,746	178,087
Carrying amount	**274,271**	**261,552**	**219,746**	**178,087**

12 Cash and cash equivalents (continued)

The fair value of the Group's and the Company's cash approximates the carrying amount.

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Cash and cash equivalents	274,271	261,552	219,746	178,087
Carrying amount	**274,271**	**261,552**	**219,746**	**178,087**

Based on the loan agreement signed with Nordea Bank AB Lithuania Branch, the Group pledged current cash balances and future inflows to bank ccounts opened with this bank. As at 31 December 2014, the pledged cash balance with Nordea Bank AB Lithuania Branch amounted to LTL 490 thousand (31 December: LTL 5,940 thousand).
Based on the letter of credit agreements signed with DNB Bankas AB, the Group pledged all its current cash balances and and future inflows to bank accounts opened with this bank. As at 31 December 2014, total cash balance with DNB Bankas AB amounted to LTL 1,012 thousand.

13 Non-current assets held for sale

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Non-current assets of Kauno Energetikos Remontas UAB	124	-	131	-
	124	**-**	**131**	**-**

Non-current assets held for sale comprise devices and equipment that are expected to be sold by the Group in 2015.

14 Share capital and share premium

As of 31 December 2014 and 31 December 2013, the Company's share capital amounted to LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The shares of Lietuvos Energijos Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange since 1 September 2011. The highest share price at the Stock Exchange trading session in 2014 was LTL 2.949 per share, and the lowest share price was LTL 1.364 per share. The total number of shareholders as at 31 December 2014 was 6,137.

The shareholders' structure of the Company is as follows:

	Share capital at 31 December 2014		Share capital at 31 December 2013	
Shareholders	**(LTL)**	**%**	**(LTL)**	**%**
Lietuvos Energija UAB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
Total	**635,083,615**	**100.00**	**635,083,615**	**100.00**

As of 31 December 2014, Lietuvos Energija UAB was wholly owned (100%) by the State of Lithuania represented by the Lithuanian Ministry of Finance.

	Share capital		Share premium	
	(shares)	**(shares)**	**(LTL)**	**(LTL)**
	2014	**2013**	**2014**	**2013**
Number of shares at the beginning of the period	635,083,615	635,083,615	295,767,304	295,767,304
Number of shares at the end of the period	635,083,615	635,083,615	295,767,304	295,767,304

15 Revaluation reserve

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

Group	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2012	**14,273**	**(2,218)**	**12,055**
Depreciation of revaluation reserve	(1,059)	159	(900)
Adjustment of revaluation reserve	(3,796)	569	(3,227)
Balance at 31 December 2013	**9,418**	**(1,490)**	**7,928**
Balance at 31 December 2013	**9,418**	**(1,490)**	**7,928**
Depreciation of revaluation reserve	(667)	100	(567)
Decrease on disposal of assets	(490)	73	(417)
Balance at 31 December 2014	**8,261**	**(1,317)**	**6,944**

Company	**Revaluation reserve**	**Deferred income tax**	**Net of deferred income tax**
Balance at 31 December 2012	**9,146**	**(1,372)**	**7,774**
Depreciation of revaluation reserve	(626)	94	(532)
Adjustment of revaluation reserve	(3,796)	569	(3,227)
Balance at 31 December 2013	**4,724**	**(709)**	**4,015**
Balance at 31 December 2013	**4,724**	**(709)**	**4,015**
Depreciation of revaluation reserve	(269)	40	(229)
Balance at 31 December 2014	**4,455**	**(669)**	**3,786**

16 Legal reserve

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

As of 31 December 2014, the Group's legal reserve amounted to LTL 37,896 thousand and the Company's legal reserve amounted to LTL 37,540 thousand (31 December 2013: LTL 37,852 thousand and LTL 37,540 thousand, respectively). In 2014, the Group's subsidiaries transferred LTL 44 thousand (2013: LTL 34 thousand) to the legal reserve, and the Company transferred LTL 1,673 thousand to the legal reserve in 2013.

17 Other reserves

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

Group/Company	Reserve for share capital reduction due to transfer of heavy fuel oil storage facilities	Reserve for investments	Non-current asset-related reserves	Total
Balance at 31 December 2012	**(63,777)**	**116,883**	**664,669**	**717,775**
Reserves utilised	-	-	(40,000)	**(40,000)**
Balance at 31 December 2013	**(63,777)**	**116,883**	**624,669**	**677,775**
Balance at 31 December 2013	**(63,777)**	**116,883**	**624,669**	**677,775**
Reserves utilised	**-**	(53,106)	(624,669)	(677,775)
Balance at 31 December 2014	**(63,777)**	**63,777**	**-**	**-**

Upon the first-time adoption of IFRSs on 1 January 2004, the Company's equity increased by LTL 721,107 thousand. In order to impose restrictions on the ability to distribute this increase, a non-current assets-related reserve was established. As of 31 December 2013, the amount of this reserve attributable to the owners of the Company was equal to LTL 624,669 thousand. During the General Meeting of Shareholders held in 2014, a decision was made to transfer LTL 624,669 thousand to retained earnings.

As of 31 December 2013, the Company's reserve for investments amounted to LTL 116,883 thousand. It was established to accumulate funds for the construction and development of non-current assets. During the General Meeting of Shareholders held in 2014, a decision was made to transfer LTL 53,106 thousand to retained earnings.

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

18 Dividends per share

During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 30 September 2014, a decision was made to pay out dividends of LTL 0.11 per share from retained earnings for a six-month period ended 30 June 2014.
During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 4 April 2014, a decision was made to pay out dividends of LTL 0.24 per share from retained earnings.

	2014
Dividends (LTL '000)	219,859
Weighted average number of shares (units)	635,083,615
Dividends per share (LTL)	0.35

During the Ordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB held on 29 April 2013, a decision was made to pay out dividends of LTL 0.04 per share from retained earnings.

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

19 Borrowings

The Group's and the Company's borrowings by maturity grouping are as follows:

	Group at 31 December 2014	Company at 31 December 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 and DnB NORD Bankas AB,) in EUR, to be repaid by 1 April 2018	-	-	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
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	-	-	237,818	237,818
Loan from Nordea Bank AB Lithuania branch, EUR, to be repaid by 1 December 2017	7,300	-	8,500	-
Loand from Nordea Bank AB Lithuania branch, EUR, to be repaid by 31 March 2027	44,805	44,805	10,465	10,465
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	455,366	455,366		
Total non-current borrowings:	**507,471**	**500,171**	**506,761**	**498,261**
Current borrowings				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch and DnB NORD Bankas AB,) in EUR, to be repaid by 1 April 2018	-	-	14,253	14,253
Letters of credit	1,440	-	-	-
loan from Nordea Bank AB Lithuania Branch, in EUR, to be repaid by 1 December 2017	1,200	-	600	-
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bank AB, Danske Bank A/S Lithuania Branch) in EUR, to be repaid by 3 June 2016	-	-	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
Loan from the European Bank for Reconstruction and Development, accrued interest	-	-	827	827
„Loan from Nordea Bank AB Lithuania Branch, in EUR, to be repaid by 31 March 2027	7,047	7,047	-	-
Loan from SEB Bankas AB, in EUR, to be repaid by 23 February 2024	55,196	55,196	-	-
Total current borrowings:	**64,883**	**62,243**	**57,729**	**57,129**

As of 31 December 2014, the Group's non-current and current borrowings comprised as follows:

19 Borrowings (continued)

On 21 February 2014 the Company concluded a loan agreement with SEB Bankas AB for maximum amount of EUR 158,000 thousand. The purpose of this agreement was to refinance three loans under the credit agreements with the banks operating in Lithuania (listed in the table above) and the European Bank for Reconstruction and Development. The loan is to be repaid by 23 February 2024.

On 30 June 2004, the Company concluded a loan agreement and related amendments thereto with Swedbank AB, SEB Bankas AB, Nordea Bank AB Lithuania Branch and DnB NORD AB for the amount of EUR 38,000 thousand (LTL 131,206 thousand). The loan is to be repaid by 1 April 2018. The loan was refinanced in 2014.

On 31 March 2010, the Company concluded a loan agreement with Swedbank AB, SEB Bankas AB, Nordea Bank AB Lithuania Branch, DnB NORD AB and Danske Bank A/S for the amount of EUR 81,400 thousand (LTL 281,058 thousand). The loan is to be repaid by 3 June 2016. The loan was refinanced in 2014.

On 18 February 2010, the Company concluded an agreement with the European Bank for Reconstruction and Development for the loan of EUR 71,000 thousand (LTL 245,149 thousand). The loan is to be repaid by 18 February 2025. The loan was refinanced in 2014

The Company's subsidiary Energijos Tiekimas UAB has an overdraft agreement with Danske Bank A/S Lithuania Branch for overdraft limito f LTL 5,000 thousand, which is valid until 28 March 2015.

On 15 November 2012, the Company concluded an overdraft agreement with SEB Bankas AB for the amount of LTL 160,000 thousand. The overdraft agreement was valid until 18 November 2013. On 24 January 2013 Amendment No 1 was signed to the overdraft agreement, under which the overdraft limit was increased up to LTL 190,000 thousand, and the validity term of the agreement was extended until 18 November 2015. As of 31 December 2014 and 2013, the overdraft was not withdrawn.

In 2012, the Company's subsidiary Kauno Energetikos Remontas UAB concluded a credit agreement with Nordea Bank AB Lithuania Branch for the amount of EUR 2,896 thousand. As of 31 December 2014 and 2013, the withdrawn balance amounted to EUR 2,635 thousand. The agreement is valid until 1 December 2017.

On 26 June 2013, the Company concluded a credit agreement with Nordea Bank AB Lithuania Branch for the amount of EUR 25,000 thousand (LTL 86,320 thousand) and for repayment term expiring on 31 March 2027. As of 31 December 2014 and 2013, the withdrawn balance amounted to LTL 51,851 thousand and LTL 10,465 thousand, respectively.

On 28 July 2014, the Company's subsidiary Kauno Energetikos Remontas UAB concluded a letter of credit agreement with DnB NORD Bankas AB for the amount of LTL 7,251 thousand. The agreement expires on 15 August 2015. As of 31 December 2014, the withdrawn balance amounted to LTL 1,440 thousand.

As of 31 December 2014, the Group's balance of loans and overdrafts not withdrawn under the above-listed agreements amounted to LTL 229,469 thousand (31 December 2013: LTL 272,855 thousand). As of 31 December 2014, the Company's balance of loans and overdrafts not withdrawn amounted to LTL 224,489 thousand (31 December 2013: LTL 265,855 thousand). Average interest rate payable on the Group's borrowings was 1.35% in 2014 (2013: 4.05%). Average interest rate payable on the Company's borrowings was 1.34% (2013: 4.08%).

To secure the repayment of borrowings, in 2014 and 2013 the Group pledged its property, plant and equipment, cash balances and future inflows to bank accounts (Notes 5,12). In 2014, the Company pledged its property, plant and equipment (Note 5). In 2013, the Group/Company pledged its property, plant and equipment, inventories, amounts receivable (Notes 5,9 and 10), and the group pledged is current cash balances and future inflows to bank accounts (Note 12).

As of 31 December 2014, the fair value of the Group's borrowings was approx. LTL 540,711 thousand (31 December 2013: LTL 618,404 thousand). As of 31 December 2014, the fair value of the Company's borrowings was approx. LTL 532,224 thousand (31 December 2013: LTL 609,920 thousand). The fair value was estimated using a discount rate of 2.46% (31 December 2013: 2.90%). The fair value of borrowings is attributed to Level 2 in the fair value hierarchy.

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

	Group At 31 December 2014	**Company At 31 December 2014**	**Group At 31 December 2013**	**Company At 31 December 2013**
1 to 3 months	519,062	510,562	9,927	827
3 to 6 months	51,852	51,852	554,563	554,563
Total borrowings	**570,914**	**562,414**	**564,490**	**555,390**

As of 31 December 2014 and 31 December 2013, the Company and the Group had no other committed undrawn credit facilities.

20 Finance lease liabilities

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

Group	At 31 December 2014		At 31 December 2013	
	Minimum finance lease payments	**Present value of minimum finance lease payments**	**Minimum finance lease payments**	**Present value of minimum finance lease payments**
Finance lease payments:				
No later than 1 year	53	53	10	8
Later than 1 year an no later than 5 years	118	118	38	36
Minimum finance lease payments	**171**	**171**	**48**	**44**
Less: future finance charges	-	-	(4)	-
Present value of minimum finance lease payments	**171**	**171**	**44**	**44**

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

The Company did not have any finance lease liabilities as of 31 December 2014 and 31 December 2013.

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

21 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movements on grants account in 2014 and 2013 were as follows:

Group/Company	Assets-related grants			
	Fuel combustion equipment and other assets	**Project for renovation, improvement of environmental and safety standards**	**Grants for emission allowances**	**Total**
Balance at 1 January 2013	**91,729**	**1,008,732**	**-**	**1,100,461**
Depreciation of immovable property, plant and equipment	(4,244)	(34,844)	-	(39,088)
Grants received	1,379	-	6,406	7,785
Grants repaid	(22)	-	-	(22)
Utilisation of grant for emission allowances	-	-	(6,406)	(6,406)
Balance at 31 December 2013	**88,842**	**973,888**	**-**	**1,062,730**
Balance at 1 January 2014	**88,842**	**973,888**	**-**	**1,062,730**
Depreciation of immovable property, plant and equipment	(1,889)	(36,993)	-	(38,882)
Grants received	9,082	-	8,039	17,121
Grants reversed	-	(6,742)	-	(6,742)
Utilisation of grant for emission allowances	-	-	(8,039)	(8,039)
Balance at 31 December 2014	**96,035**	**930,153**	**-**	**1,026,188**

In 2014, assets-related grants decreased by LTL 38,882 thousand, i.e. by the amount of depreciation of property, plant and equipment (2013: LTL 39,088 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

21 Grants (continued)

In 2014, the Company received a grant of LTL 5,575 thousand for the construction of engineering infrastructure at Kruonis Industrial park and a grant of LTL 3,507 thousand for the construction of heat production facility at the Lithuanian Power Plant.

As described in Note 3, the Company made a decision on dismantling units 1 and 2 of the Reserve Power Plant. As at 31 December 2014, the Company recognised impairment loss of LTL 39.6 million, and accordingly, recognised reversal of related grant in amount of LTL 6,742 thousand (Note 5).

22 Other non-current accounts payable and liabilities

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Advance amounts of PSO service fees received (Note 3)	53,182	53,182	70,059	70,059
Non-current payables for material valuables	3,432	3,432	3,744	3,744
Provisions for pension benefits and indemnification for damages	1,665	1,665	1,978	1,828
Deferred revenue	-	-	1,488	-
Other	100	-	610	-
Total	**58,379**	**58,279**	**77,879**	**75,631**

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

Current portion of advance amounts of PSO service fees received is included in advance amounts received (Note 25). As described in Note 3, in 2016 the Company expects to refund LTL 50,775 thousand from advance amounts of PSO service fees and LTL 2,407 thousand from advance amount of capacity reserve services.

The fair values of trade payables approximate their carrying amounts.

23 Income tax

Income tax expense as at 31 December 2014 and 31 December 2013 comprised as follows:

	Group 2014	Company 2014	Group 2013	Company 2013
Income tax expense components:				
Current income tax	7,274	6,713	7,007	4,516
Adjustment to previous year income tax*	-	-	(1,095)	(1,095)
Deferred income tax (income)/expense	13,380	9,104	(11,467)	(10,706)
Income tax expense (income) for the reporting period	**20,654**	**15,817**	**(5,555)**	**(7,285)**

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

23 Income tax (continued)

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

Group Deferred income tax assets	**PP&E revaluation (decrease in value)**	**Bad debts**	**Accrued charges**	**Deferred revenue**	**Impairment of assets**	**Differences in value of emission allowances**	**Total**
At 31 December 2012	**151.445**	**1.962**	**2.614**	**-**	**156**	**0**	**156.177**
Recognised in the statement of comprehensive income	(6.534)	(1.399)	(487)	12.264	(108)	10.285	14.021
Recognised in other comprehensive income	569						569
At 31 December 2013	**145.480**	**563**	**2.127**	**12.264**	**48**	**10.285**	**170.767**
At 31 December 2013	**145,480**	**563**	**2,127**	**12,264**	**48**	**10,285**	**170,767**
Recognised in the statement of comprehensive income	(7,052)	17	(60)	6,117	(66)	(3,894)	(4,938)
Disposal of subsidiaries			(95)				(95)
At 31 December 2014	**138,428**	**580**	**1,972**	**18,381**	**(18)**	**6,391**	**165,734**

Deferred income tax liabilities	**PP&E revaluation (increase in value)**	**Differences in depreciation rates**	**Tax relief on acquisition of PP&E**	**Other**	**Total**
At 31 December 2012	**(191,912)**	**(3,714)**	**(11,018)**	**(42)**	**(206,686)**
Recognised in the statement of comprehensive income	10,362	(12,947)	(235)	39	(2,781)
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(181,550)**	**(16,661)**	**(11,253)**	**(3)**	**(209,467)**
At 31 December 2013	**(181,550)**	**(16,661)**	**(11,253)**	**(3)**	**(209,467)**
Recognised in the statement of comprehensive income	5.536	(14,404)	431		(8,448)
Recognised in other comprehensive income	-	-	-	-	-
Disposal of subsidiaries	(192)				(192)
At 31 December 2014	**(176,206)**	**(31,065)**	**(10,822)**	**(3)**	**(218,096)**

Net deferred income tax at 31 December 2012	**(50,509)**
Net deferred income tax at 31 December 2013	**(38,700)**
Net deferred income tax at 31 December 2014	**(52,362)**

23 Income tax (continued)

Company Deferred income tax assets	PP&E revaluation (decrease in value)	Bad debts	Accrued charges	Deferred revenue	Impairment of assets	Differences in value of emission allowances	Total
At 31 December 2012	**151,152**	**1,443**	**807**	**-**	**154**	**-**	**153,556**
Recognised in the statement of comprehensive income	(6,534)	(1,443)	(233)	12,264	(39)	10,285	14,300
Recognised in other comprehensive income	569	-	-	-	-	-	569
At 31 December 2013	**145,187**	**-**	**574**	**12,264**	**115**	**10,285**	**168,425**
At 31 December 2013	**145,187**	**-**	**574**	**12,264**	**115**	**10,285**	**168,425**
Recognised in the statement of comprehensive income	(7.052)		(65)	6.117		(3.894)	(4.894)
Recognised in other comprehensive income		-					
At 31 December 2014	**138,135**	**0**	**509**	**18,381**	**115**	**6,391**	**163,531**

Deferred income tax liabilities	PP&E revaluation (increase in value)	Differences in deprecia-tion rates	Tax relief on acquisition of PP&E	Other	Total
At 31 December 2012	**(189,977)**	**(3,595)**	**(10,908)**	**(39)**	**(204,519)**
Recognised in the statement of comprehensive income	9,549	(12,947)	(235)	39	(3,594)
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(180,428)**	**(16,542)**	**(11,143)**	-	**(208,113)**
At 31 December 2013	**(180,428)**	**(16,542)**	**(11,143)**	**-**	**(208,113)**
Recognised in the statement of comprehensive income	9,774	(14,415)	431		(4,210)
Recognised in other comprehensive income	-	-	-	-	
At 31 December 2014	**(170,654)**	**(30,957)**	**(10,712)**	**-**	**(212,323)**

Net deferred income tax at 31 December 2012	**(50,963)**
Net deferred income tax at 31 December 2013	**(39,688)**
Net deferred income tax at 31 December 2014	**(48,792)**

23 Income tax (continued)

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

Deferred income tax recognised in the statement of financial position as at 31 December 2014 and 2013 comprised as follows:

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Deferred income tax assets	731	-	988	-
Deferred income tax liabilities	53,093	48,792	39,688	39,688
Deferred income tax liability, net	**52,362**	**48,792**	**38,700**	**39,688**

When calculating deferred income tax as at 31 December 2014 and 31 December 2013, income tax rate of 15 per cent was used.

The Company's and the Group's deferred income tax to be realised within 12 months amounts to LTL 2,790 thousand (31 December 2013: LTL 1,825 thousand).

As of 31 December 2014, the Group had LTL 8,851 thousand (31 December 2013: LTL 9,988 thousand) of accumulated unrealised tax losses on which no deferred tax asset was recognised. These tax losses are carried forward for indefinite period.

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

	Group 2014	Company 2014	Group 2013	Company 2013
Profit before income tax	**178,261**	**131,160**	**103,053**	**87,071**
Income tax at a tax rate of 15% (2013: 15%)	26,739	19,674	15,458	13,061
Adjustment to previous year income tax	-	-	(1,095)	(1,095)
Tax effects of non-taxable income and non-deductible expenses	(6,085)	(3,857)	(19,918)	(19,251)
Income tax	**20,654**	**15,817**	**(5,555)**	**(7,285)**

24 Trade payables

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Amounts due for contractual works, other services	29,795	17,562	27,197	18,685
Payables for electricity and related services	34,185	33,765	52,643	52,642
Payables for gas and heavy fuel oil	37,146	37,146	2,868	2,868
Accrued liabilities for electricity	-	-	2,720	2,558
Payables for material valuables	1,114	1,114	-	-
Total	**102,240**	**89,587**	**85,428**	**76,753**

The fair values of trade payables approximate their carrying amounts.

25 Advance amounts received

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Advance amounts of PSO service fees received (Note 22)	71,655	71,655	25,114	25,114
Other advance amounts received	9,584	2,655	3,465	2,450
Deferred income on contract works in progress	1,486	-	910	-
Total	**82,725**	**74,310**	**29,489**	**27,564**

26 Provisions for emission allowances

Movements in current year portion of provisions for emission allowances as at 31 December 2014 and 2013 were as follows:

	Group	Company
Balance at 31 December 2012	**13,915**	**13,915**
Emission allowances utilised (Note 4)	(13,895)	(13,895)
Reclassification of other provisions	(20)	(20)
Provisions for emissions	9,745	9,745
Balance at 31 December 2013	**9,745**	**9,745**
Balance at 31 December 2013	**9,745**	**9,745**
Emission allowances utilised (Note 4)	(9,745)	(9,745)
Provisions for emissions	9,803	9,803
Balance at 31 December 2014	**9,803**	**9,803**

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

27 Other amounts payable and liabilities

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

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
VAT payable to the state budget	7,582	7,582	10,570	10,570
Employment-related liabilities	3,730	2,351	6,285	2,548
Taxes payable	1,811	1,592	3,196	2,392
Other payables and current liabilities	4,772	3,495	2,755	1,123
Vacation reserve	2,148	2,148	2,294	2,294
Dividends payable	3,156	3,156	2,251	2,251
Accrued expenses from purchases of electricity	227	227	42	36
Provision for onerous contract	-	-	-	
Carrying amount	**23,426**	**20,551**	**27,393**	**21,214**

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

28 Sales revenue

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

	Group 2014	Company 2014	Group 2013	Company 2013
Revenue from sale of electricity in domestic market	742,072	732,031	943,131	934,713
Revenue from export of electricity	0	0	15,342	15,342
Revenue from capacity reserve services	46,600	46,600	108,994	108,994
Revenue from sale of thermal energy	19,256	19,256	20,541	20,541
Total	**807,928**	**797,887**	**1,088,008**	**1,079,590**

29 Segment reporting

In 2014, the management distinguished operating segments based on the reports reviewed by the Board. The Board is the principal decision-making body on the Group level. With effect from 2012, the Board started analysing the operations in terms of profitability of the regulated activities and the commercial activities of the Company. Operating profit (loss) is a profitability measure analysed by the Board. The reports analysed by the Board are in line with the financial statements prepared in accordance with IFRSs, except for the format of presentation. Changes were made in segment information in view of how the Board analysed the Group's operations.

As of 31 December 2014 and 31 December 2013, the Group's management analysed the Group's operations by separating them into regulated activities and commercial activities. The regulated activities include the Elektrėnai Complex's revenue from heat and electricity production, balancing and regulation, capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, export/import, electricity production at Kaunas Hydro Power Plant named after Algirdas Brazauskas and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses, headcount and sales. The operations of Energijos Tiekimas UAB representing electricity supply constitute a separate segment. Other activities within the Group included repair services of energy facilities and IT services.

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

29 Segment reporting (continued)

Information on the Group's segments for the year ended 31 December 2014 is presented in the table below:

2014	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba AB		Energijos Tiekimas UAB (Group)		
	Regulated activities	Commercial activities			
Total revenue of segments	**454,989**	**350,204**	**236,060**	**124,446**	**1,165,699**
Inter-segment revenue			(226,019)	(59,459)	(285,478)
Revenue from external customers	**454,989**	**350,204**	**10,041**	**64,987**	**880,221**
Expenses after elimination of inter-company transactions within the Group	**(407,399)**	**(259,885)**	**(7,853)**	**(26,652)**	**(701,789)**
Whereof: depreciation and amortisation expenses	(54,480)	(22,567)	(107)	(2,278)	(79,432)
Operating profit	**47,590**	**90,319**	**2,188**	**38,335**	**178,432**
Finance income after elimination of inter-company transactions within the Group	**4**	**258**	**18**	**97**	**377**
Finance (costs) after elimination of inter-company transactions within the Group	**(14,190)**	**(2,475)**	**(2)**	**(292)**	**(16,959)**
Share of results of operations of associates and joint ventures				**518**	**518**
Profit before income tax	**33,404**	**88,102**	**2,204**	**38,658**	**162,368**
Income tax					**(20,654)**
Net profit					**141,714**

29 Segment reporting (continued)

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

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

The Company/Group exports electricity to the EU Member States and Norway. Also, the Group exports metal structures and repair services.

As at 31 December 2013 and 31 December 2012, the Group's and the Company's revenue, including other operating income, by country of buyer was as follows:

Country	Group 2014	Company 2014	Group 2013	Company 2013
Lithuania	805,525	735,167	1,082,144	969,940
Norway	68,475	68,475	108,253	108,253
Latvia	4,663	-	750	725
Estonia	932	924	6,933	6,928
Other	626	626	1,316	1,316
Total	**880,221**	**805,193**	**1,199,396**	**1,087,162**

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

29 Segment reporting (continued)

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

2014	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energijos Gamyba AB		Energijos Tiekimas UAB		
	Regulated activities	Commercial activities			
Lesto AB	132,329	27,657	-	-	159,986
Litgrid AB	43,071	18,500	-	-	61,571
Total	**175,400**	**46,157**	**-**	**-**	**221,557**

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

Revenue from sales to Lesto decreased due to changes in the trading model, which resulted in lower sales of electricity to LESTO AB (starting from beginning of 2014, LESTO AB purchases from Lietuvos Energijos Gamyba AB only subsidised electricity produced at Elektrėnai Complex). The main reason that caused decrease in sales of electricity to Litgrid AB relates to lower sales of activated capacity reserve and regulation services.

30 Other operating income

As at 31 December 2014 and 31 December 2013, the Group's and the Company's other operating income comprised as follows:

	Group 2014	Company 2014	Group 2013	Company 2013
Repairs, data transmission and other services	28,607	-	99,708	-
Other income	11,780	3,176	11,664	7,556
Gain on disposal of investments	23,818	-	-	-
Sale of metal scrap	4,051	4,051	-	-
Sale of inventory	3,959	-	-	-
Gain on disposal of property, plant and equipment	78	78	16	16
Total	**72,293**	**7,305**	**111,388**	**7,572**

30 Other operating income (continued)

Income from repair services represents income received by subsidiary Kauno Energetikos Remontas UAB under the contracts concluded (the Company had no income under the contracts). Information about contract works in progress as at 31 December 2014 and 31 December 2013 is presented in the table below:

	2014	2013
Expenses recognised on contract works in progress	12,925	38,319
Profit recognised (less loss) on contract works in progress	3,447	7,710
Total income recognised on contract works in progress	16,371	46,030
Total amount billed on contract works in progress	15,151	46,442
Accrued income on contract works in progress	2,684	498
Deferred income on contract works in progress	1,463	910

Advance amounts received on contracts in progress totalled LTL 9,568 thousand as of 31 December 2014 (31 December 2013: LTL 10,981 thousand). As of 31 December 2014, there were no retention payments (provisions). Retention payments amounted to LTL 1,249 thousand as of 31 December 2013.

31 Finance income

As at 31 December 2014 and 31 December 2013, the Group's and the Company's finance income comprised as follows:

	Group 2014	Company 2014	Group 2013	Company 2013
Dividends	-	11,643	-	2,000
Other income	333	259	319	264
Interest income	44	3	118	46
Income from derivative financial instruments	-	-	1,837	1,837
Foreign exchange positive effect	-	-	4	-
Total finance income	**377**	**11,905**	**2,278**	**4,147**

32 Finance costs

As at 31 December 2014 and 31 December 2013, the Group's and the Company's finance costs comprised as follows:

	Group 2014	Company 2014	Group 2013	Company 2013
Interest expenses*	(14,730)	(14,457)	(23,130)	(22,839)
Expenses of derivative financial instruments	(6)	(6)	-	-
Foreign exchange negative effect and other expenses	(16)	(9)	(23)	(18)
Other finance costs	(2,207)	(2,193)	(125)	(17)
Total finance costs	**(16,959)**	**(16,665)**	**(23,278)**	**(22,874)**

* In addition to interest expenses recognised as finance costs as disclosed in Note 5, the Group's interest expenses capitalised as part of property, plant and equipment amounted to LTL 1,203 thousand in 2014 (2013: LTL 941 thousand).

33 Related-party transactions

Purchase and sale of goods and services:

The Group's transactions with related parties during 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales (including income from dividends)
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	43	12,040	731	518,037
Litgrid AB group	4,438	38,154	36,123	456,046
Lietuvos Dujos AB	13	-	156	-
Lietuvos Energija UAB	-	-	23	254
Group's associates	1,135	282	5,978	23,148
Total	**5,629**	**50,476**	**43,011**	**997,485**

The Company's transactions with related parties during 2014 and the balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales (including income from dividends)
Company's subsidiaries	5,790	30,139	59,245	230,941
Entities controlled by the Ministry of Finance of the Republic of Lithuania (including subsidiaries of Lietuvos Energija UAB)	12	11,826	295	516,416
Litgrid AB group	4,438	31,355	36,123	439,090
Lietuvos Dujos AB	13	-	43	
Lietuvos Energija UAB	-	-	23	254
Company's associates	704	3	3,751	19,964
Total	**10,957**	**73,323**	**99,480**	**1,206,665**

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

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

33 Related-party transactions (continued)

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

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

The major sale and purchase transactions with related parties within the Group in 2014 and 2014 comprised transactions with the entities controlled by the Ministries of Finance and Energy of the Republic of Lithuania: Lesto AB, Litgrid AB. The Group's purchases from these entities mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly comprised sales of electricity, capacity, transmission services and PSO services.

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

There were no guarantees or pledges given or received in respect of the related-party payables and receivables, except for guarantees to the subsidiaries as disclosed in Note 37. Related-party payables and receivables are expected to be settled in cash or offset against payables/receivables to/from a respective related party.

Compensation to key management personnel

	Group 2014	**Company 2014**	**Group 2013**	**Company 2013**
Employment-related payments *	2,649	1,386	4,321	1,623
Termination benefits	75	40	302	-
Other significant payments to key management personnel	207	207	51	51
Number of key management personnel *	13	6	25	9

Key management personnel in the table above are heads of administration and their deputies, and the chief financier. The chief financier has been included in key management personnel until 30 November 2014. Starting from 1 December 2014, the company's accounting is conducted by Verslo Aptarnavimo Centras UAB.

34 Basic and diluted earnings per share (in LTL)

Basic and diluted earnings per share as of 31 December 2014 and 2013 were as follows:

	2014	**2013**
Net profit for the year attributable to the owners	141,30	106,210
Weighted average number of shares (units)	635,083,615	635,083,615
Basic and diluted earnings per share (in LTL)	0.22	0.17

35 Offsetting financial assets and financial liabilities

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

As of 31 December 2014 (Group/Company)

	Recognised total amount financial assets	Recognised total amount of liabilities offset	Recognised net financial assets
Trade receivables	6,919	(465)	6,454
	6,919	**(465)**	**6,454**

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements

As of 31 December 2014 (Group/Company)

	Recognised total amount of financial liabilities	Recognised total amount of assets offset	Recognised net financial liabilities
Trade payables	4,807	(465)	4,342
	4,807	**(465)**	**4,342**

As of 31 December 2013, the Group/Company had no amounts offset.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements mentioned above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

36 Financial risk management

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

Financial instruments by category

Financial assets	**Group at 31 December 2014**	**Company at 31 December 2014**	**Group at 31 December 2013**	**Company at 31 December 2013**
Trade receivables	116,392	106,642	169,973	133,274
Other receivables	4,085	2,342	10,513	9,242
Cash and cash equivalents	274,271	261,552	219,746	178,087
Other non-current amounts receivable	1,954	1,954	20,949	20,949
Loans and receivables	**396,702**	**372,490**	**421,181**	**341,552**
Other financial assets	1	-	86	-
Investments at fair value through profit and loss	**1**	**-**	**86**	**-**
Total	**396,703**	**372,490**	**421,267**	**341,552**

36 Financial risk management (continued)

Financial liabilities	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Borrowings	572,354	562,414	564,490	555,390
Finance lease liabilities	171	0	44	-
Other non-current payables	3,432	3,432	4,354	3,744
Trade payables	102,240	89,587	85,428	76,753
Other amounts payable and liabilities	8,155	6,878	5,048	3,410
Financial liabilities measured at amortised cost	**686,352**	**662,311**	**659,364**	**639,297**
Other financial liabilities	-	-	-	-
Derivative financial instruments at fair value through profit and loss	-	-	-	-
Total	**686,352**	**662,311**	**659,364**	**639,297**

Credit risk

As at 31 December 2014 and 31 December 2013, items exposed to credit risk were as follows:

	Group at 31 December 2014	Company at 31 December 2014	Group at 31 December 2013	Company at 31 December 2013
Financial assets	396,703	372,490	421,267	341,552
Total	**396,703**	**372,490**	**421,267**	**341,552**

The credit risk of the Group and the Company related to the amounts receivable is limited because the major buyers are reliable customers. As of 31 December 2014 and 31 December 2013, trade receivables neither past due nor impaired were of high credit quality as the majority of these receivables were due from operators of the distribution network and large industrial companies. The Group and the Company are exposed to significant credit risk concentration, because credit risks are shared among 7 main customers, which account for approximately 99 per cent of total trade receivables of the Group and the Company.

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

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

Liquidity risk

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

The Group's current liquidity (total current assets / total current liabilities) and quick liquidity ((total current assets – inventories) / total current liabilities) ratios as of 31 December 2014 were 1.60 and 1.53, respectively (31 December 2013: 2.13 and 2.02, respectively). The Company's current liquidity (total current assets / total current liabilities) and quick liquidity ((total current assets – inventories) / total current liabilities) ratios as of 31 December 2014 were 1.62 and 1.55, respectively (31 December 2013: 1.87 and 1.75, respectively).

36 Financial risk management (continued)

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

Group	Within the first year	Within the second year	Within the third–fifth year	After five years
At 31 December 2014				
Borrowings	69,275	69,092	205,387	192,793
Finance lease liabilities	53	118	-	-
Trade and other amounts payable	109,785	922	936	2,184
At 31 December 2013				
Borrowings	79,563	84,072	347,038	116,671
Finance lease liabilities	10	38	-	-
Trade and other amounts payable	90,476	922	936	2,496

Company	Within the first year	Within the second year	Within the third–fifth year	After five years
At 31 December 2014				
Borrowings	67,896	67,741	199,163	192,793
Trade and other amounts payable	96,465	312	936	2,184
At 31 December 2013				
Borrowings	77,838	83,009	340,897	116,671
Trade and other amounts payable	80,163	312	936	2,496

Interest rate risk

Revenues and cash flows of the Group companies are affected by fluctuations in market interest rates as all borrowings of the Group companies were subject to variable interest rates as of 31 December 2014. Increase in interest rate risk is mostly affected by non-current borrowings. All borrowings bear variable interest rates which are linked with LIBOR-EUR. Intervals of repricing of interest rates are disclosed in Note 19.

If interest rates on withdrawn balances of borrowings of the Group companies had been higher/lower by 1 p.p., net profit for the year 2014 would have been LTL 1,478 thousand (2013: LTL 2,079 thousand) lower/higher. If interest rates on withdrawn balances of borrowings of the Company had been higher/lower by 1 p.p., net profit for the year 2014 would have been LTL 1,457 thousand (2013: LTL 2,057 thousand) lower/higher.

Foreign exchange risk

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

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

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

Securities price risk

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

36 Financial risk management (continued)

Fair value of financial assets and liabilities

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

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

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

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

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

37 Off-balance sheet commitments and contingencies

Guarantees issued and received

On 6 June 2013, the Company signed a guarantee agreement with Swedbank for the total amount of EUR 400 thousand to secure the fulfilment of the Company's obligations in relation to payments to Nord Pool Spot AS. As of 31 December 2014, the guarantee amount was equal to EUR 5,000 thousand.

On 20 December 2013, the Company signed a guarantee agreement with Swedbank for the total amount of EUR 195 thousand to secure the fulfilment of the Company's obligations in relation to payments to Fingrid Oyj and Elering AS tenders. As at 31 December 2014 the amount of guarantee totalled to LTL 195 thousand.

As at 31 December 2014, Energijos Tiekimas UAB had guarantees from Danske Bank A/S Lithuania Branch for the total amount of LTL 340 thousand (31 December 2013: LTL 1,918 thousand).

As at 31 December 2014, Kauno Energetikos Remontas UAB had bank guarantees in relation to participation in the tenders, amounting to LTL 22,475 thousand (31 December 2013: LTL 12,954 thousand).

As at 31 December 2014 and 2013, the Company and Nordea Bank AB Lithuania Branch had an agreement on bank guarantee in relation to EUR 1,013 thousand guarantee issued by the Bank, the amount of which may be increased up to EUR 1,500 thousand upon the Company's request. The beneficiary of the guarantee is General Electric International Inc.

As at 31 December 2014, the Company had guarantees from other entities for the total amount of LTL 15,330 thousand. These guarantees were related to projects implemented by various contractors at the Company.

On 18 April 2011, the Company entered into guarantee agreement with Nordea Bank AB Lithuania Branch in relation to issue of guarantee for the amount of EUR 1,766 thousand under the guarantee agreement concluded by Kauno Energetikos Remontas UAB on 18 January 2007. Under this agreement, Lietuvos Energijos Gamyba AB guaranteed an appropriate fulfilment of obligations of Kauno Energetikos Remontas UAB, but not in excess of EUR 1,766 thousand. On 8 September 2014, the guarantee amount was EUR 1,665 thousand. The Company's guarantee to the bank for proper fulfilment of obligations of Kauno Energetikos Remontas UAB (for maximum amount of EUR 1,665 thousand) was issued under Overdraft Agreement No OS 14/09/01 signed on 5 September 2014 between the Bank and Kauno Energetikos Remontas UAB.

As of 31 December 2014 and 2013, the Company issued a guarantee for Kauno Energetikos Remontas UAB to Nordea Bank AB Lithuania Branch to secure an irrevocable and unconditional payment of EUR 1,883 thousand upon first written demand. Based on credit agreement No KS 12/12/01 signed between the Bank and Kauno Energetikos Remontas UAB on 4 December 2012, the Company issued a guarantee to the Bank for proper fulfilment of obligations by Kauno Energetikos Remontas UAB (for maximum amount of EUR 1,882,530.12).

37 Off-balance sheet commitments and contingencies (continued)

Legal disputes

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court with request to annul Resolution No O3-757 of the National Control Commission for Prices and Energy (the Commission) of 7 August 2014 *On Survey Results of Electricity Generation Market*. By this Resolution, the Commission declared the Company as an undertaking having significant power in electricity generation market and inter alia, with effect from 1 January 2015 placed obligations on the Company in relation to the application of the prices and disclosure of information on the regulated activity expenses. During the public consultation procedure, the Company provided comments on the Draft Resolution and stated that the survey of electricity generation market was conducted using inappropriate assumptions. As a result, in the Company's opinion, the Commission's Resolution, whereby the Company was declared as an undertaking having significant power in electricity generation market and related obligations were placed thereon, should not be applicable to the Company.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolution No O3-939 of 19 December 2014 *On Amendment to the Commission's Resolution No O3-866 of 30 October 2014 On Determining Buy-up Prices for the Year 2015 for Electricity Produced at Lithuanian Power Plant of LIETUVOS ENERGIJOS GAMYBA UAB*. Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolution No O3-941 of 30 October 2014 *On Amendment to the Commission's Resolution No O3-840 of 19 December 2014 On Determining Funds From PSO Service Fees and Prices for the Year 2015*. Alongside the paragraphs of the resolution demanded to be annulled, the Commission, based on Resolution of 7 August 2014 *On Survey Results of Electricity Generation Market*, reduced the budget of PSO services fees allocated to the Company for the year 2015. In the Company's opinion, this Resolution has no grounds and contravenes the legal acts with superior legal power. PSO service fees receivable by the Company in 2015 were reduced by LTL 18.777 million (EUR 5.44 million) based on Resolution of 7 August 2014 *On Survey Results of Electricity Generation Market*. Management decided not to account for the above-mentioned reduction of income in the Company's financial statements due to anticipated favourable outcome of the proceedings.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court with request to annul the Commission's Resolution No O3-818 of 30 September 2014 *On Scheduled Audit of Lietuvos Energijos Gamyba AB*. By this Resolution, the Commission approved the Scheduled Audit Report No E3-2 of 19 September 2014 and decided to reduce the Company's income from supported electricity produced at Lithuanian Power Plant, controlled by the Company, by LTL 21.2 million (EUR 6.14 million), and to reduce the Company's income from capacity reserve services by LTL 25.7 million (EUR 7.44 million). The Resolution states that these decisions of the Commission should be implemented during the accounting years 2015-2016. Based on the above-mentioned Resolution, the Company's income from PSO service fees for the year 2015 has been reduced by LTL 21.2 million (EUR 6.14 million), and income from capacity reserve services has been reduced by LTL 12.9 million (EUR 3.72 million). Management decided not to account for the above-mentioned reduction of income in the Company's financial statements due to anticipated favourable outcome of the proceedings. The Company finds that this Resolution of the National Control Commission for Prices and Energy has no grounds and contradicts its previous decisions on the same issues. In addition, during the audit the National Control Commission for Prices and Energy failed to support its decision by applicable legal acts. Taking this into consideration, the Resolution is to be considered as unsubstantiated and unlawful.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolution No O3-852 of 17 October 2014 *On Determining Cap Prices for Capacity Reserve Services of Lietuvos Energijos Gamyba AB for the Year 2015 and on the Commission's Resolution No O3-866 of 30 October 2014 On Determining Buy-up Prices for the Year 2015 for Electricity Produced at Lithuanian Power Plant of LIETUVOS ENERGIJOS GAMYBA UAB*. By these Resolutions, the Commission implements its Resolution of 30 September 2014 *On Scheduled Audit of Lietuvos Energijos Gamyba AB*, in respect of which the Company filed a complaint to Vilnius Regional Administrative Court. As it was mentioned in the Company's announcement on significant events on 31 October 2014, by the Resolution in respect of which the Company filed a complaint, the Commission approved Scheduled Audit Report No E3-2 of 19 September 2014 and decided to reduce the Company's income from supported electricity produced at Lithuanian Power Plant, controlled by the Company, by LTL 21.2 million (EUR 6.14 million), and to reduce the Company's income from capacity reserve services by LTL 25.7 million (EUR 7.44 million). The Resolution stated that the implementation period of the Commission's resolutions would cover the accounting years 2015-2016. In the Company's opinion, the estimates of return on investments given in the resolutions are inaccurate and incorrect. In view of this and the fact that by these resolutions the Commission implements the Resolution in respect of which the Company filed a complaint, the resolutions should be considered as unsubstantiated and unlawful.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolution No O3-875 of 30 October 2014 *On Recalculation of Price Components for Heat Production at the Lithuanian Power Plant of Lietuvos Energijos Gamyba AB*. By this Resolution, the Commission declared the Company as being not in compliance with the requirements for estimation of return on investments set forth in the Methodology for Determining Prices of Heat, and obliged the Company to eliminate the alleged violation. In the Company's opinion, the Resolution has no grounds. The Commission's estimates of return on investments are inaccurate and contract the legal acts.

37 Off-balance sheet commitments and contingencies (continued)

Tax audits

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year inspect the books and accounting records and impose additional taxes or fines. The Group's/Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

38 Capital management

Capital consists of the total amount of equity reported in the statement of financial position.

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares. No changes were made concerning risk management objectives, policies or processes during the periods ended 31 December 2014 and 31 December 2013.

According to the Law on Companies of the Republic of Lithuania, the Company's equity must be not less than ½ of the amount of the authorised share capital. No other external capital requirements have been imposed on the Company. As of 31 December 2014 and 31 December 2013, the Company was not in breach of the above-mentioned requirement.

39 Events after the end of the repoting period

On 16 January 2015, The Company competed the fist stage of the project for the construction of heat production facility at the Lithuanian Power Plant first . The firt stage worth LTL 23,610 thousand.

****