ANNUAL REPORT
2014

Lietuvos energija

„Lietuvos energija“, UAB
CONSOLIDATED ANNUAL REPORT AND CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2014,
prepared in accordance with International Financial Reporting Standards, as adopted by the European Union,
presented together with the independent auditor's report

Contents

Lietuvos energija

Key financial indicators of the Lietuvos Energija group

		2011 m.	2012 m.	2013 m.	2014 m.	Change during 2014-2013	
						+/-	%
Revenue	LTL million	2,705	2,799	2.908	3.359	451	15.5
Purchase of electricity, gas, fuel and related services	LTL million	-1,739	-1,840	-1,785	-2,114	-330	18.5
Operating expenses[1]	LTL million	-469	-438	-447	-495	-48	10.7
EBITDA[2]	LTL million	498	521	681	749	68	10.0
EBITDA margin[3]	%	18,4	18,6	23,4	22,3		
Net profit	LTL million	-109	-784	141	-967	-1,107	
Net normalised profit[7]	LTL million	-90	-69	141	202	61	43.3
		31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014		
Total assets	LTL million	11,156	9,808	9,609	8,180	-1,429	-14.9
Equity	LTL million	7,254	6,140	6,152	4,519	-1,633	-26.5
Borrowings	LTL million	1,088	1,256	1,180	1,352	172	14.6
Borrowings, net[4]	LTL million	573	832	442	607	165	37.4
Return on equity ratio (ROE)[5]	%	-1.5	-12.8	2,3	-21.4		
Return on equity ratio (ROE), normalised[7]	%	-1.2	-1.1	2,3	4.5		
Equity ratio[6]	%	65.0	62.6	64.0	55.2		
Borrowings, net / 12-month EBITDA	times	1.15	1.6	0.65	0.81		
Borrowings, net, to equity ratio	%	7.9	13.6	7.2	13.4		

[1]Operating expenses (OPEX) = operating expenses excluding costs attributable to purchase of electricity and related services, depreciation, amortisation, impairment and write-off expenses of property, plant and equipment;

[2]EBITDA (earnings before interest, tax and depreciation and amortization) = profit (loss) before tax + interest expenses - interest income - dividends received + depreciation and amortisation + impairment + write-offs of property, plant and equipment;

[3]EBITDA margin = EBITDA / Revenue;

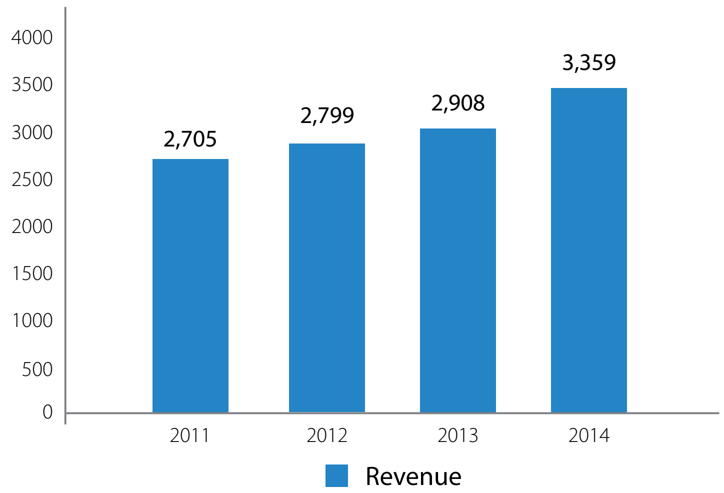
[4]Borrowings, net = borrowings - cash and cash equivalents - short-term investments and term deposits – a portion of non-current other financial assets representing investments in debt securities;

[5]Return on equity ratio (ROE) = net profit (loss), restated annual value/ equity at the end of the period;

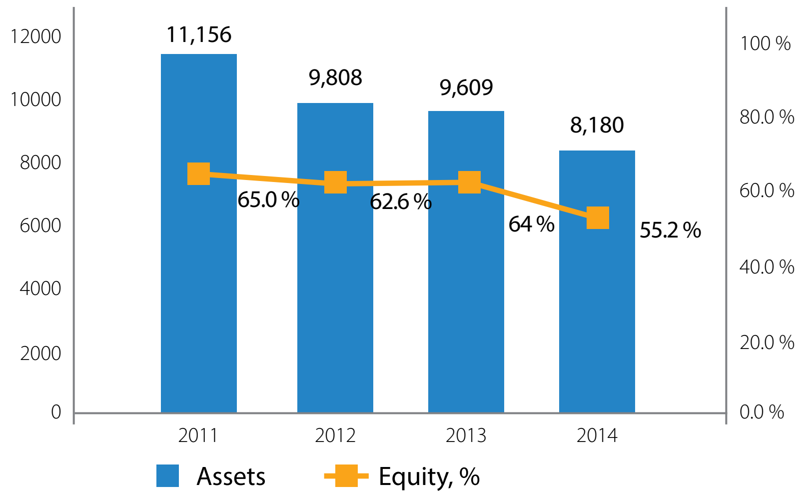
[6]Equity ratio= equity at the end of the period / total assets at the end of the period;

[7]Net normalised profit is adjusted for the impact of revaluation of assets of LESTO AB and a negative impact of the anticipated discount for the gas price of Lietuvos Dujų Tiekimas UAB to consumers in 2015–2016 on financial results (more detailed information is presented in section ‚EBITDA and net profit'), in 2011-2012 normalised net profit was equal to net profit from the Group's continuing activities.

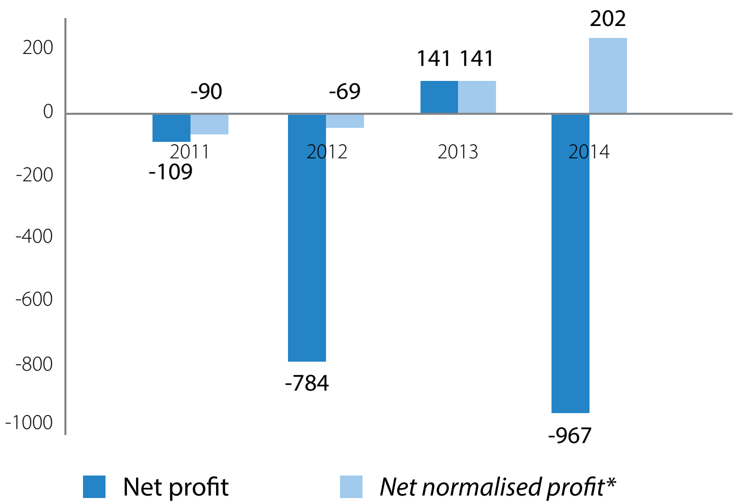
Revenue, in LTL million



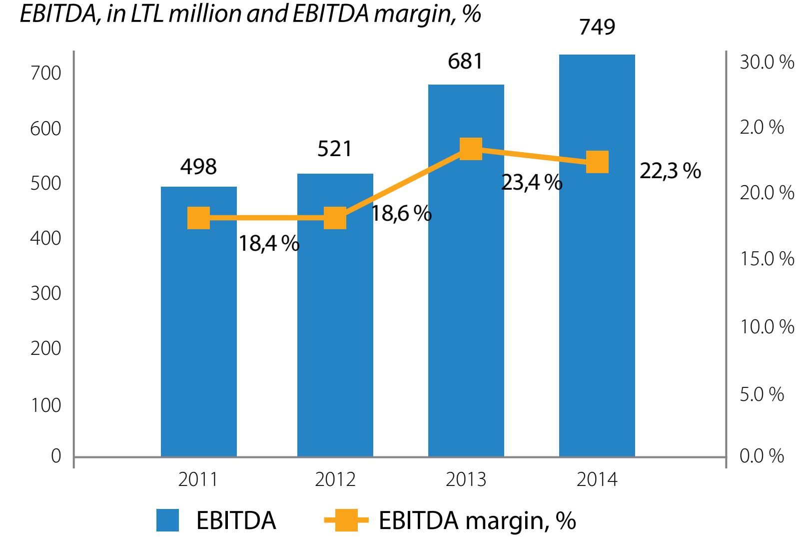
Assets, in LTL million and equity, %



Net profit, in LTL million



EBITDA, in LTL million and EBITDA margin, %



**Net normalised profit is adjusted for the impact of revaluation of assets of LESTO AB and a negative impact of the anticipated discount for the gas price of Lietuvos Dujų Tiekimas UAB to consumers in 2015–2016 on financial results (more detailed information is presented in section ‚EBITDA and net profit'), in 2011-2012 normalised net profit was equal to net profit from the Group's continuing operations.*

Key financial indicators of the Lietuvos Energija group

		2011 m.	2012 m.	2013 m.	2014 m.	Change during 2014-2013	
						+/-	%
Revenue	EUR million	783	811	842	973	131	15,5
Purchase of electricity, gas, fuel and related services	EUR million	-504	-533	-517	-612	-96	18,5
Operating expenses[1]	EUR million	-136	-127	-130	-143	-14	10,7
EBITDA[2]	EUR million	144	151	197	217	20	10,0
EBITDA margin[3]	%	18,4	18,6	23,4	22,3		
Net profit	EUR million	-32	-227	41	-280	-321	
Normalised net profit[7]	EUR million	-26	-20	41	58	18	43,3
		2011-12-31	2012-12-31	2013-12-31	2014-12-31		
Total assets	EUR million	3,231	2,841	2,783	2,369	-414	-14.9
Equity	EUR million	2,101	1,778	1,782	1,309	473	-26.3
Borrowings	EUR million	315	364	342	392	50	14.6
Borrowings, net[4]	EUR million	166	241	128	176	48	37.4
Return on equity ratio (ROE)[5]	%	-1.5	-12.8	2.3	-21.4		
Return on equity ratio (ROE), normalised[7]	%	-1.2	-1.1	2.3	4.5		
Equity ratio[6]	%	65.0	62.6	64	55.2		
Borrowings, net / 12-month EBITDA	times	1.15	1.6	0.65	0.81		
Borrowings, net, to equity ratio	%	7.9	13.6	7.2	13.4		

[1]OPEX (operating expenses) = operating expenses excluding costs attributable to purchase of electricity and related services, depreciation, amortisation, impairment and write-off expenses of property, plant and equipment;

[2]EBITDA (earnings before interest, tax and depreciation and amortization) = profit (loss) before tax + interest expenses - interest income - dividends received + depreciation and amortisation + impairment + write-offs of property, plant and equipment;

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1 | A Word from the Chairman of the Board

A Word from the Chairman of the Board

Dear Customers, Partners, Employees and Shareholders

I am delighted that the activities of the Lietuvos Energija group were successful in 2014 and beneficial to Lithuanian residents, businesses and the State.

The reduction of prices for services and energy to consumers allowed achieving the best performance results of the Group over the last five years. This indicates that a strategy of increasing the value of the Group not at the expense of consumers but rather through the expansion of activities, increase in efficiency and service quality is being successfully implemented. By optimising our activities we managed to reduce distribution tariffs, save PSO budget funds. Results of successful performance were shared with shareholders through the payment of dividends.

Last year investments were made in the natural gas sector – Lietuvos Dujos were acquired, distribution and supply activities were unbundled, the discount for the price of natural gas was negotiated and transparently distributed to consumers. The import of liquefied natural gas was started to Lithuania – for the first time in the country's history gas was supplied to the system from an alternative source.

Initial steps were taken in the heat sector as well. On the instruction of the Government we started the implementation of co-generation power plant projects in Vilnius and Kaunas which will reduce the price for heating to residents of Vilnius and Kaunas cities, will solve waste management issues and enable increasing the volume of locally produced electricity.

2015 will continue to be intensive. The main objective set for this year is a clear identification of the Group's activities. Good performance results of the Group, structural changes that were implemented last year and a changing market situation enabled to look for synergy opportunities in the Group companies. In the implementation of this objective the programme for the streamlining of the value chain was started this year which will serve as a basis for the planned merger of the gas and electricity distribution companies LESTO and Lietuvos Dujos, the merger of natural gas supply companies, the optimisation of the Group's structure and implementation of many other measures aimed at increasing operational effectiveness and value.

Customers can already appreciate the benefits – a single point of service already exists where electricity and gas matters can be dealt with. We make efforts that all services were provided to customers under one-stop-shop principle: at a single point of service, a single contact centre, by making a single access to the Group's self-service system, by receiving a single bill. We seek to make customer connections to the electricity and gas networks easier and simpler. This task has been set for the upcoming years.

Out contribution to improving welfare of the State increases in proportion to a growing value of the Group. In 2014, payments made by Lietuvos Energija to the State budget and the State Social Security Fund amounted to more than EUR 200 million, of which EUR 25 million comprised interim dividends paid. Last year the optimisation of the production and purchase of sponsored energy resulted in approx. EUR 32 million savings of PSO service fees. Consequently, the price for consumers decreased by 6.3 per cent. Residents pay a one-third lower price for natural gas as a result of active measures taken in the natural gas sector.

We hope that in 2015 issues relating to the regulation of the activities of the energy companies will be solved. At the present moment, this area lacks consistency and stability to allow a rational assessment and planning of investments aimed at increasing efficiency, competitiveness and ensuring stable prices for consumers in a long term.

The Group currently employs 5,600 qualified specialists who share common values – cooperation, responsibility and aiming for the best results. This is a powerful force allowing us to feel strong in facing new challenges. I am confident that together we can overcome these challenges and continue creating value for the Group, the State and its residents.

Dr. Dalius Misiūnas,
Chairman of the Board and Chief Executive Officer of
Lietuvos Energija, UAB

2 About the Group and the Company

About the Group and the Company

The Lietuvos Energija group is one of the largest state-owned groups of energy companies in the Baltic countries. The main activities of the Group include the generation and supply of electricity and heat, trading and distribution of electricity, trading and distribution of natural gas, as well as the servicing and development of the energy sector. The rights and obligations of the shareholder of the Lietuvos Energija group are implemented by the Ministry of Finance of the Republic of Lithuania.

The Lietuvos Energija group with more than 5,600 employees manages and operates the key energy generation capacities of Lithuania that ensure the security of energy supply, a distribution network covering the entire territory of the country, and provides services to almost 1.6 million of consumers across Lithuania, offers electricity supply services to consumers abroad, operates gas distribution pipelines in the length of 8.4 thousand km, supplies gas to more than 560 thousand consumers, implements development projects of strategic value and pursues the objective set forth in the National Energy Strategy. During twelve months of 2014, 1.84 TWh of electricity were generated, 8.4 TWh of electricity were transmitted to consumers and 747.8 million m3 of natural gas were transported via gas distribution pipelines.

The consolidated income of the Group for twelve months of 2014 amounted to EUR 972.7 million (LTL 3,358.5 million). The Group's EBITDA totalled EUR 216.9 million (LTL 748.8 million). Net normalised twelve-month profit, adjusted for the impact of the revaluation of assets of LESTO and the negative impact of the discount for the gas price to consumers in 2015–2016 on financial results, amounted to EUR 58.5 million (LTL 201.9 million).

The parent company of the Group, Lietuvos Energija, UAB (hereinafter "Lietuvos Energija" or "the Company") is responsible for transparent management and coordination of activities of the entire Group, improvement of the efficiency in order to ensure the competitive servicing of consumers, and for socially responsible creation of the long-term value for shareholders. The Company analyses the activities of the Group, represents the Group, implements the rights and obligations of the shareholder, establishes operational guidelines and rules, and coordinates the activities in the areas of production, commerce, finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

3 | Major events

Main events of 2014

January

The Group's operational strategy for 2014–2020 was approved according to which the value of the all Group companies is expected to be doubled by 2020.

February

LITGAS was selected as a designated supplier committed to ensure an uninterrupted supply of the minimum quantity of natural gas required for the operation of the LNG Terminal, i.e. 540 million cubic metres.

The total of 17.7 % of the state-owned shares of Lietuvos Dujos were transferred to Lietuvos Energija that were used to increase the Company's authorised share capital by LTL 112.7 million.

March

LESTO was recognised as the most responsible company of 2013.

Construction works of the planned infrastructure of the Kruonis Industrial Park were completed.

April

A permission was obtained for the installation of the steam boiler house in Elektrėnai.

May

Lietuvos Energija signed the agreements with German company E.ON Ruhrgas International, according to which it took over 38.9 % of shares of Lietuvos Dujos AB and 11.76 % of shares of LESTO AB.

Data Inn – the first Tier III data centre in Lithuania certified by Uptime Institute was officially opened. The projects of the modernisation of the district heating sector in the cities of Vilnius and Kaunas have been recognised by the Government as projects of the state significance.

June

The management reform was finalised in the course of which the corporate management of the entire Group was reorganised and enhanced.

During the tender offer Lietuvos Energija acquired 40.03 % of shares of Lietuvos Dujos and following this acquisition owns 96.63 % of shares of Lietuvos Dujos.

A decision was passed to increase the authorised share capital of LITGAS by LTL 42 million to LTL 45 million.

July

The authorised share capital of Technologijų ir Inovacijų Centras UAB was increased from LTL 10 thousand to LTL 20 million.

The Group company signed the agreement on the establishment of Verslo Aptarnavimo Centras UAB.

The shareholders of Lietuvos Dujos passed a decision to allocate the amount of LTL 53.3 million for the payment of interim dividends.

August

Management reorganisation of Lietuvos Dujos AB was announced to be implemented under the corporate management guidelines applicable across the entire state-owned group of energy companies.

A single service centre for gas and electricity consumers was opened in Vilnius.

Lietuvos Energijos Gamyba became a member of NASDAQ OMX Commodities Stock Exchange.

LITGAS signed the agreement on the supply of liquefied natural gas (LNG) with Norwegian company Statoil that offered the best terms.

September

During the meetings of shareholders of LESTO and Lietuvos Energijos Gamyba decisions were passed to allocate the amounts of LTL 66.4 million and LTL 69.9 million, respectively, for the payment of interim dividends.

October

Lietuvos Energija started the selection process of partners interested in a joint development of the projects on new co-generation power plants in Vilnius and Kaunas.

Lietuvos Energijos Gamyba passed a decision to discontinue the operation of units 1 and 2 of the Lithuanian Power Plant.

November

The service of supply of natural gas was transferred to a new company Lietuvos Dujų Tiekimas, which from 1 November ensures the supply of natural gas to household customers, non-household customers and other consumers.

The implementation of the requirement of the Third Energy Package of the European Union to unbundle the activities of supply, trading and distribution of natural gas was completed.

December

Prices of electricity for household customers approved for 2015 declined on average by 6.3 % from 2015.

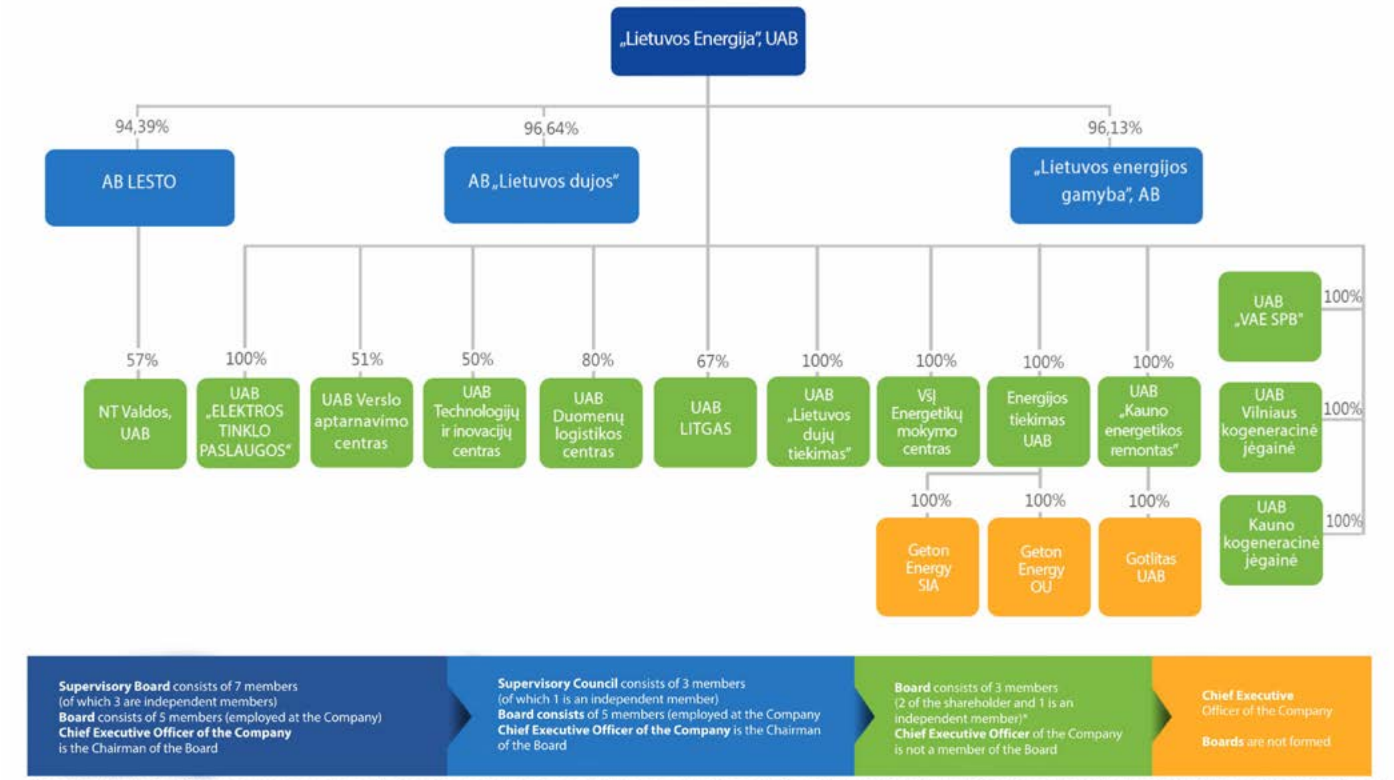
The Group companies successfully prepared for the introduction of the euro in Lithuania.

The first commercial cargo of the minimum required LNG quantity arrived to the Klaipėda Seaport carried by Arctic Aurora gas carrier.

Structure of the Group

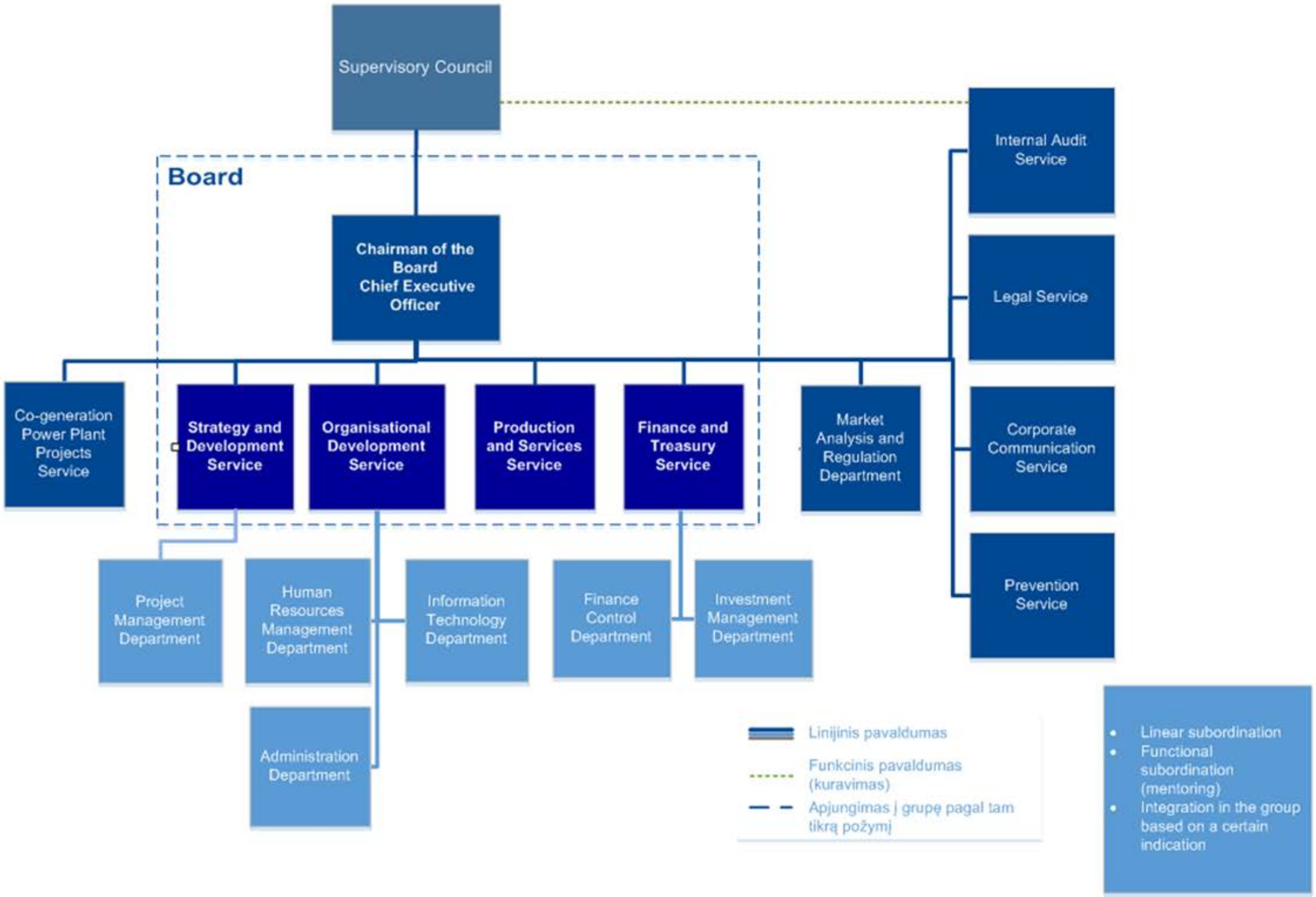
At the reporting date, the Lietuvos Energija group consisted of 20 companies: the parent company and 19 directly and indirectly controlled companies. The main business activities of the Group are the generation of electricity and heat, transmission trading, distribution and supply, trade in natural gas and its distribution. Activities of the Group companies servicing these main types of business activities comprise ITT, real estate, transport, repair and construction of energy facilities, professional development of employees, public procurement, accounting, administration of labour relations and other services. The detailed list of the Group companies is presented on page 120 of this document.

In optimising the structure of the state-owned Group of energy companies, on 31 March 2015 Lietuvos Energija took over 100 % of shares of Elektros Tinklo Paslaugos from LESTO, and 100 % of shares of Energijos Tiekimas and 100 % of shares of Kauno Energetikos Remontas from Lietuvos Energijos Gamyba. The organisational chart of the Group effective from 1 April 2015 is presented below.



**Board structure is different across companies: the Board is not formed in special purpose companies until active operations thereof; the Board of service providers is formed ensuring the representation of all shareholders

The Company's organisational structure



The Group's strategy

The main goal of the strategy of the Lietuvos Energija group is to double the value of the Group and to become the highest-value energy company in the Baltic countries by 2020. This value is perceived as a sustainable balance of three components: return on assets, improvement of competitiveness and responsibility towards employees, society and environment.

The Group's return on assets is increased through the development – diversifying activities, indulging in new and economically feasible projects and activities, acquiring enterprises, ensuring the efficiency of daily operations and achieving the goals set by the shareholder. The Group will reinforce the country's competitiveness by ensuring a stable supply of electricity and natural gas, offering new products and promoting rational use of electricity and natural gas.

MISSION –
sustainable growth of value in the energy sector by promoting the economic and social development of the country.

VISION –
to become the highest-value energy company in the Baltic countries.

VALUES –
responsibility, cooperation, results

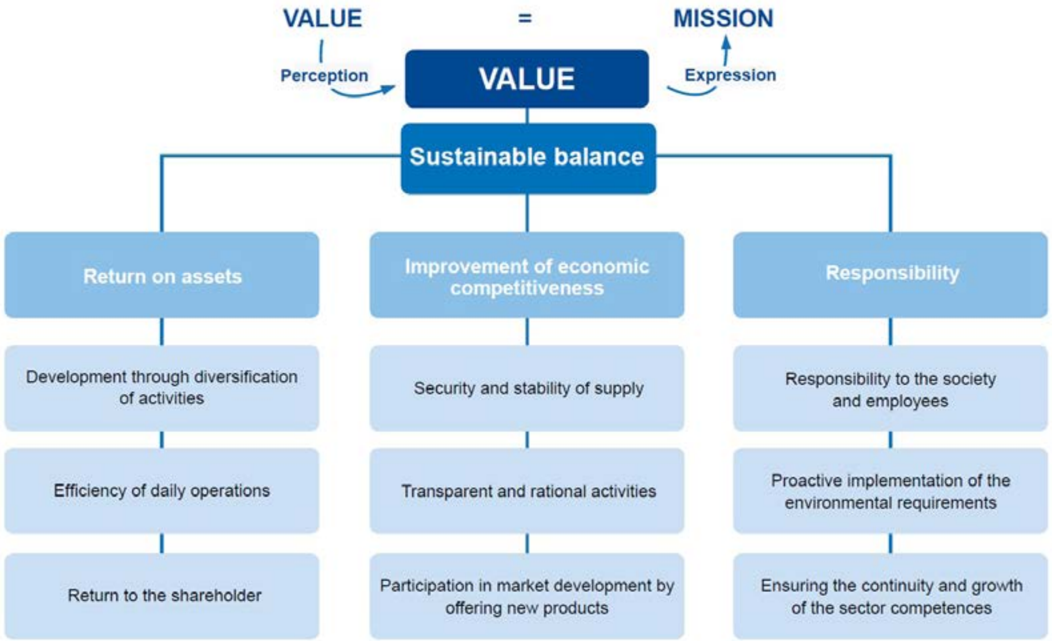
The main strategic directions of the Group:

Ensuring quality services to consumers. The care is taken to achieve better servicing of consumers, develop electronic (time-saving) and new services responding to the needs of consumers, increase consumer choices and guarantee the reliability of generation, distribution and supply of electricity and of distribution and supply of natural gas.

Diversifying the operations. The diversification includes implementation of investment projects in the sector of electricity, heat and natural gas. The projects increase the competitiveness of the Group and the national economy at large as well as the country's energy independence, optimisation of the production and trading portfolio, development of new activities by extending the value chain of the Lietuvos Energija group. These goals will be achieved using the available resources and infrastructure, investing in the creation of new infrastructure and effective governance, as well as through acquisitions.

Enhancing the efficiency of operations. Efficiency is pursued in the main activities of the Group, as well as in the provision of support functions, management of assets and other resources across all Group companies. In order to achieve higher efficiency, the management and control system of the Group companies is integrated by setting the common principles of business management, division, coordination and control of responsibilities. Efficiency improvement measures covering all Group companies or identical or very similar activities at the individual company level are also continued. Active sharing of best practices between companies is promoted and sought.

Building new organisational culture. A modern, effective and dynamic organisation is being created operating on the basis of common values, developing in a consistent and targeted manner the required competences and successors for key employees, and offering internal environment which encourages the involvement of employees.



4 Analysis of the Group's operational and financial results for 2014

Key operational indicators

Key operational indicators of the Group of Lietuvos Energija, UAB		2014	2013	Change	
				+/-	%
Electricity					
Generated electricity	TWh	1.84	1.96	-0.13	-6.4
Distributed electricity via medium and low voltage networks	TWh	8.40	8.21	0.19	2.3
Public and guaranteed supply of electricity	TWh	3.23	3.06	0.17	5.5
Sale of electricity in the free market	TWh	1.26	1.16	0.10	8.4
Quality indicators of electricity supply					
SAIDI, min. (incl. force majeure)	min.	144	154	-10.0	-6.5
SAIFI, units (incl. force majeure)	units	1.29	1.43	-0.1	-10.2
Technological costs in the distribution network	%	7.28	7.48		-2.7
Gas					
Distributed gas	billion m^3	0.748	0.856	-0.109	-12.7
Quantity of gas sold	billion m^3	0.799	1.035	-0.236	-22.8
Quality indicators of gas supply					
SAIDI, min. (incl. force majeure)	min.	1.67	0.12		
SAIFI, units (incl. force majeure)	units	0.006	0.002		

Over 12 months of 2014, the amount of electricity distributed by the Group to consumers via medium and low voltage networks increased and amounted to 8.40 TWh (a 2.3 % or 0.19 TWh increase compared to the same period of 2013). The increase mainly arose in the second half of 2014, during which the amount of distributed electricity increased by 4.2 % compared to the same period of 2013.

Over 12 months of 2014, the public and guaranteed supply of electricity of the Lietuvos Energija group was equal to 3.23 TWh (a 5.5 % or 0.17 TWh increase). The growth in volumes of this activity was determined by unplanned termination of activities of several independent energy suppliers at the end of 2013. The Group's electricity sales in the free market during the reporting period totalled 1.26 TWh (a 8.4 % or 0.1 TWh increase).

Over 12 months of 2014, the Lietuvos Energija group generated 1.835 TWh of electricity (6.4 % or 0.125 TWh less as compared to 2013). Compared to the previous reporting period, in 2014 due to a rather dry spring, summer and a dry beginning of the autumn, the quantity of electricity produced at Kaunas Algirdas Brazauskas Hydro Power Plant decreased by 22 % (from 0.41 TWh in 2013 to 0.31 TWh in 2014). Production volume at Kruonis Pumped Storage Power Plant increased in 2014 compared to 2013 – electricity production and sale in 2014 was 0.66 TWh or even 39 % higher than in 2013 (0.47 TWh). The quantity of electricity produced at the Elektrėnai complex declined – in 2014.

0.86 TWh of electricity was produced compared to 1.08 TWh produced in 2013, which is 0.22 TWh or 20 % less from the previous year. The production of electricity at the Elektrėnai complex was started with effect from April 2014 according to the schedule agreed in the manner prescribed by the legal acts. Units of the Elektrėnai complex are used to produce electricity in order to ensure a reliable operation of the electricity system when due to repair, restricted throughput of other electricity generation sources a shortage of electricity appears in the country and its price rises in the electric power trading exchange. By organising electricity production in such a way, effective use of PSO service fees is ensured at the Elektrėnai complex.

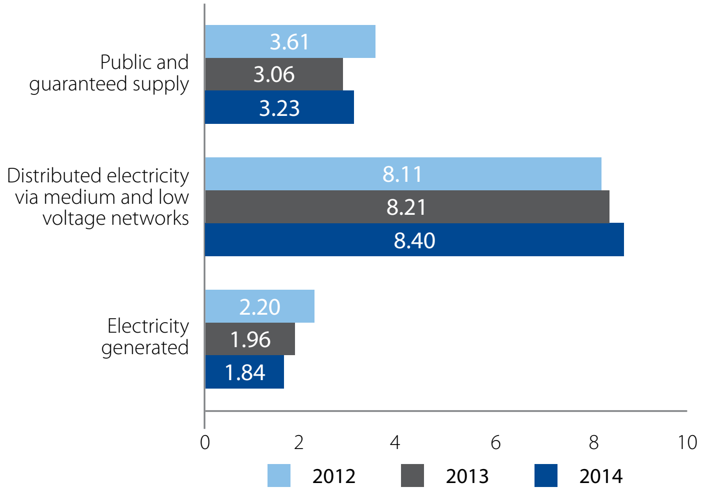
In 2014, the Group's quality indicators of electricity supply improved. Technological costs in the distribution network declined from 7.48 % in 2013 to 7.28 % in 2014. In 2014, the average duration of unplanned interruptions in electricity transmission (System Average Interruption Duration Index (SAIDI)), including the causes of force majeure circumstances, per consumer was 144 minutes, and the average number of unplanned long interruptions (System Average Interruption Frequency Index (SAIFI)) per customer was 1.29 times. In 2013, the quality ratio of electricity supply SAIDI was 154 minutes and SAIFI – 1.43 times. Nearly 78 % of all Lithuanian distribution networks comprise overhead lines, therefore the reliability of electricity supply remains to be dependent on prevailing weather conditions.

Excluding force majeure effects, in 12 months of 2014, compared to 12 months of 2013, SAIDI also improved and was equal to 71.56 minutes (72.51 minutes in 12 months of 2013), and SAIFI of 12 months of 2014 was 0.90 time (0.97 time in 2013).

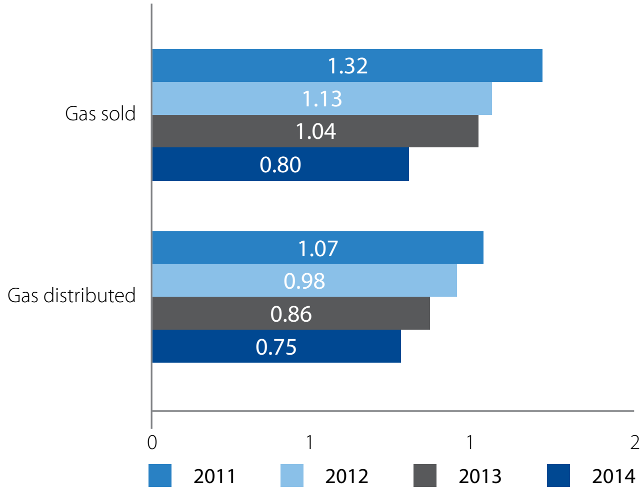
In 2014, along with the reduction in the consumption level of natural gas, the quantity of gas distributed and sold by the Group also reduced. In 2014, the Group companies distributed 0.748 billion cubic metres of gas, which is a 12.7 % or 0.11 billion cubic metres decrease compared to 2013 when 0.856 billion cubic metres of gas was distributed. The quantity of gas sold declined by 0.236 billion cubic metres or 22.8 % from 1.0356 billion cubic metres in 2013 to 0.799 billion cubic metres in 2014. The reduction of the distributed and sold quantity of gas was mainly influenced by 0.223 billion cubic metres lower sales (-24 %) of natural gas to non-household customers. In 2014, sales of gas to non-household customers made up 84 % of the total sales of gas.

Over 12 months of 2014, the average duration of unplanned interruptions in gas transportation (SAIDI ratio), including the causes of force majeure circumstances, per consumer was 1.67 minutes (0.12 minutes in 2013), and the average number of interruptions in gas transportation (SAIFI ratio) per customer was 0.006 time (0.002 time in 2013). A significant deterioration in the quality indicator of gas supply was caused by a single event, i.e. the disruption of the natural gas transportation in the natural gas distribution system on 4 October 2014 when the breakdown of a device adjusting gas pressure caused a temporal interruption of gas distribution in the town of Širvintai.

Electricity generation and distribution, TWh



Quantity of gas sold and distributed, billion m³



Key financial indicators

Financial indicators of the Group of Lietuvos Energija, UAB		12 months of 2014		12 months of 2013		Change (+/-)		
		EUR million	LTL million	EUR million	LTL million	EUR million	LTL million	%
Revenue		972.7	3,358.5	842.1	2,907.5	130.6	451.0	15.5
Purchase of electricity, gas, fuel and related services		-612.4	-2,114.4	-516.8	-1784.6	-95.5	-329.8	18.5
Operating expenses[1]		-143.3	-494.9	-129.5	-447,2	-13.8	-47.7	10.7
Operating expenses[8]		-115.1	-397.5	-115.6	-399.1	0.5	1.6	-0.4
EBITDA[2]		216.9	748.8	197.1	680.6	19.8	68.3	10.0
EBITDA margin[3]	%	22.3		23.4				
Net profit		-280.0	-966.6	40.8	140.8	-320.7	-1.107.5	
Net normalised profit[7]		58.5	201.9	40.8	140.8	17.7	61.0	43.3

Financial indicators of the Group of Lietuvos Energija, UAB	At 31 Dec 2014		At 31 Dec 2013		Change (+/-)		
	EUR million	LTL million	EUR million	LTL million	EUR million	LTL million	%
Total assets	2,369.2	8,180.3	2,783.0	9,609.3	-413.9	-1,429.0	-14.9
Equity	1,308.9	4,519.3	1,776.7	6,152.4	-473.0	-1,633.1	-26.5
Borrowings	391.6	1,352.1	341.8	1,180.1	49.8	172.1	14.6
Borrowings, net[4]	175.9	607.3	128.0	442.0	47.9	165.3	37.4
Return on equity ratio (ROE)[5]	%	-21.4		2.3			
Return on equity ratio (ROE), normalised[7]	%	4.5		2.3			
Equity ratio[6]	%	55.2		64			
Borrowings, net / 12-month EBITDA	times	0.81		0.65			

[1]*Operating expenses (OPEX) = operating expenses excluding costs attributable to purchase of electricity and related services, depreciation, amortisation, impairment and write-off expenses of property, plant and equipment;*

[2]*EBITDA (earnings before interest, tax and depreciation and amortization) = profit (loss) before tax + interest expenses - interest income - dividends received + depreciation and amortisation + impairment + write-offs of property, plant and equipment;*

[3]*EBITDA margin = EBITDA / Revenue;*

[4]*Borrowings, net = borrowings - cash and cash equivalents - short-term investments and term deposits – a portion of non-current other financial assets representing investments in debt securities;*

[5]*Return on equity ratio (ROE) = net profit (loss), restated annual value/ equity at the end of the period;*

[6]*Equity ratio = equity at the end of the period / total assets at the end of the period;*

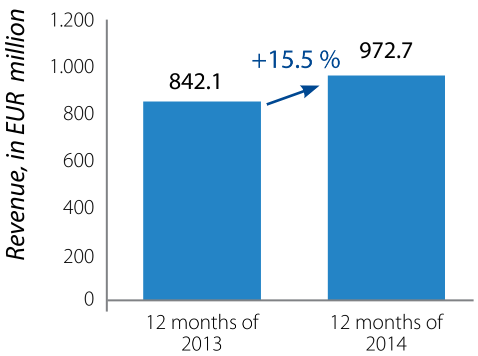
[7]*Net normalised profit is adjusted for the impact of revaluation of assets of LESTO AB and a negative impact of the anticipated discount for the gas price of Lietuvos Dujų Tiekimas UAB to consumers in 2015–2016 on financial results (more detailed information is presented in section, EBITDA and net profit');*

[8]*Operating expenses excluding costs attributable to subcontracting, acquisition of materials and other related unusual costs and costs attributable to the taken-over activity of gas distribution and transmission.*

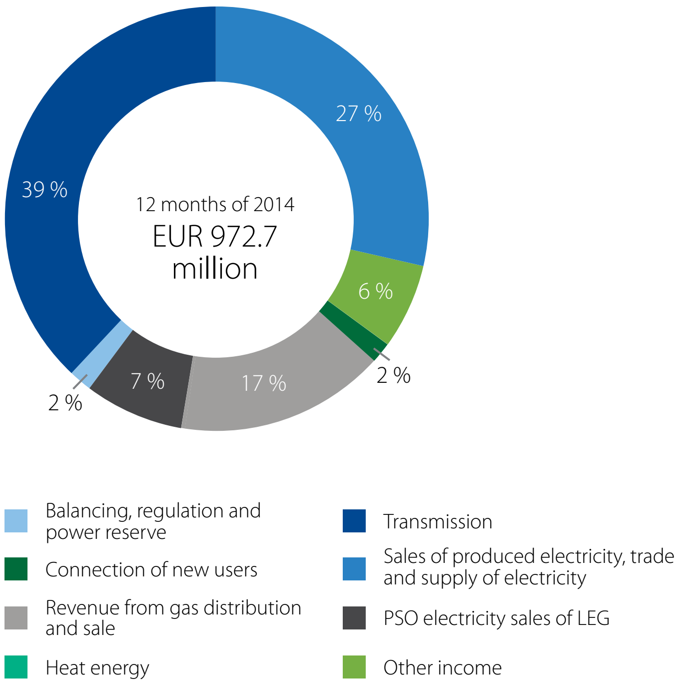
Revenue

In 2014, revenue of the Lietuvos Energija group increased by 15.5 % or EUR 130.6 million (LTL 451 million) and amounted to EUR 972.7 million (LTL 3,359 million) compared to revenue of EUR 842.1 million (LTL 2,908 million) received in 2013. During the reporting period, revenue earned from the provision of electricity transmission service (38.6 % or EUR 375.3 million (LTL 1,295.7 million)) and the sale of electricity produced, electricity supply and transmission trading (26.7% or EUR 260 million (LTL 897.8 million)) represented the major portion of all revenue earned. Compared to revenue earned in 2013, revenue from the sale of electricity produced, electricity supply and transmission trading increased by +15.2 % or EUR 34.2 million (LTL 118.2 million) and its portion remained similar in the overall revenue structure (27 % in 2013 and 2014). After the decline in the transmission price, revenue from the service of electricity transmission dropped by EUR 58.5 million (LTL 201.9 million) or 13.5 % and the portion of this revenue declined in the overall revenue structure (from 51.5% in 2013 to 39 % in 2014).

Revenue of the Group in 2013 and 2014

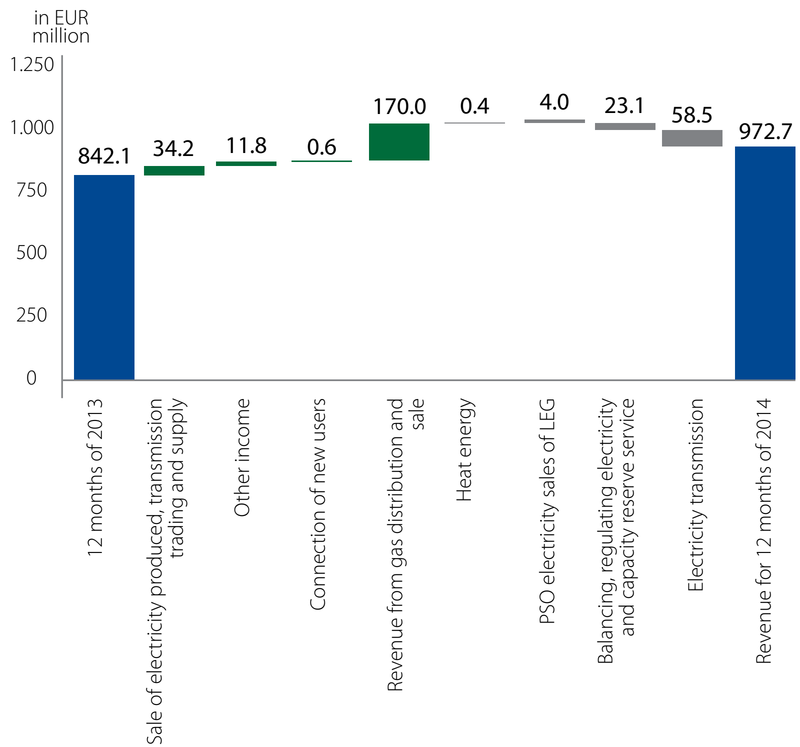


Structure of the Group's revenue in 2014, %



Excluding revenue attributable to the performed activity of gas trading, supply and distribution (Lietuvos Dujos AB, Lietuvos Dujų Teikimas UAB and Litgas UAB) included in the Group's statement of comprehensive revenue for 2014, which accounted for EUR 170 million (LTL 586.9 million) or 17.5 % of the total revenue of the Group in 2014, revenue of the Lietuvos Energija group, after the elimination of revenue from gas trading, supply and distribution activity, decreased by EUR 39.4 million (LTL 136 million) or 4.7 % from EUR 842.1 million (LTL 2,907.6 million) to EUR 802.7 million (LTL 2,771.6 million). Decline in the Group's revenue was caused by the reduction in revenue from electricity transmission service by 13.5 % or EUR 58.5 million (LTL 201.9 million), reduction in revenue from balancing, regulating electricity and capacity reserve service by 56.4 % or EUR 23.1 million (LTL 79.8 million), decrease in revenue of Lietuvos Energijos Gamyba AB from PSO services by 5.2 % or EUR 4 million (LTL 13.9 million) and a 6.2 % or EUR 0.4 million (LTL 1.3 million) lower revenue from sale of heat energy. In 2014, revenue from production, trading and supply of electricity increased by 15.2 % or EUR 34.2 million (LTL 118.3 million).

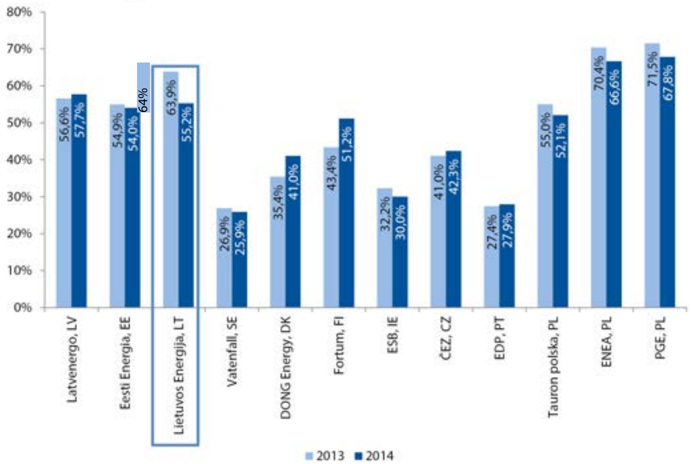
Dynamics of the Group's revenue during 2014, by sector



Assets and equity

In 2014, the Group's assets decreased by 14.9 % or EUR 413.9 million (LTL 1,429 million) and amounted to EUR 2,369.2 million (LTL 8,180.3 million) (31 December 2013: EUR 2,783.0 million (LTL 9,609.3 million)) as at 31 December 2014. In 2014, the Group's assets increased due to a positive results of operating activities of the group companies and the impact of the acquisition of Lietuvos Dujos, however the total change in the Group's assets in 2014 was negative as a result of the negative impact of the revaluation of property, plant and equipment of the Group company LESTO .

Comparison of equity ratios of the EU energy companies in 2013-2014, %



LESTO performed valuation of its property, plant and equipment (PP&E) with reference to the report on valuation of PP&E prepared by Ernst & Young Baltic UAB, and determined that the fair value of PP&E (including construction in progress) as at 31 December 2014 was EUR 618.4 million (LTL 2,135 million) lower than the carrying amount of PP&E.

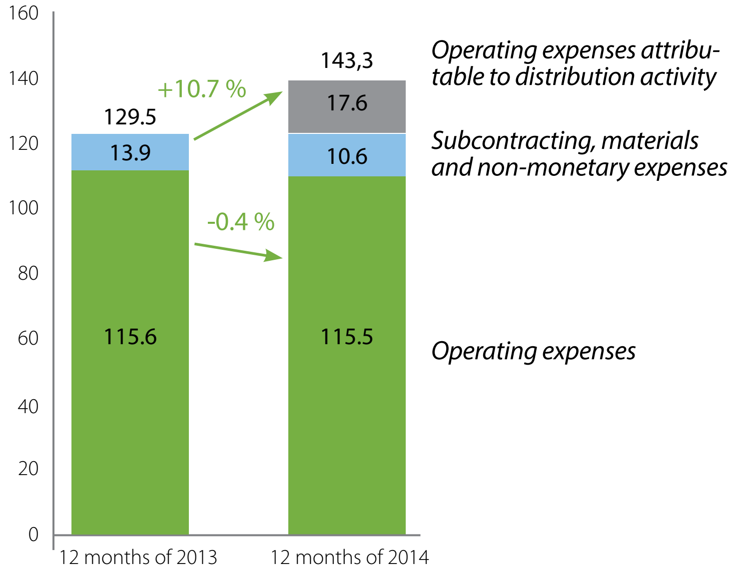
In 2014, the equity of Lietuvos Energija group decreased by 26.5 % or EUR 473 million (LTL 1,633.1 million) and amounted to EUR 1,308.9 million (LTL 4,519.3 million) (31 December 2013: EUR 1,781.9 million (LTL 6,152.4 million)) as at 31 December 2014. Although the Group's equity increased in the course of 2014 due to the net profit earned by the Group from its operating activities, yet the total change in the Group's equity was negative in 2014 due to the negative result of the revaluation of property, plant and equipment of LESTO.

Subject to the above-mentioned factors, the Group's equity ratio decreased in 2014 and was equal to 55.2 % as at 31 December 2014 (31 December 2013: 64 %). Nevertheless, the Group's equity ratio for 2014 remained one of the highest among the EU energy companies.

Operating and purchase expenses

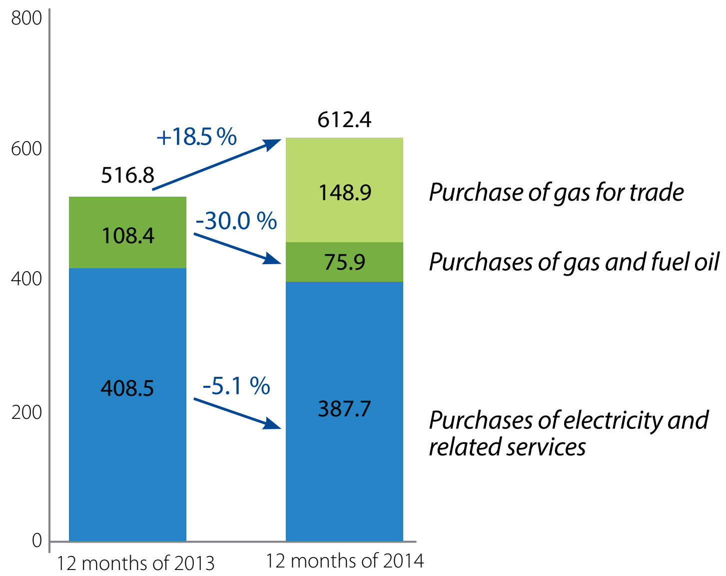
In 2014, the Group's operating expenses amounted to EUR 143.3 million (LTL 494.9 million) and increased by 10.7 % or EUR 13.8 million (LTL 47.7 million) compared to 2013. The increase in operating expenses was mostly driven by operating expenses attributable to the taken-over activity of gas transmission and distribution (EUR +17.6 million (LTL 60.7 million)) which were included in the Group's operating expenses from June 2014 when the Group acquired the controlling block of shares of Lietuvos Dujos in June 2014. Excluding these expenses and expenses of subcontracting and materials, operating expenses of the Group in 2014 (EUR 115.1 million (LTL 397.5 million)) remained at the same level as in 2013 (EUR 115.6 million (LTL 399.1 million)).

Group's operating expenses in 2013 and 2014, in EUR million



During the reporting period the Group's purchase expenses of electricity, gas, fuel and related services increased by 18.5 % or EUR 95.5 million (LTL 329.8 million) compared to 2013. The increase was mainly caused by the inclusion of expenses attributable to gas trading activity amounting to EUR 148.9 million (LTL 514 million) in the Group's purchase expenses from June 2014 when after the acquisition of Lietuvos Dujos the trading in gas was started. As a result of lower production volumes of electricity and drop in electricity prices in 2014 compared to 2013, purchases of gas and fuel oil for electricity production decreased from EUR 108.4 million (LTL 374.3 million) to EUR 75.9 million (LTL 261.9 million). During 12 months of 2014, purchases of electricity and related services contracted by 5.1 % or EUR 20.8 million (LTL 71.9 million) from EUR 408.5 million (LTL 1,410.4 million) to EUR 387.7 million (LTL 1,338.6 million).

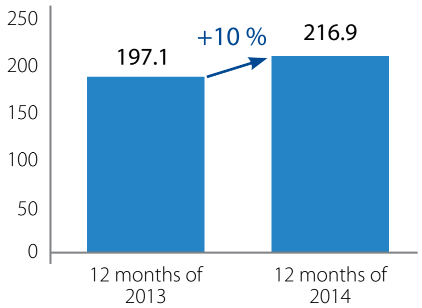
Group's purchase expenses of electricity, gas, fuel and other related services, in EUR million



EBITDA and net profit

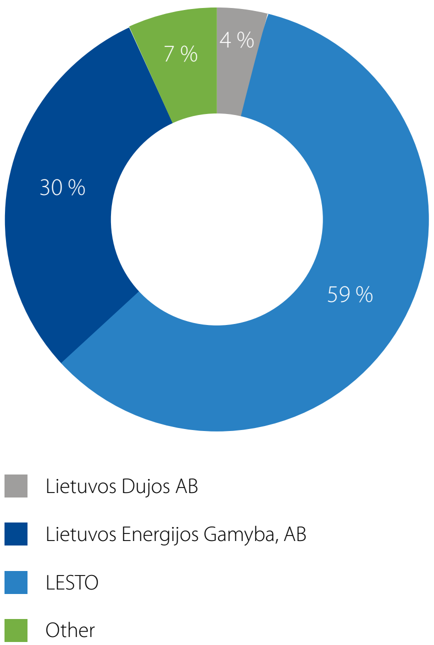
In 2014, the Group's EBITDA amounted to EUR 216.9 million (LTL 748.8 million), i.e. a 10 % or EUR 19.8 million (LTL 68.3 million) increase compared to EBITDA for 2013, which was equal to EUR 197.1 million (LTL 680.6 million). EBITDA margin for the reporting period did not change significantly and was equal to 22.3 % (23.4 % in 2013). In 2014, the major portion of EBITDA (nearly 90 %) was earned from the activity of LESTO and Lietuvos Energijos Gamyba. The growth of the Group's EBITDA resulted from better profitability results of electricity production activity and a positive result of gas transmission and distribution activity.

Group's EBITDA in 2013 and in 2014, in EUR million

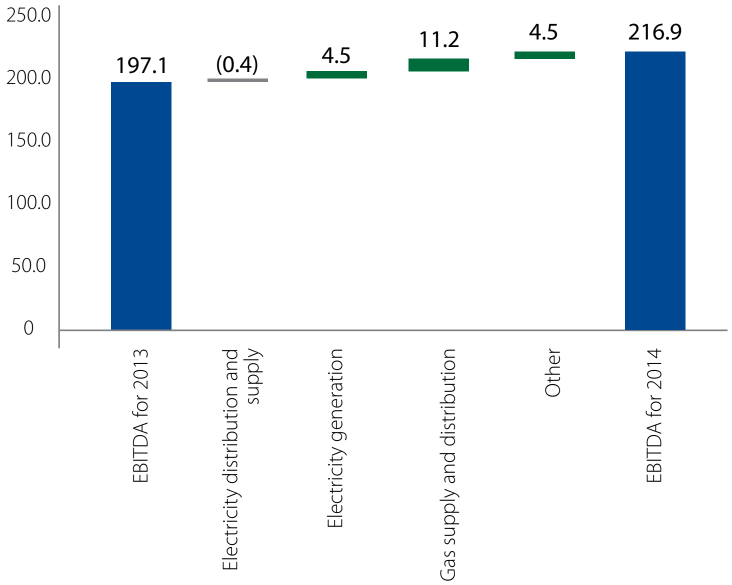


The Group's net loss for 2014 amounted to EUR 280 million (LTL 966.6 million). In 2013, net profit earned by the Group amounted to EUR 40.8 million (LTL 140.8 million). In 2014, the Group's negative net result of operations was significantly affected by one-off negative impact of the revaluation of property, plant and equipment of LESTO, during which the value of property, plant and equipment of LESTO lower by EUR 618.4 million (LTL 2,135 million) was determined, on the Group's results.

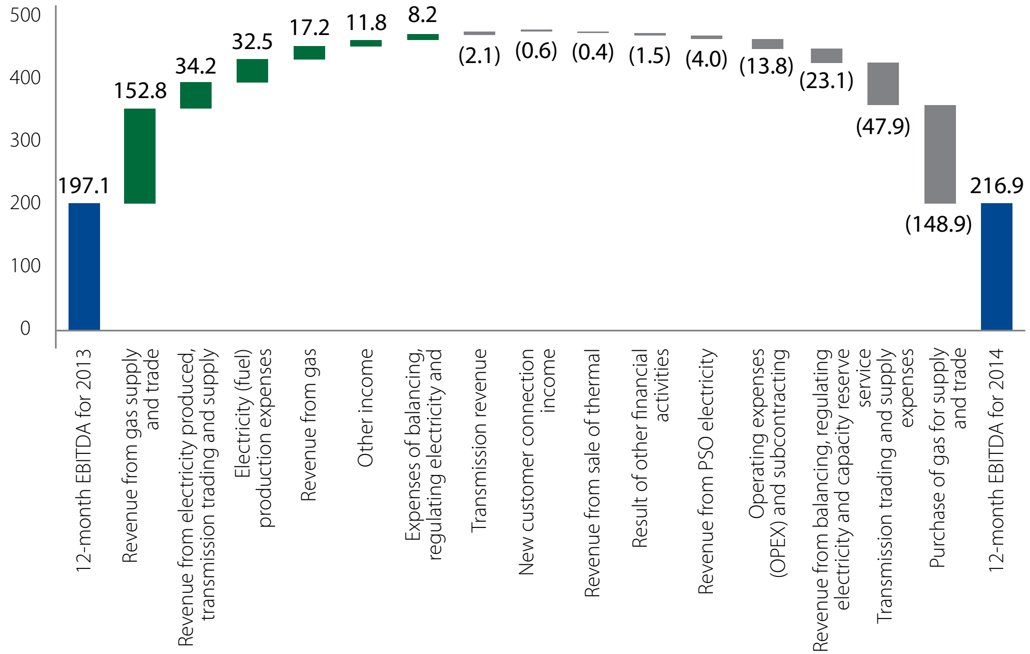
Group's EBITDA sources in 2014



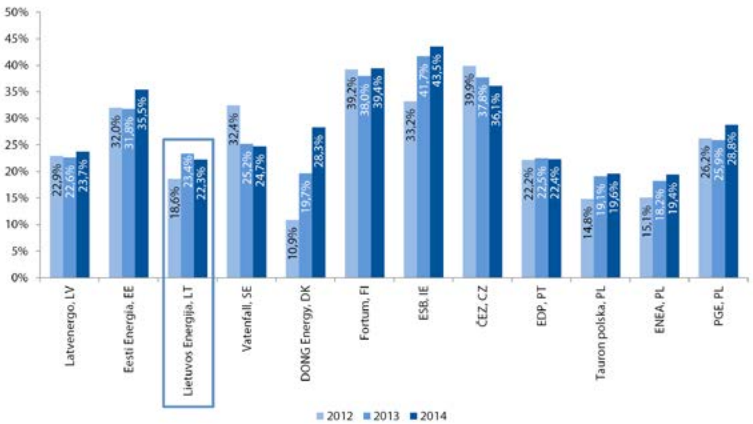
Changes in the Group's EBITDA by the type of activity, in EUR million



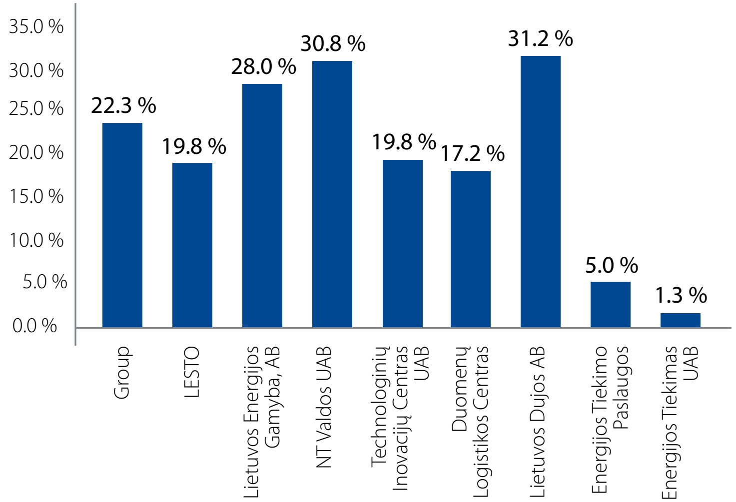
Changes in the Group's EBITDA by the type of activity, in EUR million



Comparison of EBITDA margin of certain EU energy companies in 2012-2014, %

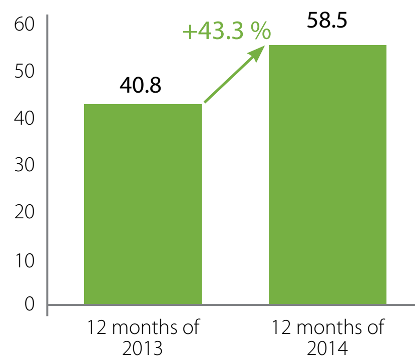


EBITDA margin for 2014 of the main companies of the Group, %

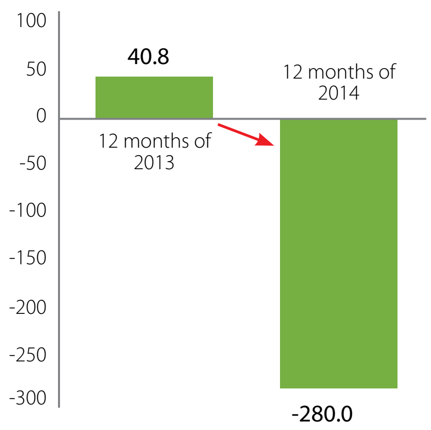


By comparing the activity of several reporting periods, the Group's net normalised profit for 2014, after the elimination of the impact of one-off factors, increased by 43.3 % or EUR 17.7 million (LTL 61 million) and amounted to EUR 58.8 million (LTL 201.9 million) in 2014 compared to EUR 40.8 million (LTL 140.8 million) in 2013. In order to obtain comparable results of the Group's operations in the future, net normalised profit has been calculated after the elimination the impact of the revaluation of property, plant and equipment of LESTO (net impact of EUR 406.7 million (LTL 1,404 million) and having estimated a negative impact of the Group's obligation to allocate to non-household customers a part of the gas price reduction on the Group's results of operations (net impact of EUR 68.2 million (LTL 235.5 million)). LESTO performed valuation of its property, plant and equipment (PP&E) with reference to the report on valuation of PP&E prepared by Ernst & Young Baltic UAB, and determined that the fair value of PP&E (including construction in progress) as at 31 December 2014 was EUR 618.4 million (LTL 2,135 million) lower than the carrying amount of PP&E. Having estimated a negative impact (EUR 81.4 million) (LTL 281 million)) of the Group's obligation to allocate to non-household customers in 2015-2016 a part of the reduction of the price of gas to be imported achieved during the negotiations with Gazprom on results of operations in the future, additional provisions to be established would amount to EUR 80.2 million (LTL 277 million). Due to uncertainty relating to the timing of the application of the discount for the gas price, these provisions cannot be established according to International Accounting Standards and they were not established as at 31 December 2014. This circumstance will negative affect profitability indicators of the Group's gas supply activity in the period of the application of the discount, i.e. in 2015-2016.

Group's net profit (normalised)
in 2013 and 2014, in EUR million



Group's net profit
in 2013 and 2014, in EUR million

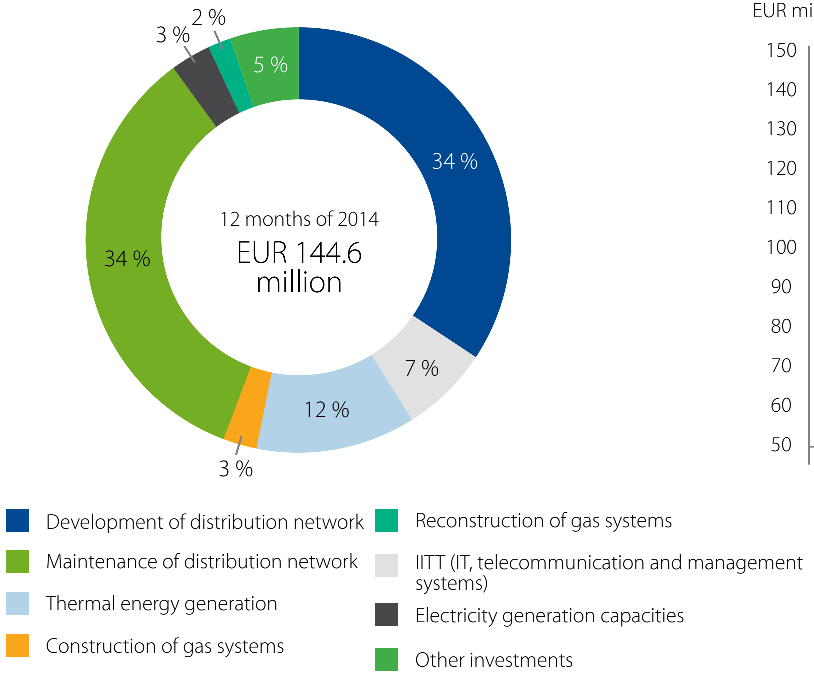


Investments

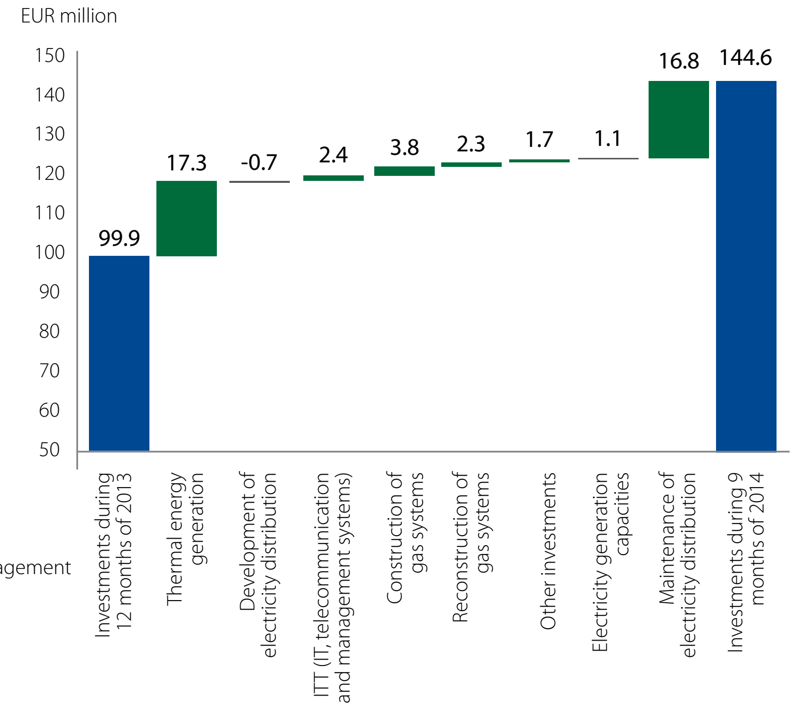
In 2014, the Group's investments increased by 45 % or EUR 44.7 million (LTL 154.3 million) and amounted to EUR 144.6 million (LTL 499.3 million) compared to LTL 344.9 million in 2013. In 2014 compared to 2013, investments for the development of the distribution network remain at the similar level, while investments in other sectors increased. In 12 months of 2014, the largest investments were made in the development of the distribution network (EUR 49.6 million (LTL 171 million)) and the maintenance of the distribution network (EUR 49.5 million (LTL 170.7 million)).

In 2014, there was a significant increase in investments in the development of thermal energy generation capacities (EUR 17.7 million (LTL 61.1 million) in total) – biofuel boilers and other auxiliary installations were installed at the Elektrėnai complex; investments in the maintenance of the distribution network, electricity generation capacities and the development of telecommunication and managements systems also rose substantially. Following the acquisition of the controlling block of shares of Lietuvos Dujos in the second quarter of 2014, the Group's investments in the reconstruction and construction of the gas system amounted to EUR 6.1 million (LTL 21 million).

Structure of the Group's investments during 12 months of 2014, %



Group's investments during 2014 by sector, in EUR million



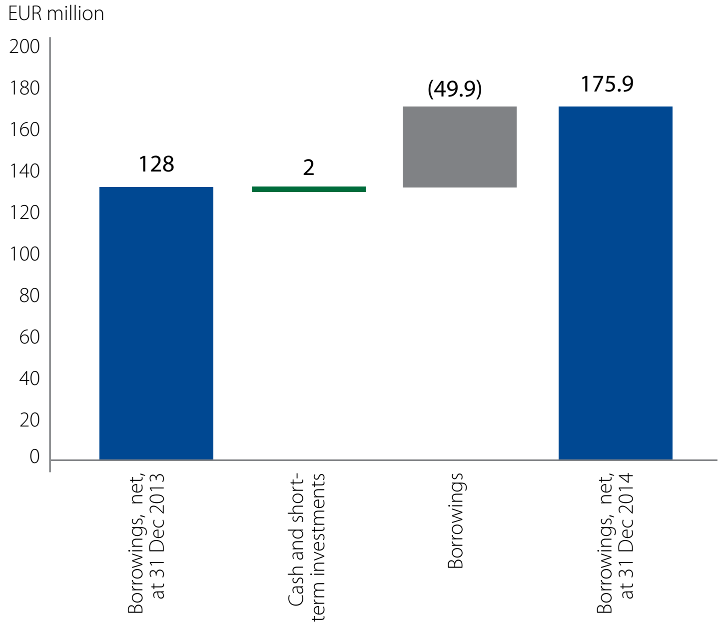
Borrowings

The Group's net borrowings increased by EUR 47.9 million (LTL 165.3 million) or 37.4 % compared to the 2013 year-end and amounted to EUR 175.9 million (LTL 607.3 million) as at 31 December 2014. In 2014, the Group's net borrowings increased due to increase in borrowings intended for the financing of the investments of the companies of the Group. During 2014, the Group's borrowings increased by 14.6 % or EUR 49.8 million (LTL 172.1 million) and amounted to EUR 391.6 million (LTL 1,352.1 million) as at 31 December 2014 compared to EUR 341.8 million (LTL 1,180.1 million) as at 31 December 2013.

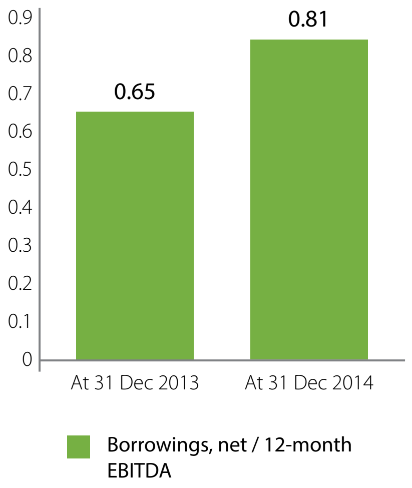
As a result of the increase in the Group's borrowings, the Group's net borrowings-to-the last 12-month EBITDA ratio increased from 0.65 time at the 2013 year-end to 0.81 time at the 2014 year-end. The Group's net borrowings-to-equity ratio rose from 7.2 % at the 2013 year-end to 13.4 % at the 2014 year-end. This change was mainly determined by the decrease in the Group's assets and equity due to a negative result of the revaluation of property, plant and equipment of LESTO. The current ratio of the Group's net borrowings remains to be low at the end of 2014 with respect to revenue earned and the capital structure as compared to respective indicators of the EU energy companies.

A low ratio of the Group's borrowings and a high ratio of equity, profitability of operating activity indicate a solid and stable current financial position of the Group and its prospects, as well as the Group's financial capacities to implement investments required to ensure the provision of the existing services of the Group, to implement and finance new projects and safeguard a further development of the Group.

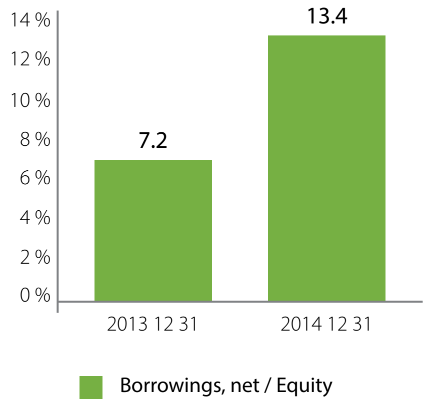
Group's net borrowings in December 2013 and December 2014, in EUR million

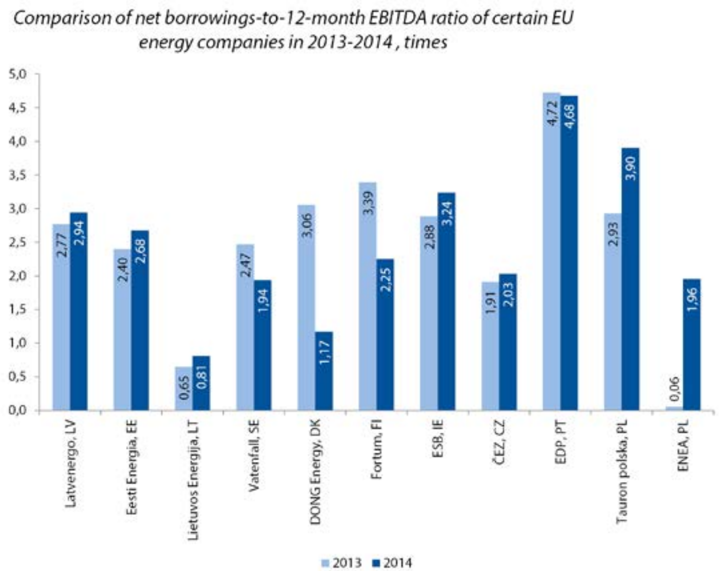


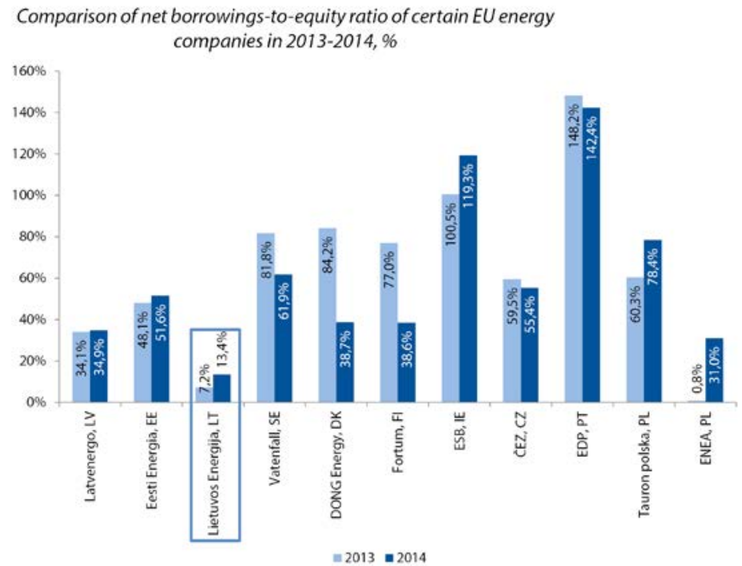
Group's net borrowings-to-12-month EBITDA ratio, times



Group's net borrowings-to-equity ratio, %







5 Results of operations of the Group companies

Results of operations of LESTO AB

LESTO is the Lithuanian electricity distribution network operator, the main functions of which include electricity transmission via distribution networks, connection of new equipment and objects of customers, maintenance, management, development of distribution networks, ensurance of their safety and reliability, public and guaranteed electricity supply. LESTO was established in 2011 following the reorganisation of distribution networks companies Rytų Skirstomieji Tinklai AB and VST AB by way of merger that ceased their activities as legal entities on 31 December 2010.

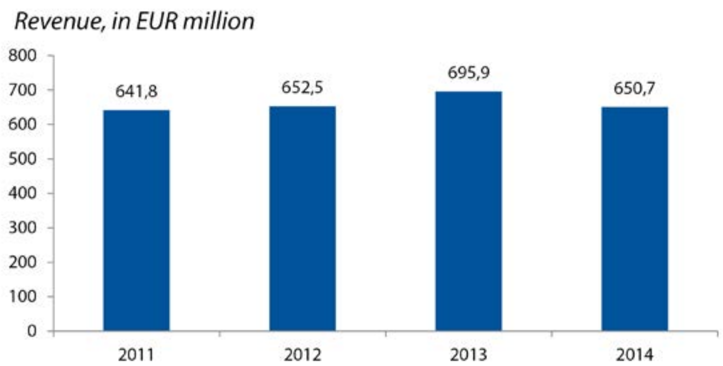
At the end of 2014, LESTO operated electricity distribution networks with the length of around 123 thousand km; the company provided services to 1.63 million customers (1.56 million private customers and 66 thousand corporate customers). The number of new customers connected was 28 % higher in 2014 as compared to 2013; admissible electric power of objects of newly connected customers was 13 % higher than in 2013. The total number of the company's customers and new customer connections continue to rise for three successive years.

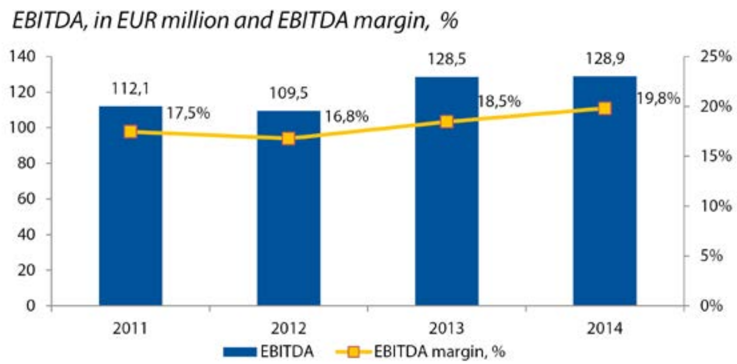
Dynamics of change of customers

	2011	2012	2013	2014
Total number of customers	1.571.798	1.592.626	1.608.898	1.627.238
Number of private customer	1.510.224	1.528.055	1.545.204	1.561.059
Number of corporate customers	61.574	64.571	63.694	66.179
Number of new customers connected	16.852	18.130	20.649	26.433
Admissible electric power of objects of newly connected customers, MW	265,4	236,8	297,4	335,9

Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**641.8**	**652.5**	**694.6**	**650.7**
Operating expenses (OPEX)	**82.0**	**81.7**	**84.3**	**83.0**
EBITDA	**112.1**	**109.5**	**128.5**	**128.9**
EBITDA margin, %	17.5%	16.8%	18.5%	19.8%
Net profit	**-13.6**	**-12.7**	**12.6**	**-164.6**
Net profit margin, (%)	-2.1%	-2.0%	1.8%	-25.3%
Assets	**1495.0**	**1459.7**	**1438.5**	**816.3**
Equity	**1022.1**	**959.8**	**942.7**	**394.1**
Borrowings	**128.9**	**167.1**	**178.1**	**222.1**
Borrowings, net	**116.1**	**164.2**	**175.8**	**218.0**
Borrowings, net / Equity, %	12.6%	17.4%	18.9%	56.3%
Equity / Assets, %	68.4%	65.8%	65.5%	48.3%
Number of employees, units	**2,890**	**2,555**	**2,420**	**2,229**





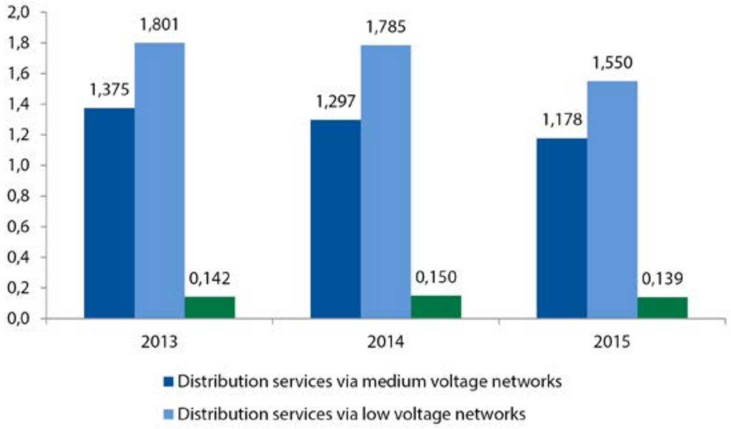
Revenue of LESTO for 2014 amounted to EUR 650.7 million (LTL 2,247 million) (change of -6.3 % or -EUR 43.9 million (-LTL 151.4 million) compared to the results of operations of 2013). Revenue from regulated activity represented nearly the total amount of the company's revenue in 2014. Although the quantity of electricity transmitted increased by 2.3 % in 2014, the reduction in revenue for 2014 was mainly caused by the decrease in the average electricity transmission price by 14.2 % in 2014 as compared to 2013. In 2014, revenue from electricity transmission (69 %) and public electricity supply (20 %) and guaranteed electricity supply (6 %) represented the major portion of the company's revenue.

EBITDA of LESTO for 2014 amounted to EUR 128.9 million (LTL 445 million) (change of +0.3 % or +EUR 0.4 million (+LTL 1.4 million) compared to the results of operations of 2013). The growth of EBITDA was mainly caused by higher quantity of transmitted electricity, lower losses in the network and lower operating expenses. In 2013, operating expenses of LESTO amounted to EUR 83 million (LTL 286.8 million) (change of -1.6 % or -EUR 1.3 million (-LTL 4.6 million) compared to 2013). Operating expenses declined mainly due to lower remuneration expenses as a result of lower number of employees.

Prices of services provided by LESTO are regulated, therefore decisions relating to the establishment of prices for the services provided by LESTO make a significant impact on the activity of LESTO and the results of its operations. The upper limits of prices are established by the National Control Commission for Prices and Energy (hereinafter "the Commission"). On 19 December 2014, the Commission established the price caps for electricity distribution services and the price cap for public supply service for the year 2015 as follows:

- electricity distribution services via medium voltage network – 1.178 euro ct/kWh (2014: 1.297 euro ct/kWh; 2013: 1.375 euro ct/kWh);

Price caps of services, euro ct



The price caps for electricity distribution services established by the Commission decline for three years in a row and decreased by 14 % compared to 2013. Reduction in price caps for electricity distribution services negatively affect the company's revenue and may have a significant negative impact on the results of operations of the company, its capacities to ensure a sufficient level of investments necessary for the maintenance of the current technical condition of the electricity network.

- electricity distribution services via low voltage network – 1.550 euro ct/kWh (2014: 1.785 euro ct/kWh; 2013: 1.801 euro ct/kWh);

On 19 December 2014, the Commission also established the price cap of 8.616 euro ct/kWh (excl. VAT) of the public supply service to private consumers who receive electricity via medium voltage network for 2015 (2014: 9.157 euro ct/kWh (excl. VAT), 2013: 9.877 euro ct/kWh (excl. VAT), and the price cap of 10.165 euro ct/kWh (excl. VAT) to private consumers who receive electricity via low voltage network for 2015 (2014: 10.941 euro ct/kWh (excl. VAT), 2013: 11.687 euro ct/kWh (excl. VAT).

- public supply service – 0.139 euro ct/kWh (2014: 0.15 euro ct/kWh; 2013: 0.142 euro ct/kWh).

Operational indicators

In 2014, LESTO transmitted to customers 8.4 TWh of electricity (change of +2.3 % and +0.18 TWh compared to the quantity of electricity transmitted in 2013). The quantity of electricity transmitted increases for three years in a row. Higher quantity of electricity transmitted to customers reflected a further growth of the Lithuanian economy.

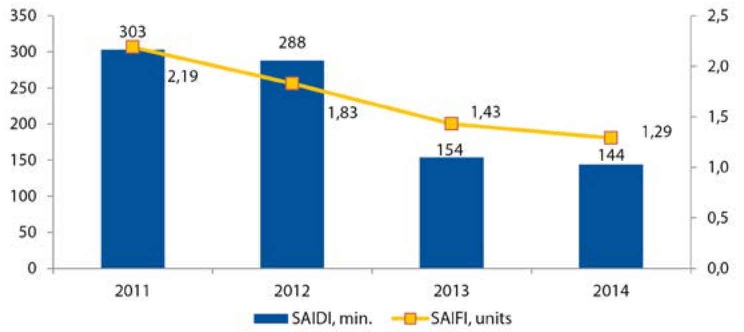
In 2014, the share of public and guaranteed supply of electricity in the total quantity of electricity transmitted to customers of LESTO increased to 38.4 % (a 5.3 % higher sales compared to the result of 2013 when the share of public and guaranteed supply of electricity represented 37.3 % of the total quantity of electricity transmitted to LESTO customers). Increase in quantity of electricity sold was caused by a part of customers terminating contracts concluded with independent suppliers who were unable to fulfil obligations assumed.

In 2014, quality indicators of electricity supply were further improved. The average duration of unplanned interruptions in electricity transmission (SAIDI), including the causes of force majeure circumstances, per consumer was 144 minutes in 2014 compared to 154 minutes in 2013 and 288 minutes in 2012. The average number of unplanned long interruptions (SAIFI), including the causes of force majeure circumstances, per customer was 1.29 times in 2014. The latter indicator also improved compared to 1.43 times in 2013 and 1.83 times in 2012.

Distributed electricity via medium and low voltage networks

TWh	2011	2012	2013	2014
Quantity of electricity supplied to distribution network	8.56	8.80	8.87	9.06
Technological costs, commercial losses and own needs	0.71	0.69	0.66	0.67
Distribution costs in technological equipment, %	8.3	7.8	7.5	7.4
Quantity of electricity transmitted	7.85	8.11	8.21	8.4

SAIDI, min. and SAIFI, units



Other significant events of the reporting period

- During the Ordinary General Meeting of Shareholders of LESTO held on 4 April 2014, a decision was made to appropriate profit for 2013 and allocate amount of EUR 33.23 million (LTL 114.7 million) for payment of dividends.
- During the Extraordinary General Meeting of Shareholders of LESTO held on 30 September 2014, a decision was made to pay out dividends to the shareholders of LESTO for the period shorter than the financial year. The total amount of EUR 19.24 million (LTL 66.4 million) was allocated for payment of dividends to shareholders.
- On 8 October 2014, LESTO and SEB Bankas AB signed the agreement on the granting of the long-term loan of EUR 85 million (LTL 293.5 million). Proceeds received will be allocated for the refinancing of the company's financial liabilities to financial institutions and the financing of investments aimed at increasing the reliability of the network and the service quality.
- In November 2014, a complaint of the company was accepted at Vilnius Regional Administrative Court in respect of a partial annulment of Resolutions No O3-841 and No O3-845 of 17 October 2014 of the National Control Commission for Prices and Energy (the Commission). Under these Resolutions, in the opinion of the company, the Commission illegitimately extended the regulation period of 2011-2013 for the year 2015 and incorrectly established price caps for electricity distribution services for the year 2015 without taking into consideration the provisions of the Description of Procedure for Determining Regulated Prices in Electric Energy Sector approved by the Lithuanian Government Resolution No 1026 of 24 September 2014 and by incorrectly calculating rate of return on investments (WACC) for the year 2015.

Significant events after the end of the reporting period

- Based on the requirements of International Accounting Standards and aiming to estimate the fair value of property, plant and equipment accounted for in the financial statements, 7 LESTO performed valuation of its property, plant and equipment (PP&E) with reference to the report on valuation of PP&E prepared by Ernst & Young Baltic UAB, and determined that the fair value of PP&E (including construction in progress) as at 31 December 2014 was EUR 618.4 million (LTL 2,135 million) lower than the carrying amount of PP&E. Valuation of PP&E of LESTO AB was based on income and cost methods. Impairment of PP&E resulted from decisions passed by the Commission in 2009-2015 that determined a lower value of PP&E under the income method. Results of the valuation of PP&E had no impact on the company's profit before interest, tax, depreciation and amortisation (EBITDA).
- In January 2015, Vilnius Regional Administrative Court accepted the company's complaint in respect of the annulment of Resolution No O3-947 of 19 December 2014 of the Commission On Scheduled Audit of LESTO and Resolutions No O3-944, No O3-945, No O3-946, No O3-960 passed on the grounds of the latter Resolution. The company disagrees with the conclusions of the Commission's costs inspection report and believes that they are unjustified. In the company's opinion, the audit of the company's regulated activity was performed improperly, the Commission violated the principles of public administration and supervision of the activities of the entities, incorrectly estimated costs actually incurred by the company for the performance of its regulated activity and included in the regulated activity.
- On 3 February 2015, LESTO announced the investment development plan for 2015–2025. In the upcoming ten years LESTO plans to undertake a major modernisation of the distribution network. In order to ensure the provision of reliable, safe and smart services, the company plans to invest EUR 1.7 billion in the modernisation and renewal of the network by 2025. Investments aimed at increasing the resilience of the network to weather conditions will make up a major share (EUR 511 million) of the total investments. This involves the replacement of overhead lines with underground lines or isolated lines. Over the next 11 years, the portion of such lines is expected to increase from 25 % to 40 % or underground and isolated lines with the length of 18 thousand kilometres are planned to be constructed. Investments in the programme Safe and Reliable Network are expected to reach EUR 426 million. In the course of the programme implementation transformers, cable lines and distribution devices will be replaced with advanced equipment complying with modern standards. Investments aimed at improving the quality of the supply voltage are expected to reach EUR 132 million. LESTO plans to invest EUR 34 million in the projects of a smart grid. Seven projects are expected to be implemented by 2025 including the automation of the network, pilot projects of smart reading devices, a single dispatcher centre and the installation of the system for the management of the distribution network. The remaining investments will be allocated for the connection of new customers, investments in IT systems and other measures. The implementation of investments is expected to be gradual in order to make a minimum impact on the electricity tariff. The company's investments will positively affect the country's economy. Investments will be financed using funds collected for electricity distribution service and borrowed funds.

- In March 2015, a complaint of the company was accepted at Vilnius Regional Administrative Court in respect of the annulment of Resolutions No O3-11 of 19 January 2015 of the Commission On the Establishment of Price Caps for Distribution Services of LESTO AB Via Medium and Low Voltage Networks for 2016-2020. In the company's opinion, by passing this Resolution the Commission unjustifiably failed to apply the Description of Procedure for Determining Regulated Prices in Electric Energy Sector approved by the Lithuanian Government Resolution No 1026 of 24 September 2014.
- On 3 March 2015, LESTO received a letter from the controlling company Lietuvos Energija, which holds 94.39 % of shares of LESTO, informing about the planned changes.
- The Board of Lietuvos Energija approved the concept of the programme for the optimisation of the activity chain of the Lietuvos Energija group which provides for the merger of LESTO and Lietuvos Dujos by establishing a joint distribution networks venture. It is expected that a detailed plan for the implementation of this project will be approved in April and it's completion is planned in December 2015.

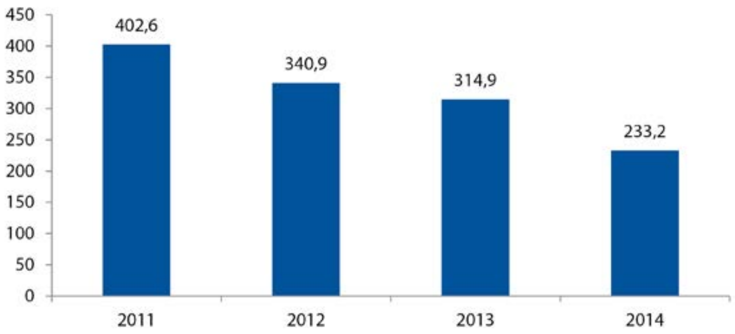
Results of operations of Lietuvos Energijos Gamyba AB

Lietuvos Energijos Gamyba is a company of strategic importance engaged in the activities of electricity and heat production, electricity supply, import and export and trade in electricity. The company assumes the major responsibility for the improvement of effectiveness, competitiveness and transparency of the country's electricity sector and safeguarding interests of consumers.

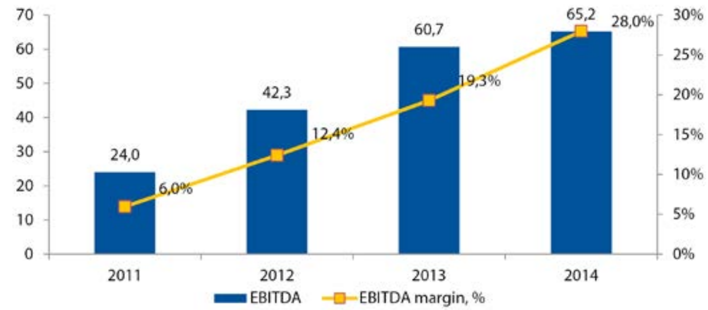
Lietuvos Energijos Gamyba AB sells electricity and provides electricity balancing and reactive power management services to public and independent suppliers operating in the Lithuanian market as well as exports electricity and sells electricity in the power exchange.

In 2014, the company's profitability indicators (EBITDA margin, net profit margin) significantly improved compared to 2013, irrespective of a material decline in revenue in 2014 compared to 2013 due to a lower quantity of electricity sold and lower prices.

Revenue, in EUR million

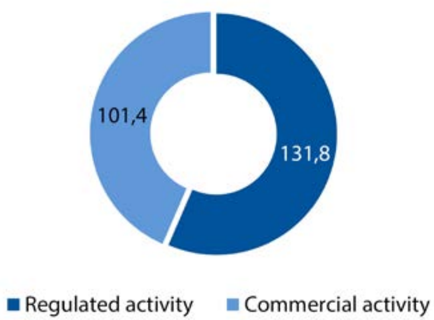


EBITDA, in EUR million and EBITDA margin, %



Revenue of Lietuvos Energijos Gamybos for 2014 amounted to EUR 233.3 million (LTL 805 million) (change of -25.9 % or -EUR 81.7 million (-LTL 282 million) compared to the results of operations of 2013). The main portion of revenue represented revenue from electricity sale and export activities, electricity balancing, power reserve and PSO service income. Decline in revenue is related to lower volumes of sponsored electricity generation and a highly competitive environment in the free market, a lower price of electricity. In 2014, income from regulated activities related to production and trade in electricity declined; income from regulated activities accounted for 43.4 % of the company's income (2013: 47.5 % of the company's income).

Electricity generation and trade in 2014, in EUR million



EBITDA of the company for 2014 amounted to EUR 65.2 million (LTL 225 million) (change of +6.4% or +EUR 4.5 million (+LTL 15.6 million) compared to 2013). Increase in EBITDA resulted mainly from declining operating expenses. In 2014 operating expenses decreased by 7.4 % or EUR 1.8 million (LTL 6.3 million) compared to 2013 due to a successful electricity trading activity. The company's net profit margin increased even to 14.3 % (margin was equal to 8.7 % in 2014 and 2.8 % in 2012) and was largely affected by the same factors which determined a positive change of the company's EBITDA.

Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**402.6**	**340.9**	**314.9**	**233.2**
Operating expenses (OPEX)	**21.7**	**21.4**	**24.2**	**22.4**
EBITDA	**24.0**	**42.3**	**60.7**	**65.2**
EBITDA margin, %	6.0	12.4	19.3	28.0
Net profit	**3.2**	**9.6**	**27.3**	**33.4**
Net profit margin, (%)	0.8	2.8	8.7	14.3
Assets	**931.7**	**969.4**	**938.8**	**914.6**
Equity	**368.7**	**378.5**	**398.3**	**367.3**
Borrowings	**185.6**	**191.4**	**160.9**	**162.9**
Borrowings, net	**183.3**	**188.8**	**109.3**	**87.1**
Borrowings, net / Equity, %	50.4	50.6	40.4	44.3
Equity / Assets, % .	39.6	39.0	42.4	40.2
Number of employees, units	**509**	**511**	**503**	**474**

Operational indicators

Lietuvos Energijos Gamyba holds the largest electricity generation capacities in Lithuania which ensure the country's energy security. The company owns three generation entities: Lithuanian Power Plant, Kruonis Pumped Storage Power Plant and Kaunas Hydro Power Plant. The Company has permits of unlimited validity to engage in electricity generation activities. At the end of 2014, the installed power of the power plants operated by the company was equal to 2.66 TWh (2.96 TWh in 2013). In view of the situation in the market and the company's operational strategy, in October 2014 a decision was made to terminate the operation of units 1 and 2 of the Reserve Power Plant in Elektrėnai that were built in 1962–1965.

The dismantling of these units was started in January-April 2015 and the dismantling works are expected to continue for several years. A decision to dismantle old and ineffective units of the Reserve Power Plant with the installed power of 150 MW (a total of 300 MW) was made taking into consideration the changes in prices of natural gas, a low coefficient of performance of the units, high maintenance costs and the occurrence of new thermal energy generation capacities from biofuel. The price of electricity generated by these units was not competitive in the market, thus their separation will enable to continue decreasing the need for PSO budget funds as well as a final electricity tariff to consumers.

The combined cycle block with the installed power of 455 MW has been operating in Elektrėnai for two years since October 2014. Over the period of the block's operation the company saved around EUR 48.7 million (LTL 168 million) of PSO budget funds. This additional amount of funds would have been needed, provided electricity had been produced using old units. The combined cycle block with a 30 % higher performance coefficient than the old units of the Reserve Power Plant produced around 65 % of the total quantity of electricity produced in Elektrėnai during the mentioned period.

Installed power

MW	2011	2012	2013	2014
Lithuanian Power Plant	1,800	1,955	1,955	1,655
New combined cycle block	0	455	455	455
Old units of Lithuanian Power Plant	1,800	1,500	1,500	1,200
Kruonis Pumped Storage Power Plant	900	900	900	900
Kaunas Hydro Power Plant	101	101	101	101
Total	2,801	2,956	2,956	2,656

In 2014, the power plants operated by the company produced 1.84 TWh of electricity (change of -6.2 % or -0.12 TWh compared to 2013). The quantity of electricity produced by the company is declining for two successive years. In 2013, the company produced 1.96 TWh of electricity (change of -10.9 % or -0.24 TWh compared to 2012). Reduction in the quantity of electricity produced was mainly caused by the reduced quota of the sponsored electricity generation for the Reserve Power Plant in Elektrėnai for 2013 (production quota of 1.53 TWh was established for 2012, 0.9 TWh production quota was established for 2013 and 2014; 0.86 TWh of electricity was produced in 2014), and by lower electricity production volumes at Kaunas A.Brazauskas Hydro Power Plant in 2014 due to unfavourable climate conditions. This power plant operated at a lower capacity than usual due to a relatively dry year and a lower flow rate in the Nemunas river. Reduction in the quantity of electricity produced during the reporting period was partially compensated by higher electricity production volumes at Kruonis Pumped Storage Power Plant.

Electricity produced

TWh	2011	2012	2013	2014
Lithuanian Power Plant	1.10	1.42	1.08	0.86
Kruonis Pumped Storage Power Plant	0.53	0.47	0.47	0.66
Kaunas A.Brazauskas Hydro Power Plant	0.39	0.31	0.41	0.32
Total	2.02	2.20	1.96	1.84
Production quota subsidised by PSO service fees at Lithuanian Power Plan	1.74	1.53	0.90	0.90

During 2014, the company sold 2.45 TWh of electricity to the domestic market (a change of -34 % or - 1.27 TWh compared to 2013 when 3.72 TWh of electricity was sold to the domestic market). This reduction was caused by the 2014 amendments to the terms of the agreement concluded with the public electricity supplier LESTO. In addition, with effect from 8 January 2013, the company carries out the functions of a designated entity, i.e. buys the total quantity of electricity produced by wind-power generators and sells it to the Nord Pool Spot electricity exchange Lithuania bidding area where 0.51 TWh of electricity was sold in 2014. In 2014, the company's sales in the free market increase by 21.7 % from 1.33 TWh in 2013 to 1.62 TWh in 2014.

Significant events of the reporting period

- In February 2014, the company signed the credit agreement with SEB Bankas AB for the granting of the loan not exceeding EUR 158 million with the repayment term of 10 years. Loans received in 2005 and 2010 under the credit agreements concluded with the banks operating in Lithuania and the European Bank for Reconstruction and Development will be subject to refinancing using funds borrowed from the bank. The loans were used for the financing of projects on the construction of the combined cycle gas turbine and construction and installation of facilities for the removal of sulphur dioxide from emissions and catching of particulate matter and other projects. The refinancing of the loans resulted in lower costs of regulated activity incurred by the company; a lower credit risk will enable obtaining more favourable terms of financing in the future.

- During the Ordinary General Meeting of Shareholders of LEG held on 4 April 2014, a decision was made to approve profit appropriation for 2013 and allocate amount of EUR 43.44 million (LTL 150 million) for payment of dividends.

- In September 2014, Vilnius Regional Administrative Court accepted the company's complaint in respect of the Resolution of 7 August 2014 of the Commission On the Results of the Study on the Electricity Generation Market. Under this Resolution the Commission designated the company as an operator with a significant market power in the electricity generation services and with effect from 1 January 2015 established instructions relating to the application of prices and the announcement of information on costs of the regulated activity. During public consultations when providing comments on the draft of this Resolution the company noted that the study on the power generation market was conducted based on improper assumptions. In the company's opinion, the Commission's decision on the designation of the company as an operator with significant market power in the electricity generation services and the relating obligations should not be applied.

- In October-December 2014, Vilnius Regional Administrative Court accepted the company's complaints in respect of the annulment of the following resolutions of the Commission: Resolution No 03-818 of 30 September 2014 On the Scheduled Audit of Lietuvos Energijos Gamyba, AB; Resolution No O3-852 of 17 October 2014 On the Establishment of Price Caps for Capacity Reserve Services of Lietuvos Energijos Gamyba, AB for 2015; Resolution No O3-866 of 30 October 2014 On the Establishment of the Purchase Price for Electricity Produced at the Division of Lietuvos Energijos Gamyba, AB the Lithuanian Power Plant for 2015; Resolution No O3-875 of 30 October 2014 On the Recalculation of the Components of the Thermal Energy Production Price of the Lithuanian Power Plant of Lietuvos Energijos Gamyba, AB.

- During the Extraordinary General Meeting of Shareholders held on 30 September 2014, a decision was made to allocate amount of EUR 20.2 million (LTL 69.7 million) for payment of dividends for the period of the first six months of 2014.

Results of operations of Lietuvos Dujos AB

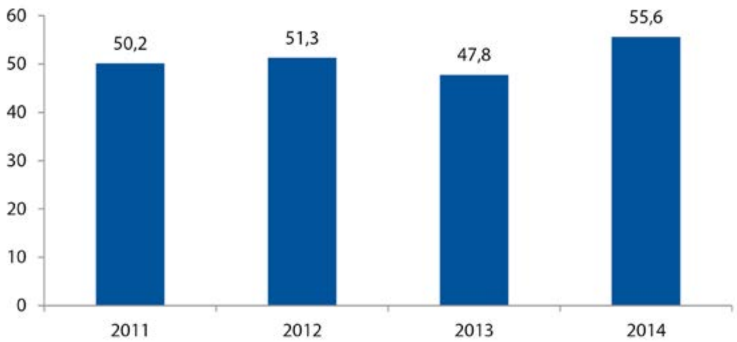
Lietuvos Dujos is the operator of the Lithuanian natural gas distribution network. Lietuvos Energija holding 96.6 % of shares of Lietuvos Dujos is the main shareholder of the company. The activities of Lietuvos Dujos include the operation of the gas distribution infrastructure, ensurance of its safety, renewal and development, attraction of new gas users and their connection to gas distribution pipelines, as well as the provision of emergency response services of gas pipelines. The company operates gas distribution pipelines with the length of 8.5 thousand km.

Until 1 November 2014, Lietuvos Dujos was engaged in both gas distribution and gas supply activities. The activity of natural gas supply was unbundled from Lietuvos Dujos in the implementation of the requirements of the Third Energy Package of the EU and the related legal acts. On 15 October 2014, Lietuvos Dujos and Lietuvos Dujų Tiekimas signed the purchase and sale of a part of the business agreement, under which Lietuvos Dujų Tiekimas acquired from Lietuvos Dujos a business of natural gas supply along with all attributable assets, rights and obligations. In December 2014, the total amount of the consideration for the acquired assets from Lietuvos Dujos was received.

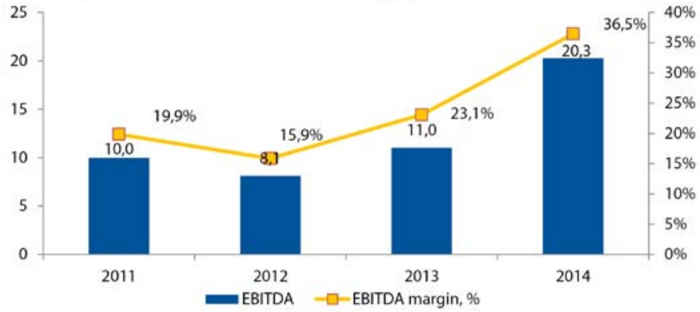
Financial indicators

in EUR million, unless otherwise stated	2013*	2014*
Revenue	**47.8**	**55.6**
Operating expenses (OPEX)	**41.0**	**39.2**
EBITDA	**11.04**	**20.3**
EBITDA margin, %	23.1	36.5
Net profit	**-48.3**	**5,9**
Net profit margin, (%)	-	10.6
Assets	**246.9**	**214.8**
Equity	**154.0**	**165.6**
Borrowings	**0.0**	**0.0**
Borrowings, net	**-19.4**	**-19.8**
Borrowings, net / Equity ratio, %	0	0.0
Equity / Assets, %	62.4	77.1
Number of employees, units		**1,134**

Revenue, in EUR million



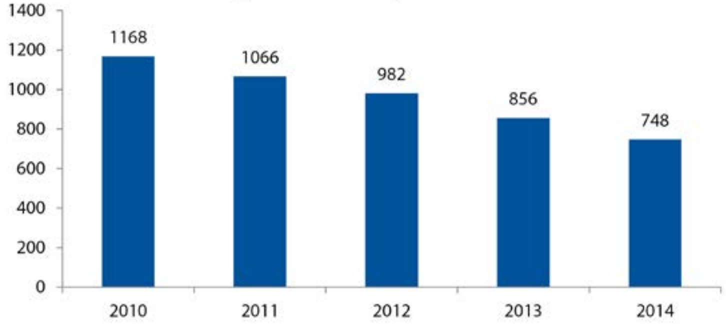
EBITDA, in EUR million and EBITDA margin, %



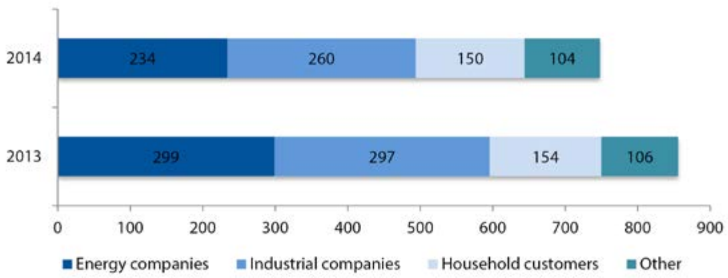
only the continuing gas distribution activity

The company's revenue from continuing operations for 2014 amounted to EUR 55.6 million (LTL 192 million) (a change of +16.3 % compared to EUR 47.8 million (LTL 165 million) earned from continuing operations in 2013). Revenue from gas distribution activity accounted for the major portion of the company's revenue. EBITDA of Lietuvos Dujos for 2014 from the continuing gas distribution activity amounted to EUR 20.3 million (LTL 70 million) (a change of + 1.84 times or +EUR 9.3 million (+LTL 31.9 million) compared to EBITDA of EUR 11 million (LTL 34.1 million) earned in 2013). Growth in revenue and EBITDA for 2014 resulted from higher prices of the gas distribution service established for a new price regulation period (2014–2018). The company's net profit for 2014 from the continuing gas distribution activity amounted to EUR 5.9 million (LTL 20.3 million).

Quantities of natural gas distribution, in million m3



Structure of natural gas distribution to consumers, in million m3



In 2014, the company transported 748 million m3 of gas via distribution pipelines, which is a 12.7 % decrease compared to 2013 (856 million m3). Due to the declining consumption level of gas by industrial users and household customers the quantity of gas transported via gas distribution pipelines declines for five years in a row. In 2014, the quantity of gas transported via gas distribution pipelines was 36 % lower than in 2010. Gas distribution structure by customers remained similar, however reduction in gas consumption by energy and industrial companies is observed. In 2014, the company distributed 66 % of gas to energy and industrial companies (2013: 70 %) and 20 % to household customers (2013: 18 %).

Significant events of the reporting period

- On 21 February 2014, the Ministry of Finance transferred to Lietuvos Energija, UAB ordinary registered intangible shares of Lietuvos Dujos AB owned by the State as a non-monetary in-kind contribution for the payment of newly issued shares of Lietuvos Energija UAB. The transferred shares represent 17.7 % of voting rights at the General Meeting of Shareholders of Lietuvos Dujos.
- In implementing the decisions of the General Meeting of Shareholders, on 7 May 2015 Lietuvos Dujos signed the agreement with the natural gas supplier Gazprom OAO regarding a significant price reduction for gas imported by Lietuvos Dujos.
- On 19 May 2014, the Competition Council passed a resolution clearing the concentration by the acquisition of up to 100 % of shares of Lietuvos Dujos by Lietuvos Energija, UAB and by acquiring control of Lietuvos Dujos, and stated that the anticipated concentration will not create or strengthen dominant market position or significantly restrict competition in respective markets.
- On 21 May 2014, Lietuvos Energija and E.ON Ruhrgas International Gmbh signed the purchase and sale agreement for the shares of Lietuvos Dujos, under which Lietuvos Energija acquired from E.ON Ruhrgas International Gmbh shares of Lietuvos Dujos granting 38.9 % of voting rights at the company's General Meeting of Shareholders.
- On 22 May 2014, Lietuvos Dujos received a letter from Lietuvos Energija about the intention to submit a mandatory takeover bid to buy up the remaining shares of the company. The Bank of Lithuania decided to approve the circular of the mandatory takeover bid to buy up the remaining shares with the voting rights.
- On 16 June 2014, the implementation of a mandatory non-competitive takeover bid of Lietuvos Energija to buy up the shares of the issuer was completed. During the mandatory takeover bid the applications to sell shares were submitted by Gazprom OAO and a part of minority shareholders. After the implementation of the mandatory takeover bid, Lietuvos Energija holds 96.6 % of shares of Lietuvos Dujos AB and the minority shareholders hold 3.4 % of the company's shares.
- During the Extraordinary General Meeting of Shareholders of Lietuvos Dujos held on 22 July 2014, a decision was made to appropriate profit for 2013 and allocate amount of EUR 15.4 million (LTL 53.2 million) for payment of dividends.
- During the Extraordinary General Meeting of Shareholders of Lietuvos Dujos held on 30 September 2014, a decision was made to pay out interim dividends to the shareholders for the period shorter than the financial year. The total amount of EUR 20.2 million (LTL 69.7 million) was allocated for payment of dividends to shareholders.
- On 15 October 2014, in implementing the requirements of the Lithuanian Law on Natural Gas and other legal acts on the unbundling of the natural gas distribution activity and in view of the decisions made by the General Meeting of Shareholders and the Board, Lietuvos Dujos concluded the purchase and sale of a part of the business agreement with Lietuvos Dujų Tiekimas, a company controlled by Lietuvos Energija. Referring to the market value established by the independent property valuers Lietuvos Dujos transferred the natural gas supply activity together with assets, rights and obligations attributed to the transferred part. On 1 November 2014, the management reorganisation of Lietuvos Dujos in the natural gas sector completed the implementation of the requirement of the Third Energy Package of the EU regarding the unbundling natural gas supply and distribution activities. Following the transfer of the natural gas supply activity to Lietuvos Dujų Tiekimas, the company Lietuvos Dujos operates the gas distribution network and provides gas distribution services.
- On 20 November 2014, the Commission approved the prices for natural gas distribution services of Lietuvos Dujos applicable from 1 January 2015. The price cap of the natural gas distribution service increased by 16.7 %. Increase in the gas distribution price was mainly caused by a 17 % projected decline in volumes of gas to be distributed in 2015.

Significant events after the end of the reporting period

- On 3 March 2015, Lietuvos Dujos received a letter from Lietuvos Energija, which holds 96.6 % of shares of Lietuvos Dujos, informing about the planned changes. The Board of Lietuvos Energija approved the concept of the programme for the optimisation of the activity chain of the Group which provides for the merger of LESTO and Lietuvos Dujos by establishing a joint distribution networks venture. It is expected that a detailed plan for the implementation of this project will be approved in April and it's completion is planned in December 2015.

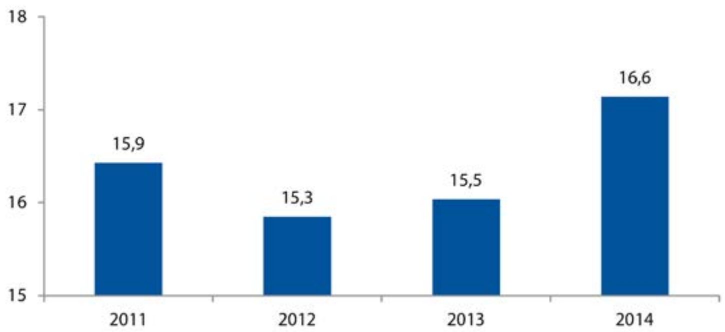
Results of operations of NT Valdos, UAB

NT Valdos, UAB is one of the largest companies in the area of property management and transport services in Lithuania. The company is engaged in the long-term and short-term lease of administrative, production and warehousing premises as well as long-term and short-term lease of territories and long-term and short-term lease of cars and special purpose motor vehicles and equipment, management of vehicle feet, accommodation and conference organisation services.

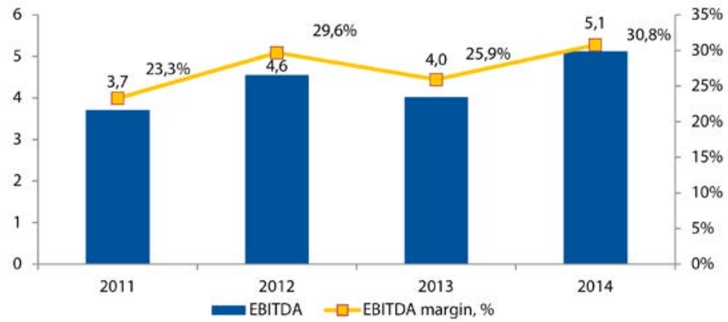
Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**15.9**	**15.3**	**15.5**	**16.6**
Operating expenses (OPEX)	**12.2**	**12.0**	**11.5**	**11.5**
EBITDA	**3.7**	**4.6**	**4.0**	**5.1**
EBITDA margin, %	23.3	29.6	25.9	30.8
Net profit	**-5.0**	**0.4**	**0.8**	**0.6**
Net profit margin, (%)	-31.3	2.6	5.1	3.3
Assets	**86.6**	**90.6**	**90.3**	**91.4**
Equity	**83.6**	**85.4**	**86.1**	**88.0**
Borrowings	**0.0**	**0.0**	**0.0**	**0.0**
Borrowings, net	**-4.6**	**-5.5**	**-5.4**	**-5.6**
Borrowings, net / Equity, %	0.0	0.0	0.0	0.0
Equity / Assets, %	96	94.2	95.4	96.2
Number of employees, units	**229**	**240**	**233**	**219**

Revenue, in EUR million



EBITDA, in EUR million and EBITDA margin, %



The company's revenue for 2014 increased by 7 % compared to 2013 and amounted to EUR 16.6 million (LTL 57.5 million). In 2014, the occupancy level of real estate and motor vehicles was increased by commencing its more active lease in the market. Revenue from real estate management services and lease of motor vehicles represented nearly equal portions in the company's revenue structure. Revenue from the Group companies accounted for 56 % of the total revenue of the company (2013: 64 %). The company's EBITDA for 2014 increased by 27 % or EUR 1.1 million (LTL 3.8 million) compared to 2013 and amounted to EUR 5.1 million (LTL 17.7 million). Growth of EBITDA was caused by increase in revenue and decline in operating expenses in 2014.

The scope of real estate operated by the company principally remained unchanged in 2011-2014.

Real estate operated by the company

Thousand m2	2011	2012	2013	2014
Lithuanian Power Plant	235	242	245	245

Vehicle feet

Units	2011	2012	2013	2014
Total number of motor vehicles	1,877	2,059	2,125	2,125

Results of operations of the Group companies

Duomenų Logistikos Centras UAB (known as Technologijų ir Inovacijų Centras UAB until 4 November 2013) is one of the largest operators of data transmission networks and data centres in the Baltic countries. The company provides data transmission services to companies and communication operators, manages data centres in which major companies, banks, telecommunication operators, cloud computing services providers store their equipment.

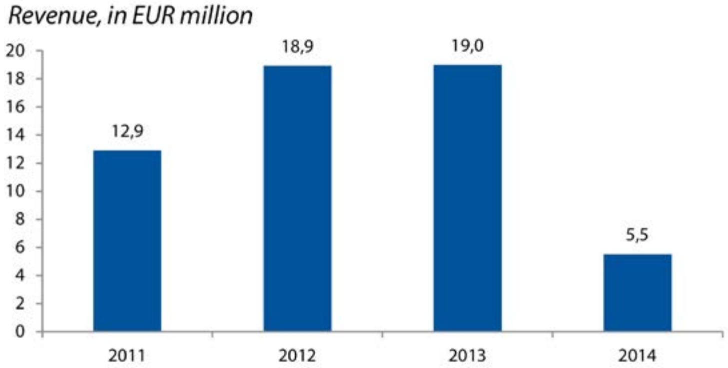
Duomenų Logistikos Centras UAB was established in 2010 by joining IT, telecommunications and technological equipment management specialists who were employed at separate companies of the Lithuanian electricity sector. Until 2013, the company also provided IT sector maintenance and design services. Starting from 2014, the company provides only the services of the operator of data transmission networks and data centres.

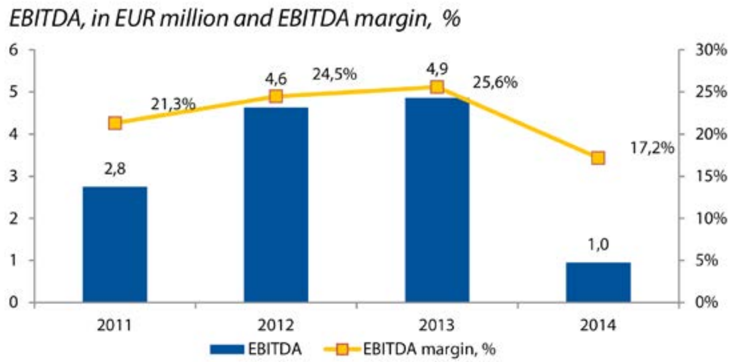
Duomenų Logistikos Centras transferred to the ownership of Technologijų ir Inovacijų Centras the set of assets related to non-commercial activity (IT maintenance and design services) of Duomenų Logistikos Centras UAB on 31 December 2013. In such a way the direct activity (function), i.e. data transmission and lease of data centres, of Duomenų Logistikos Centras was streamlined, whereas a non-commercial activity (function) of the company, i.e. maintenance and service of the IT sector of electricity companies of the group, was transferred to Technologijų ir Inovacijų Centras UAB. Proceeds received for the transferred assets were used to implement the decision of the shareholders of 30 April 2014 to reduce the company's authorised share capital by EUR 13 million (LTL 45 million).

The company's revenue for 2014 from the activity of the operator of data transmission networks and data centres and other continuing operations remained at the same level as in 2013 and amounted to EUR 5.5 million (LTL 19.1 million). The company's revenue for 2013 amounted to EUR 5.2 million (LTL 18 million). Following the discontinuation of IT services, EBITDA for 2014 amounted to EUR 1 million (LTL 3.3 million) compared to EBITDA of EUR 4.9 million (LTL 16.8 million) earned in 2013. The company's net profit earned in 2014 amounted to EUR 0.4 million (LTL 1.5 million) (2013: EUR 1.5 million (LTL 5.3 million)).

Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**12.9**	**18.9**	**19.0***	**5.5**
Operating expenses (OPEX)	**10.3**	**14.3**	**14.1**	**4.6**
EBITDA	**2.8**	**4.6**	**4.9**	**1.0**
EBITDA margin, %	21.3	24.5	25.6	17.2
Net profit	**-0.1**	**1.0**	**1.5**	**0.4**
Net profit margin, (%)	-0.4	5.2	8.1	7.0
Assets	**18.3**	**19.8**	**21.6**	**9.3**
Equity	**15.5**	**16.5**	**18.0**	**4.8**
Borrowings	**0.0**	**0.0**	**0.0**	**3.5**
Borrowings, net	**-4.5**	**-7.3**	**-8.2**	**2.6**
Borrowings, net / Equity, %	0.0	0.0	0.0	72.1
Equity / Assets, %	84.7	83.4	83.5	52.0
Number of employees, units	**226**	**250**	**191**	**19**





**ITT services included until 2013. Revenue from the continuing activity of data centres and data transmission and other continuing operations amounted to EUR 5.2 million (LTL 18 million) in 2013.*

Lietuvos energija

Significant events of the reporting period

Duomenų Logistikos Centras completed the first construction stage in one of the largest and the most advanced data centres in the Baltic countries Data Inn, which is the only data centre in Lithuania holding a Tier III certificate. This data centre can store 100 server racks. The new data centre is the first stage of the entire Data Inn project worth of EUR 12 million and covering an area of up to 3,200 square metres and storing up to 600 server racks. The designing and construction of the next stages of the Data Inn project are expected to start in the short term.

The five-year term agreement on the lease of the data centre capacities was signed with the electricity transmission system operator Litgrid AB and the three-year term agreement on the lease of the data centre capacities was signed with Technologijų ir Inovacijų Centras.

The validity of ISO 9001 and ISO 27001 certificates was extended. In 2012, the quality management system meeting the requirements of ISO 9001 standards was implemented at the company. In October 2013, the information security management standard ISO 27001 was implemented at the company aiming to ensure that the company's activities comply with applicable laws, legal, regulatory and contractual requirements of proper information and information systems management, safety improvement, management cost reduction, management of information and ensurance of safety following the best practices.

Results of operations of Elektros Tinklo Paslaugos UAB

Elektros Tinklo Paslaugos is a group company engaged in the construction, reconstruction, repair and technical maintenance, testing and diagnostic works of electricity equipment of 0.4 kV – 400 kV voltage for the companies of the electricity sector and external market. The company provides services to the Lithuanian energy sector companies and companies of other sectors and natural persons in Lithuania.

Revenue of the company for 2014 amounted to EUR 23.3 million (LTL 80.6 million) (change of +3 % or +EUR 0.6 million (+LTL 2.1 million) compared to the results of operations of 2013). Revenue received from energy projects, i.e. the repair, reconstruction, construction and technical maintenance of overhead lines, overhead cable lines, cable lines, 6–10 kV voltage transformers, 6–10 kV voltage distribution stations, 35 kV and higher voltage transformer substations, made up a major portion of the company's revenue.

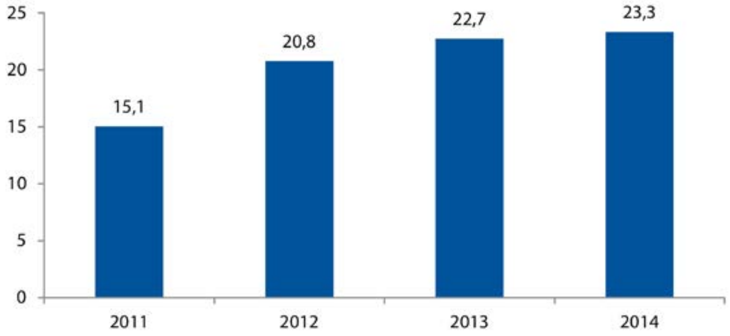
In 2014, the share of revenue received from third parties that are not related to the Lithuanian energy group of companies increased. In 2014, revenue received from services rendered to the Lietuvos Energija group accounted for 76 % (2012: 89 %) of the total revenue of the company.

EBITDA of the company for 2014 increased by 71 % and amounted to EUR 1.2 million (LTL 4 million) compared to EBITDA of EUR 0.7 million (LTL 2.3 million) earned in 2013. Growth in EBITDA resulted from higher profitability of operations, changes in the revenue structure affected by changes in the nature of works performed. The company's net profit earned in 2014 amounted to EUR 0.4 million (LTL 1.5 million) (2013: EUR 0.04 million (LTL 0.14 million)).

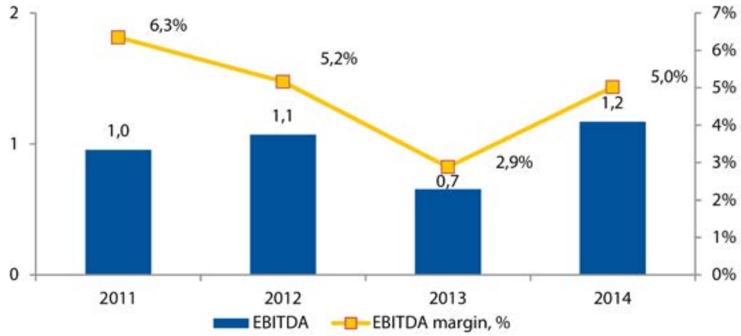
Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**15.1**	**20.8**	**22.7**	**23.3**
Operating expenses (OPEX)	**14.1**	**19.7**	**22.1**	**22.2**
EBITDA	**1.0**	**1.1**	**0.7**	**1.2**
EBITDA margin, %	6.3	5.2	2.9	5.0
Net profit	**0.3**	**-0.3**	**0.0**	**0.4**
Net profit margin, (%)	2.1	-1.4	0.2	1.9
Assets	**8.4**	**10.8**	**10.7**	**10.9**
Equity	**5.9**	**6.5**	**6.6**	**7.0**
Borrowings	**0.0**	**0.0**	**0.2**	**0.0**
Borrowings, net	**-0.3**	**-1.3**	**0.2**	**-0.7**
Borrowings, net / Equity, %	0.0	0.0	3.1	0.0
Equity / Assets, %	70.6	60.2	61.8	64.3
Number of employees, units	**445**	**589**	**559**	**556**

Revenue,in EUR million



EBITDA, n EUR million and EBITDA margin, %



Results of operations of Kauno Energetikos Remontas

Kauno Energetikos Remontas is one of the most experienced companies in the field of repair of energy equipment in Lithuania. The Company's principal activities are follows: electro-technical activities – reconstruction, repair and technical maintenance of power stations, repair of electricity equipment (transformers, engines, generators); mechanical activities – installation of boilers, technological pipes and other installation works; manufacturing activities – manufacturing of stacks, metal construction structures, pressure vessels; management of engineering projects. Aiming to improve operational effectiveness of principal activities, in 2014 the agreement on the sale of real estate of Gotlitas UAB, a subsidiary engaged in the provision of accommodation services, was signed.

Operational indicators

The major share of the company's revenue is received from energy projects comprising reconstruction, repair and technical maintenance of transformer substations, installation and repair of energy equipment (transformers, engines, generators), boilers, turbines, technological pipes, management projects of engineering projects.

The company's consolidated revenue for 2014 amounted to EUR 31.8 million (change of +2.7 times compared to annual revenue for the period of 2011-2013 each amounting to EUR 11-12 million). Growth in revenue resulted from the implementation of the thermal energy production (a biofuel boiler house) project. The company provides services to the Lithuanian energy and industrial companies in Lithuania and fulfils orders placed by foreign companies. Revenue received from the provision of services rendered in the Lithuanian market comprised the major portion (94 %) of the company's revenue. In 2014, revenue received from services rendered to the Lietuvos Energija group accounted for 54 % of the company's revenue.

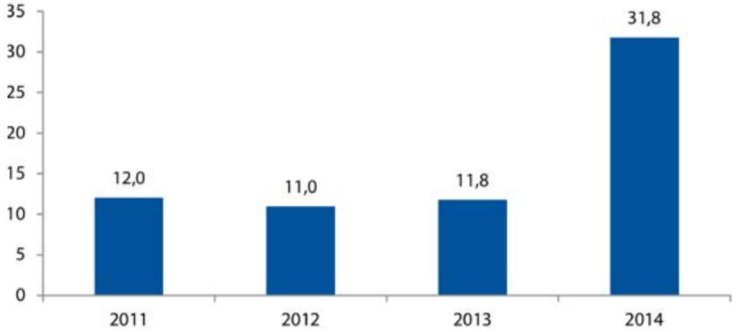
The company's consolidated EBITDA for 2014 was negative and amounted to -EUR 2.8 million (2013: positive consolidated EBITDA of EUR 1 million). A negative EBITDA for 2014 resulted from costs related to the implemented thermal energy production project (a biofuel boiler house) that were incurred in 2014. A final impact of this project on the company's results of operations will be assessed after the completion of its implementation in 2015.

Sales, in LTL million	2011	2012	2013	2014
Project management				21.5
Energy projects	9.9	9.4	10.3	6.1
Manufacturing	1.3	1.0	1.0	2.0
Other	0.9	0.6	0.5	2.2
	12.1	**11.0**	**11.8**	**31.8**

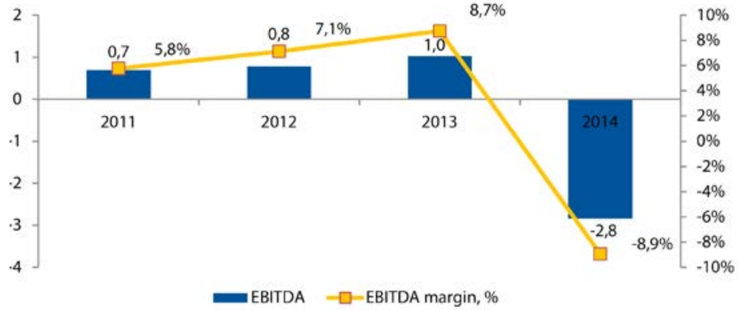
Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**12.0**	**11.0**	**11.8**	**31.8**
Operating expenses (OPEX)	**11.4**	**10.2**	**10.7**	**34.6**
EBITDA	**0.7**	**0.8**	**1.0**	**-2.8**
EBITDA margin, %	5.8	7.1	8.7	-8.9
Net profit	**0.5**	**0.2**	**0.3**	**-3.4**
Net profit margin, (%)	4.3	1.6	2.1	-10.7
Assets	**13.6**	**11.2**	**14.5**	**21.0**
Equity	**6.3**	**6.3**	**6.5**	**5.3**
Borrowings	**2.1**	**3.5**	**2.6**	**2.9**
Borrowings, net	**1.0**	**3.2**	**0.8**	**1.8**
Borrowings, net / Equity, %	34.1	55.8	40.3	54.9
Equity / Assets, %	46.1	56.1	45.1	25.4
Number of employees, units	**277**	**241**	**224**	**245**

Revenue, in EUR million



EBITDA, in EUR million and EBITDA margin, %



Results of operations of Energijos Tiekimas UAB

Energijos Tiekimasis the largest independent Lithuanian capital electricity supplier. The company's core line of business is independent supply of electricity, including supply, scheduling, forecasting, balancing, purchasing, sales, balancing energy, trade intermediation, import, export of electricity. The company has been engaged in electricity supply activities since 2010. The company owns a company operating in Estonia (Geton Energy OU) and in Latvia (Geton Energy SIA) that are engaged in power supply.

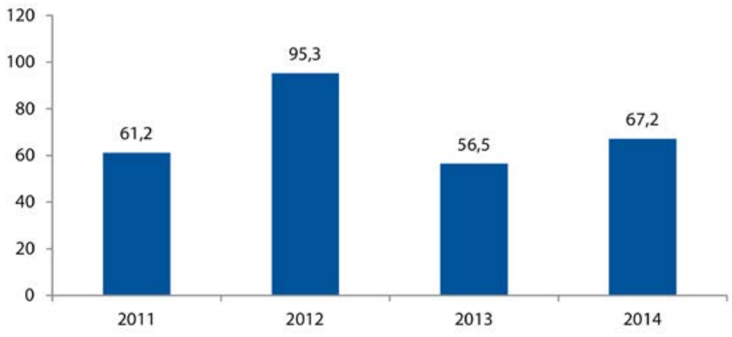
Energijos Tiekimas has the highest number of customers (over 6 thousand) among independent electricity suppliers in Lithuania. The company is the sole supplier of certified electricity produced from renewable energy sources in Lithuania. In 2014, more than 100 customers purchased Green Lithuanian Energy generated at Kaunas Algirdas Brazauskas Hydro Power Plant.

As a result of active sales measures in 2014 Energijos Tiekimas sold 9.5 % more electricity than in 2013. The company's revenue for 2014 increased by 19 % and amounted to EUR 67.2 million (LTL 232 million) (2013: EUR 56.5 million (LTL 195 million)). Due to the increase in the cost of electricity purchased and decline in the sales margin in 2014, the company's EBITDA for 2014 was equal to EUR 0.9 million (LTL 3.4 million) (2013: EUR 1.6 million (LTL 5.6 million)). In 2014, net profit earned by the company amounted to EUR 0.7 million (LTL 2.6 million) (2013: net profit of EUR 1.4 million (LTL 5 million)).

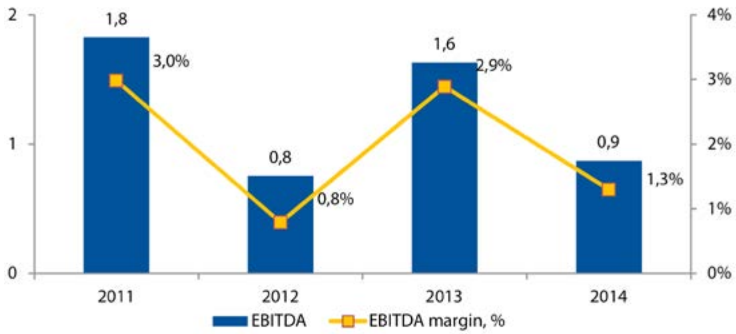
Finansiniai rodikliai

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue	**61.2**	**95.3**	**56.5**	**67.2**
Operating expenses (OPEX)	**0.8**	**1.3**	**0.8**	**1.0**
EBITDA	**1.8**	**0.8**	**1.6**	**0.9**
EBITDA margin, %	3.0	0.8	2.9	1.3
Net profit	**1.4**	**0.2**	**1.4**	**0.7**
Net profit margin, (%)	2.3	0.2	2.5	1.1
Assets	**8.7**	**11.4**	**10.0**	**12.0**
Equity	**2.8**	**2.1**	**3.0**	**2.9**
Borrowings	**0.3**	**1.9**	**0.0**	**0.0**
Borrowings, net	**0.3**	**1.9**	**-2.0**	**-2.5**
Borrowings, net / Equity, %	12.2	87.8	0.0	0.0
Equity / Assets, %	32.8	18.8	29.9	23.8
Number of employees, units	**15**	**17**	**18**	**16**

Revenue, in EUR million



EBITDA, in EUR million and EBITDA margin, %



Electricity sold, million kWh

2011	2012	2013	2014
1,234	**1,901**	**1,163**	**1,273**

Results of operations of LITGAS UAB

LITGAS is the enterprise of strategic importance to national security which was established in December 2012 for the purpose of pursuing liquefied natural gas (thereafter "LNG") trading activity and/or natural gas supply through the currently developed LNG Terminal in Klaipėda. Based on order of 10 February 2014 of the Minister of Energy the company was assigned with the functions of the designated supplier committed to ensure uninterrupted operation of the LNG Terminal in Lithuania. From the beginning of 2015, based on the agreement concluded with a supplier of liquefied natural gas, LITGAS supplies to the LNG Terminal a minimum required quantity of natural gas, i.e. 540 million cubic metres, which is necessary for the ensurance of uninterrupted operation of the LNG Terminal. On 23 December 2014, the first commercial cargo of the minimum required LNG quantity was carried to the LNG Terminal in Klaipėda by Arctic Aurora gas carrier under the long-term agreement concluded between LITGAS and Statoil ASA. The gasification of liquefied natural gas and its supply to LITGAS customers through the natural gas transmission system of Lithuania was started from 2015.

During the General Meeting of Shareholders of LITGAS held on 27 June 2014, a decision was made to increase the authorised share capital of the company from EUR 0.3 million (LTL 1 million) to EUR 13 million (LTL 45 million) through the issue of new shares. As at 31 December 2014, all shares of the company were fully paid.

LITGAS did not carry its main activities in 2013 and 2012. When preparing to perform the activity of natural gas supply and LNG trade through the LNG Terminal in Klaipėda, in 2014 a trial liquefied natural gas cargo was transported and used; revenue of EUR 31.7 million (LTL 109 million) was received. As a result of start-up costs, in 2014 LITGAS incurred a loss of EUR 0.7 million (LTL 2.3 million).

Financial indicators

in EUR million, unless otherwise stated	2012	2013	2014
Revenue	**0.0**	**0.0**	**31.7**
Operating expenses (OPEX)	**0.0**	**0.3**	**0.9**
EBITDA	**0.0**	**-0.3**	**0.0**
EBITDA margin, %			-0.1
Net profit	**0.0**	**-0.2**	**-0.7**
Net profit margin, (%)		-2.1	-2.1
Assets	**0.3**	**0.7**	**49.1**
Equity	**0.3**	**0.6**	**12.1**
Borrowings	**0.0**	**0.0**	**0.0**
Borrowings, net	**0.0**	**-0.6**	**-4.8**
Borrowings, net / Equity, %	0.0	0.0	0.0
Equity / Assets, %	100.0	96.5	24.6
Number of employees, units	**1**	**9**	**13**

Results of operations of Lietuvos Dujų Tiekimas AB

The core line of business of Lietuvos Dujų Tiekimas is the supply, purchase (import) and sale of natural gas to consumers. The company was established on 2 September 2014. The company is wholly-owned by Lietuvos Energija.

On 10 October 2014, the National Control Commission for Prices and Energy issued to Lietuvos Dujų Teikimas the natural gas supply licence. On 15 October 2014, the company and Lietuvos Dujos signed the purchase and sale of a part of the business agreement, under which Lietuvos Dujų Tiekimas acquired from Lietuvos Dujos a business of natural gas supply along with all attributed assets, rights and obligations. In December 2014, the total amount of the consideration for the acquired assets from Lietuvos Dujos was received. The activity of natural gas supply was unbundled from Lietuvos Dujos in the implementation of the requirements of the Third Energy Package of the EU and the related legal acts.

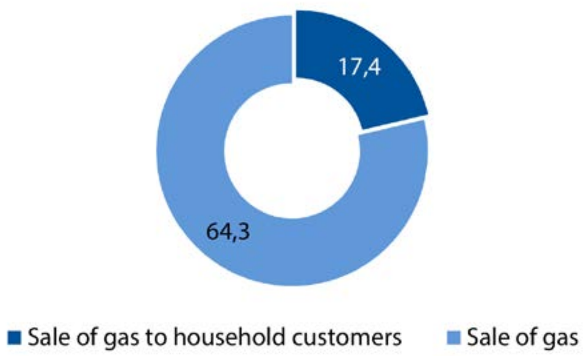
The company commenced its activities on 2 November 2014 and currently supplies natural gas to energy, industrial and business companies and household customers. The total number of the company's customers reaches more than 560 thousand. Between November and December 2014, Lietuvos Dujų Teikimas supplied to consumers 246.4 million cubic metres of natural gas, of which 202.2 million cubic metres were supplied to corporate clients and 44.2 million cubic metres to private clients.

Following the take-over of the gas supply activity, the company earned revenue of EUR 81.7 million (LTL 282 million) in November-December 2014, of which 79 % were received from the sale of natural gas to corporate clients and 21 % – from the sale of natural gas to private clients. The company's loss for 2014 amounted to EUR 0.43 million (LTL 1.5 million). Negative results of the company's operations were caused by the establishment of additional provisions of EUR 1.2 million (LTL 4.1 million) for onerous contracts concluded with consumers.

Financial indicators

in EUR million, unless otherwise stated	2014
Revenue	**81.7**
Operating expenses (OPEX)	**0.8**
EBITDA	**-0.6**
EBITDA margin, %	-0.7
Net profit	**-0.4**
Net profit margin, (%)	-0.5
Assets	**114.8**
Equity	**48.8**
Borrowings	**0.0**
Borrowings, net	**-63.8**
Borrowings, net / Equity, %	0.0
Equity / Assets, %	42.5
Number of employees, units	**141**

Structure of gas sales to customers in 2014, in EUR million



Results of operations of Energetikų mokymo centras VŠĮ

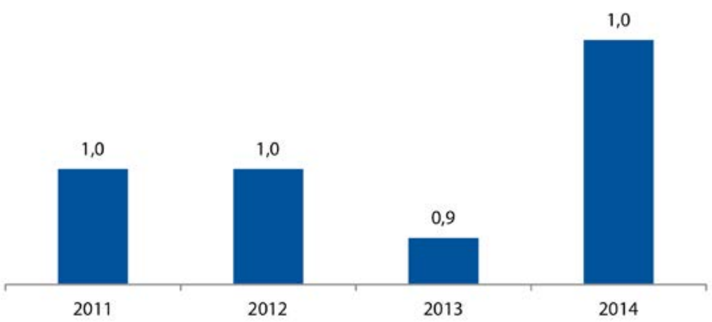
The main activities of the public institution Energetikų mokymo centras VŠĮ include adult professional training, qualification development, certification, seminars and conferences. The company provides trainings for workers, engineers, managers and executives working in the fields of electricity and heat sector management, occupational safety and health, welding and hoisting equipment work organisation and gas sector. The company provides regular trainings to and certifies foremen responsible for the maintenance of potentially dangerous equipment and heads of special works.

The company's revenue for 2014 increased by 10 % from EUR 0.9 million (LTL 3.2 million) in 2013 to EUR 1 million (LTL 3.5 million) in 2014. Revenue grew as a result of a higher number of services provided. Operations of the company were profitable both in 2013 and 2014. As a result of increase in sales, net profit for 2014 amounted to EUR 0.12 million (LTL 0.42 million) compared to net profit of EUR 0.07 million (LTL 0.25 million) earned in 2013. Profitability ratio also increased in 2014 (EBITDA was equal to 12.5 % in 2014 and 9.7 % in 2013).

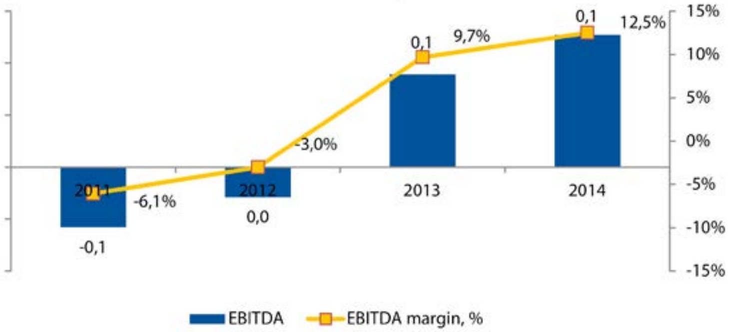
Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Pajamos	**1.0**	**1.0**	**0.9**	**1.0**
Operating expenses (OPEX)	**1.0**	**1.0**	**0.8**	**0.9**
EBITDA	**-0.1**	**0.0**	**0.1**	**0.1**
EBITDA margin, %	-6.1	-3.0	9.7	12.5
Net profit	**-0.1**	**-0.1**	**0.07**	**0.12**
Net profit margin, (%)	-9.1	-9.1	7.8	12.1
Assets	**0.2**	**0.2**	**0.1**	**0.1**
Equity	**-0.3**	**-0.4**	**-0.3**	**-0.2**
Borrowings		**0.0**	**0.0**	**0.0**
Borrowings, net	**0.1**	**0.0**	**0.0**	**-0.1**
Number of employees, units *	**28**	**169**	**168**	**163**

Revenue, in EUR million



EBITDA, in EUR million and EBITDA margin, %



the number of employees includes lectors: 138 lectors were employed at the company at the end of 2012 (139 in 2013; 134 in 2014).

Results of operations of VAE SPB UAB

The core line of business of VAE SPB is the development of the nuclear power plant project in Lithuania. The company took over previously carried out preparatory works, projects and programmes related to nuclear energy. The company ensures the continuity of works related to this project and is prepared to directly participate in implementing the project of a new nuclear power plant. The company also develops and coordinates the activities related to new technologies and their application in the activity sectors of Lietuvos Energija, a group of energy companies, participates in the projects being implemented, engages in scientific activities, provides consultations, conducts research. The company actively analyses the needs and opportunities for consulting services related to nuclear energy in the Lithuanian and foreign markets.

The company was established on 23 May 2012. In 2012 and 2013, the company was dormant. VAE SPB did not generate revenue in 2014. At the end of the year the company had 17 employees. Loss incurred by the company in 2014 amounted to EUR 0.16 million (LTL 0.55 million).

Based on a decision of the sole shareholder Lietuvos Energija dated 17 October 2014, the company's authorised share capital was increased by EUR 0.29 million (LTL 1 million). The paid-up share capital amounted to LTL 0.25 million (LTL 0.86 million) at the 2014 year-end.

Financial indicators

in EUR million, unless otherwise stated	2012	2013	2014
Revenue	**0.0**	**0.0**	**0.0**
Operating expenses (OPEX)	**0.0**	**0.0**	**0.2**
EBITDA	**0.0**	**0.0**	**-0.2**
EBITDA margin, %			
Net profit	**0.0**	**0.0**	**-0.16**
Net profit margin, (%)			
Assets	**0.0**	**0.0**	**0.2**
Equity	**0.0**	**0.0**	**0.1**
Borrowings	**0.0**	**0.0**	**0.0**
Borrowings, net	**0.0**	**0.0**	**-0.1**
Borrowings, net / Equity, %			0.0
Equity / Assets, %	0.0	0.0	85.3
Number of employees, units	**1**	**1**	**17**

Technologijų ir Inovacijų Centras

Technologijų ir Inovacijų Centras is one of the largest ITT companies in Lithuania providing IT and telecommunication services to the electricity sector companies. The company's activities are organised following the best global management practices, information related to the company's activities is managed according to the requirements of ISO 9001 and ISO 27001 standards.

Technologijų ir Inovacijų Centras was registered on 4 December 2013. On 31 December 2013, Technologijų ir Inovacijų Centras acquired from Duomenų Logistikos Centras the set of assets related to non-commercial activity (IT maintenance and design services) of Duomenų Logistikos Centras. With effect from 1 January 2014, Technologijų ir Inovacijų Centras commenced its activity, i.e. IT sector maintenance and servicing of the group of electricity companies. The company's activities are focused solely on the maintenance and servicing of IT sector of the Lietuvos Energija group.

Revenue of Technologijų ir Inovacijų Centras for 2014 amounted to EUR 13.3 million (LTL 46 million), EBITDA for 2014 totalled EUR 2.6 million (LTL 9.1 million) and net profit was equal to EUR 0.5 million (LTL 1.74 million).

In 2014, the company's authorised share capital was increased to EUR 6.4 million (LTL 22.2 million). At the end of 2014, Technologijų ir Inovacijų Centras fully settled with Duomenų Logistikos Centras for the acquired set of assets.

Financial indicators

in EUR million, unless otherwise stated	2011	2012	2013	2014
Revenue			**0.0**	**13.3**
Operating expenses (OPEX)			**0.0**	**10.7**
EBITDA			**0.0**	**2.6**
EBITDA margin, %				19.8
Net profit			**0.0**	**0.5**
Net profit margin, (%)				3.8
Assets			**4.3**	**9.3**
Equity			**-0.7**	**5.7**
Borrowings			**5.1**	**0.2**
Borrowings, net*			**5.1**	**0.2**
Borrowings, net / Equity, %				3.8
Equity / Assets, %				61.3
Number of employees, units			**1**	**174**

**liability to Duomenų Logistikos Centras for assets acquired*

Verslo Aptarnavimo Centras UAB

Verslo Aptarnavimo Centras was registered on 30 July 2014. The company's activities are focused on the servicing of the Lietuvos Energija group of companies by providing the services of the organisation and performance of public procurement, accounting and labour relations administration. The company's personnel is formed of competitive specialists of the mentioned activity areas, the majority of whom used to work at the Lietuvos Energija group of companies. Verslo Aptarnavimo Centras commenced the provision of public procurement services from 1 October 2014 and the provision of accounting services was started from 1 December 2014. The provision of labour relations administration services is planned to start in 2015.

As Verslo Aptarnavimo Centras started its activities only in December 2014, the company's revenue for 2014 amounted to EUR 0.3 million (LTL 1.14 million). Due to additional start-up costs the company's EBITDA for 2014 was negative and totalled -EUR 0.2 million (-LTL 0.6 million). The company's loss for 2014 amounted to EUR 0.2 million (LTL 0.62 million).

Financial indicators

in EUR million, unless otherwise stated	2014
Revenue	**0.3**
Operating expenses (OPEX)	**0.5**
EBITDA	**-0.2**
EBITDA margin, %	-54.5
Net profit	**-0.2**
Net profit margin, (%)	-54.5
Assets	**0.5**
Equity	**0.4**
Borrowings	**0.0**
Borrowings, net	**-0.3**
Borrowings, net / Equity, %	0.0
Equity / Assets, %	70.9
Number of employees, units	**121**

6 | Market review

Economic environment

For the first time since 2007, the economies of all European Union Member States are expected to grow in 2015, according to the European Commission's forecast. This is mainly due to fall in oil prices, the cheaper euro against the US dollar and the implementation of investments provided in the Investment Plan for Europe presented by the European Commission.

GDP growth in 2015 is forecast to rise to 1.7 % for the EU as a whole and to 1.3 % for the euro area. In 2016, annual growth should reach 2.1 % and 1.9 % respectively. Growth prospects across Europe are still limited by a weak investment environment and high unemployment.

In 2014, GDP of Lithuania, adjusted for seasonal and workday effects, grew by 2.9 %, according to the preliminary forecast of the Bank of Lithuania. The European Commission projects that in 2015 the Lithuanian economy will grow by 3.0 %, despite of lower exports to Russia. Domestic demand will remain a major driving force of economic growth. Demand will be driven by improvements in the labour market, real household disposable income, and low inflation will remain. The European Commission expects the economy of Lithuania to expand by 3.4 % in 2016.

Lithuania's economic outlook presented by the Bank of Lithuania is more conservative. In March 2015, the Bank of Lithuania presented a revised outlook projecting lower economic growth of Lithuania. Due to worsening economic outlooks in Russia and neighbouring countries, the Bank of Lithuania projects that GDP growth, adjusted for seasonal and workday effects, should reach 2.9 % in 2015 and 3.5 % in 2016. In January 2015, analysts of Swedbank AB presented a less favourable outlook for the economy of Lithuania – a 2.3 % GDP growth was projected in 2015 and a 3.5 % growth in 2016.

Consumption of electricity and natural gas is closely linked with GDP growth. Economic growth makes impact on the results of operation of the Group companies, despite other reasons, creates conditions for increasing the quantity of electricity transmitted and gas consumed.

Lithuanian electricity market

The Baltic countries produce less electricity than they consume. This mismatch is extremely marked in Lithuania which produces only around one-third of its total electricity consumption. This is due to Lithuania's dependence on electricity supply from neighbouring countries. The development of electricity transmission interconnections from 2016, after the construction of electricity transmission lines to Sweden and Poland, would allow importing nearly the total amount of electricity needed by the Baltic countries. However, with the rising electricity consumption level, the issue of locally produced electricity remains to be highly relevant.

In 2014, the average electricity price prevailing at the Nord Pool Spot electricity exchange Lithuania bidding area (NPS LT) was equal to 5 euro ct/kWh (17.3 ct/kWh) and was 2.4 % higher compared to the price that prevailed in 2013 (4.9 euro ct/kWh (16.9 ct/kWh)).

In 2014, the Nord Pool Spot Lithuania bidding area avoided such leaps in average monthly prices as in September or October of 2013, yet, on average the price remained to be slightly higher at the exchange.

The lowest average price of electricity, i.e. 4.2 euro ct/kWh (14.4 ct/ kWh), was recorded at NPS LT in March 2014. It was 10 % lower compared to March 2013. The major factors affecting this decline were increased average air temperature and higher number of non-working days resulting in lower consumption of electricity. Upon the start of a spring flood, electricity generation at Kaunas Algirdas Brazauskas Power Plant increased and electricity generation was continued by co-generation power plants as the heating season was not yet over.

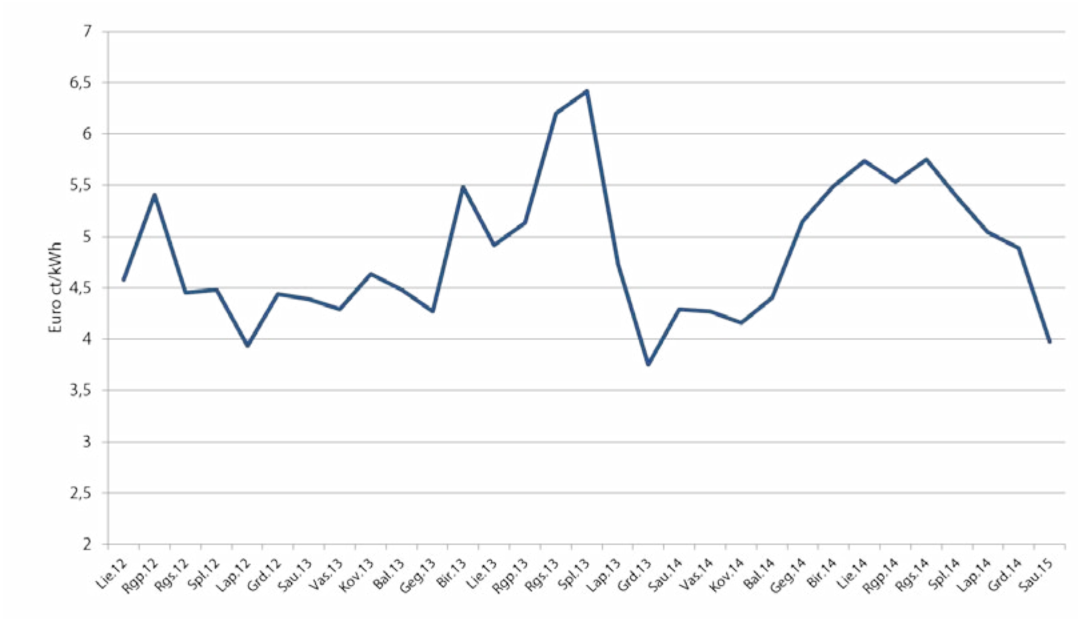
The highest average price of electricity was recorded at NPS LT in July (5.7 euro ct/kWh (19.8 ct/kWh) and in September (5.8 euro ct/ kWh (19.9 ct/kWh)). Price growth was caused by higher electricity demand due to weather changes, repairs of electricity transmission interconnections and supply deficit in the market arising as a consequence of the related restrictions. On the 19th of May, 1 p.m., the price reached even 30 euro ct/kWh (1.04 LTL/kWh) – the record-high electricity price per hour over the operation period of NPS LT and the reason for such an increase was a restricted throughput between Latvia and Estonia up to 450 MW at that hour.

Decrease in the average monthly price started in October 2014 and in December the price dropped by 3.1 % to 4.9 euro ct/kWh (16.9 ct/ kWh) compared to November.

In March 2015, the average price of electricity in the market dropped to the record-low level since the launch of the Nord Pool Spot electricity exchange. The price was equal to 3.22 euro ct/kWh and was 23 % lower compared to the same month last year. Decline in the price of electricity resulted mainly from warmer weather and lower demand due to such weather conditions as well as stable supply.

The bid prices of contracts for differences at the NPS exchange system and Estonia bidding area at the end of December of 2014 indicated that the price of electricity in Estonia could be 8.75 EUR/ MWh higher in the first quarter of 2015 and 8.35 EUR/MWh higher for the entire year of 2015 compared to the price at the Nord Pool Spot exchange system. In November 2014, the trade in derivative financial instruments of Lithuania/Latvia bidding area was started.

The bid prices of contracts for differences at the NPS exchange system and Lithuania/Latvia bidding area at the end of December indicated that the price of electricity could be 13.0 EUR/MWh higher in the first quarter of 2015 compared to the price at the Nord Pool Spot exchange system. The price of electricity at Lithuania/Latvia electricity bidding area for the entire year of 2015 is forecast to be higher than the price at the Nord Pool Spot exchange system, i.e. 16.65 EUR/MWh, more than twice the price at Estonia bidding area



Average monthly prices at the electricity exchange, in EU R ct/kWh

Bid prices of futures as at 23 December 2014 at the financial market of the Nordic countries lead to the conclusion that in 2015 a price of 39.3 EUR/MWh is expected at Estonia bidding area and a price of 47.9 EUR/MWh – at Lithuania/Latvia bidding areas. This indicates that market participants expect the market price of electricity to slightly rise in 2015 at Estonia bidding area and expects it to decline at Lithuania/Latvia bidding areas compared to 2014.

Lithuanian natural gas market

The main factors affecting the projected consumption level of natural gas include the development of the use of renewable energy sources and promotion of their use as well as the price level of competing energy sources (biofuel, fuel oil, etc.). The National Energy Independence Strategy stipulates that by 2020 renewable energy sources should represent at least 23 % of the total energy consumption (at least 20 % in the electricity sector, at least 60 % in the central heating sector and at least 10 % in the transport sector). The development of renewable energy sources is promoted at European Union and domestic levels with the use of the support from the EU structural funds, etc. A large number of energy and commercial entities make extensive investments that would enable to use a different type of fuel and start using renewable energy sources. All these developments determine decline in the consumption level of natural gas in Lithuania. In 2014, Lietuvos Dujos transported 12.7 % less natural gas via gas distribution pipelines than in 2013. Consumption of this type of fuel decreased in recent years in Lithuania also as a result of high prices compared to other types of fuel.

As the consumption of natural gas declines, the risk of rise in a tariff increases. However, the operation of the liquefied natural gas (LNG) terminal in Klaipėda seaport in Lithuania was started in 2014, for which gas can be transported by special carriers from any location of the world. The LNG Terminal increased the country's ability to acquire gas from several suppliers. The Group company LITGAS could ensure 90 % of the natural gas demand of the Baltic countries through the LNG Terminal. In addition, the construction of a cross-border pipeline to Poland is expected to be completed by 2019 that would further increase the ability to choose energy sources. These developments increase competition in the gas market. This will result in the same price of gas to consumers as that which is paid by consumers in the neighbouring countries in the long run and will increase the number of consumers. Reduction in the gas price at the global level in the last half-year is also caused by drop in oil prices.

The price of gas imported from Gazprom OAO depends on the prices of fuel oil and gas oil in the international market, the exchange rate of the US dollar and the euro established by the European Central Bank and the actual caloric value of natural gas (thermal value). The prices of oil and oil products in the international markets and the exchange rate of the euro in respect of the US dollar entered a stable phase in 2013-2014. Consequently, in January-April 2014 prices of natural gas for non-household customers gradually decreased. After the agreement has been reached with the gas supplier Gazprom regarding the reduction of the prices of imported natural gas, in May 2014 proposals were submitted to all 6.5 thousand non-household customers for the change of the terms of the natural gas purchase and sale and service provision contracts. As a result, the price of natural gas for non-household customers decreased significantly with effect from May 2014.

Natural gas tariffs of Lietuvos Dujos AB for household customers unilaterally established by the Commission on 28 November 2013 came into effect on 1 January 2014. Compared to the tariffs that were effective in the second half of 2013, the established variable component of a tariff decreased from 4 to 24 ct/m3 (incl. VAT) for different sub-groups of household customers. The fixed component of a tariff remained unchanged. On 22 May 2014, the company's Board approved lower tariffs of natural gas for household customers that came into effect on 1 July 2014. The variable component of a tariff approved by the company's Board for different sub-groups of household customers decreased on average by 40 ct/m3 (incl. VAT). The variable component of a natural gas tariff for household customers decreased for all sub-groups of consumers due to a retrospective application of the gas price discount for the company. The fixed component of a gas tariff remained unchanged. The Commission approved these tariffs on 30 May 2014. =

The gas price for household customers decreased by a third over the period of two years. When comparing prices for the years 2013 and 2015, the price currently paid by household customers is 30.6 % lower: the price of 1 cubic metre was equal to LTL 2.09 (EUR 0.6) in 2013 and in 2015 it is equal to LTL 1.45 (EUR 0.42). Reduction of the gas price was influenced by a retrospective application of the gas price discount for the company.

Considering the needs of consumers Lietuvos Dujos continues to expand the gas distribution network. More than 3 thousand new customers are expected to be connected in 2015 and gas distribution pipelines with the length of around 95 km are planned to be constructed. The construction of a high pressure gas pipeline to the villages of Baraginė and Nendriniškiai located in the free economic area of Marijanpolė is planned in 2015 by building a gas pipeline with the length of 5.5 km. Other projected large investment project relates to the construction of a medium pressure gas pipeline to the Kaunas Airport located in Karmėlava, Kaunas region, by building a gas pipeline with the length of around 3.6 km.

In 2015, Lietuvos Dujos will aim to shorten the time required for the connection of new customers to the gas distribution network. At the present moment, the connection to gas pipelines, taking into account the submission of required documents, on average lasts nine months. The company expected to reduce the connection time to eight months. In implementing projects with the state institutions, easier access to financing for the building of the gas pipeline in residential areas will be looked for. This will promote the development of the gas distribution systems. New consumers could be also provided with the proposal for the installation of a boiler house and large consumers could be offered technological solutions that would enable not only the consumption of gas, but also the production of electricity for own needs and its supply to the network.

7 Review of the Company’s and the Group’s activities

Diversification of activities

Review of activities of the Lietuvos Energija group covers the period between 1 January 2014 and the end of the reporting period (30 December 2014) and after the reporting period – until the date of this Report. Diversification of activities of the Group companies is one of the main preconditions for increasing the value of the Group. By 2020, the Group plans to invest LTL 2–3 billion in the following areas: heat sector by constructing new or upgrading the existing co-generation power plants, supply and trade in natural gas utilising the potential of the LNG Terminal, renewable energy sources, and to participate in the implementation of the nuclear power plant project after the adoption of the respective decisions

Starting the implementation of strategic co-generation projects in Vilnius and Kaunas

On 28 May 2014, the Government of the Republic of Lithuania passed the resolution whereby Lietuvos Energija was assigned with the task of implementing projects for the modernisation of the district heating sector in the cities of Vilnius and Kaunas by attracting investments of municipalities and (or) private partners. The projects of the new power plants have been recognised by the Government as projects of the state significance. The purpose of these projects is to achieve the maximum reduction of the price for the generation of heat energy supplied to the district heating sectors in Vilnius and Kaunas, ensuring the maximum economically feasible quantity of electricity generated from local and renewable sources of energy.

On 20 June 2014, Lietuvos Energija started the analysis of potential partners of co-generation projects – the company sent non-binding invitations to the municipalities of Vilnius and Kaunas and companies owned by these municipalities to participate in the initial survey, publishing the information about the survey on the internet website www.kogen.lt.The international market participants were also informed about the survey by the independent energy news agency Platts. Responses were also obtained in respect of co-generation power plants burning biofuel and waste in both cities. Potential partners were interested in the participation with the rights of shareholders, contractual works, financing and operation of power plants. The proposed likely contributions included land plots, monetary funds and technologies.

On 28 August 2014, Lietuvos Energija leased a land plot with an area of 3.33 ha located at the address Jočionių g. 13, which could be used for the construction of a new power plant. The agreement for the lease of state-owned land was concluded with the Vilnius City Division of the National Land Service under the Ministry of Environment of the Republic of Lithuania.

In October 2014, the European Bank for Reconstruction and Development expressed its support for the construction of new co-generation power plants in Vilnius and Kaunas and submitted a proposal to the state-owned group of companies Lietuvos Energija and prospect partners of the project on a possible long-term financing or investing in such projects.

On 3 October 2014, the selection of partners interested in the joint development of the projects of new co-generation power plants in Vilnius and Kaunas was started. In the first stage of the tender, until 19 October, Lietuvos Energija received 18 applications from legal entities established in 8 countries. On 24 October, the tenderers who have met the pre-qualification criteria were provided with the terms for the selection of partners, the legal and economic structure of the projects proposed by Lietuvos Energija, business assessment assumptions and other significant information necessary for the preparation of tender offers.

On 5 December 2014, potential partners submitted initial tender offers and on 28 January 2015, the final tender offers of the partners were received. After the evaluation of these offers, consultations will be held with partners submitting tender offers that are the best in terms of meeting the project objectives, and finally, the cooperation agreements will be signed.

On 28 January 2015, the Lithuanian Government established a special commission which will examine the issues of the implementation of the projects for the modernisation of the district heating sector in the cities of Vilnius and Kaunas related to the development of the projects, territory planning, impact on the environment and public health as well as financing issues of the project in terms of the use of the support from the EU structural funds. This step will allow ensuring the transparency of the implemented projects and the passing of the most suitable decisions.

On 27 February, two companies controlled by the Group were established: Vilniaus Kogeneracinė Jėgainė UAB (Vilnius Co-generation Power Plant) and Kauno Kogeneracinė Jėgainė UAB (Kaunas Co-generation Power Plant). These companies will implement the projects of the new co-generation power plants in the mentioned cities.

On 1 April 2015, Lietuvos Energija completed the evaluation of tender offers submitted by potential partners. As neither of the submitted offers met the project objectives, the selection procedure was terminated in Vilnius by providing an opportunity for partners to be invited to take part in other phases of the project implementation. In Kaunas Lietuvos Energija started negotiations on the cooperation with a tender participant that submitted the best offer in terms of meeting the project objectives.

On 10 April, Vilnius Co-generation Power Plant commenced public procurement procedures for the selection of the contractor for the construction of biofuel and waste power plants. It is projected that in Vilnius the planned complex of the co-generation power plant will consist of high performance co-generation equipment burning waste with the electric power of approx. 18 MW and respective thermal input of approx. 53 MW and burning biofuel with the electric power of approx. 70 MW and respective thermal input of approx. 174 MW.

Plans for Vilnius and Kaunas include the installation of modern power plants burning waste and biofuel toe generate heat and electricity, which would ensure lower heat production prices for consumers in these cities and guarantee for Lithuania the additional generation of local electricity at a competitive price, will solve waste management issues. According to the National Heat Sector Development Programme the preliminary amount of investments in these projects could reach around EUR 138.4 million in Kaunas and around EUR 328.4 million in Vilnius. Both the technical parameters of power plants and the amount of investments might change when optimal solutions are finally selected together with partners. The share of capital of the potential partners in the future special-purpose companies can account for up to 49 %.

Beginning of supply and trade in liquefied natural gas

In February 2014, LITGAS – the liquefied natural gas (LNG) supply and trade company of the Group was selected as a designated supplier committed to ensure an uninterrupted supply of the minimum quantity of natural gas required for the operation of the LNG Terminal, i.e. 540 million cubic metres per year starting from 2015.

On 8 July 2014, LITGAS signed non-binding Master Trade Agreements (MTAs) on LNG with seven global LNG supply companies. When cheaper liquefied natural gas appears on the international market and if there is a need for such liquefied natural gas in Lithuania, it would be possible to acquire additional LNG quantities according to such agreements. At the beginning of 2015, LITGAS had more than 15 MTAs on LNG entered into with suppliers whose aggregate supply accounts for more than half of total global LNG supply.

On 21 August 2014, LITGAS signed the agreement on the supply of liquefied natural gas with Norwegian company Statoil that offered the best terms. Under the agreement starting in 2015 Statoil will be supplying an annual volume of 540 million cubic metres of natural gas (approx. 950 thousand cubic metres of LNG) for five years to ensure continuous operations of the Klaipėda LNG Terminal The agreement ensures an uninterrupted operation of the Terminal and also provides possibilities for cooperation in LNG reloading which is a new type of activity in the Baltic Sea region. The price of LNG supplied to Lithuania is linked to the value of the National Balancing Point (NBP) index (Great Britain's natural gas exchange) and this means that tendencies of natural gas prices in Lithuania will correspond to tendencies in Europe. Each year Statoil will deliver 6-7 LNG cargos to Klaipėda port.

On 28 October 2014, a LNG cargo purchased by LITGAS for the testing of the Terminal (100,000 cubic metres of LNG or 60 million cubic metres of gas) was transported to Klaipėda port. Gas was acquired from the company Statoil after the evaluation of 16 proposals from 9 different suppliers with whom non-binding Master Trade Agreements were signed by LITGAS. In October 2014, LITGAS started trading in gas necessary for the testing operations of the LNG Terminal. Until 31 December 2014, up to 50 million cubic metres of gas intended for testing of the LNG Terminal were offered by LITGAS on the Lithuanian natural gas exchanges GET Baltic and Baltpool.

On 23 December 2014, the first commercial cargo of 141 cubic metres of LNG arrived to the Klaipėda Seaport carried by Arctic Aurora gas carrier. From 1 January 2015, LITGAS started the supply of the minimum quantity of natural gas required for the LNG Terminal to the regulated energy producers.

In January 2015, LITGAS became an icebreaker in the natural gas market of the Baltic countries and the first company in Lithuania and one of the first companies in the Baltic countries to be supplying natural gas to customers in other countries: on 23 January LITGAS signed natural gas supply contracts with the company of Alexela Group Reola Gaas; on 27 January the contract was signed with the Estonian company Eesti Energia and on 20 February the agreement was entered into with VKG Energia, an electricity generation and supply company belonging to Viru Keemia Grupp. In 2015, LITGAS plans to sell to Estonia approx. 30 million cubic metres of gas. This will allow LITGAS diversifying its supply sources. Gas will be supplied from Lithuania to Estonia via a gas pipeline through the territory of Latvia.

On 13 February 2015, LITGAS was among the first companies in Lithuania to sign the agreement on the natural gas transit through Latvia with Latvijas Gaze. The latter agreement extended natural gas trade possibilities of LITGAS in the region. On 19 February 2015, the Estonian regulatory authority granted an exception to LITGAS allowing it to trade in natural gas in Estonia without establishing a branch. This exception enables the company to make closer contacts with potential clients who previously had to take care of the natural gas transportation from the Estonian–Latvian border.

On 13 February 2015, LITGAS announced its plans to engage in a new activity jointly with Statoil, i.e. low-volume LNG supply and bunkers. The company will analyse cooperation opportunities in this field and plans to reach an agreement on the form of a joint arrangement by the end of the second quarter. The activity of low-volume LNG supply and bunkers will enable increasing the load of the LNG Terminal and reducing costs for the maintenance of its infrastructure that are attributed to Lithuanian residents.

On 26 February, LITGAS signed a memorandum on the supply of gas from Delfin LNG – the first company engaged in the development of the project on the US floating terminal of liquefaction of gas. On 27 February, LITGAS signed a Master Trade Agreement under which LNG will be acquired from Cheniere Energy, a division of the US company Cheniere Energy . The first LNG export terminal in the US in 40 years will be opened by the latter company this year. This will enable the company to access the large US market of natural gas and enhance the diversification of supply and pricing models.

Expansion to the natural gas sector

During the three quarters of this year Lietuvos Energija was engaged in active expansion to the natural gas sector.

On 21 February 2014, the Lithuanian Ministry of Finance transferred to Lietuvos Energija 51,454,638 ordinary registered intangible shares of Lietuvos Dujos owned by the State. The transferred shares represent 17.7 % of voting rights at the General Meeting of Shareholders of Lietuvos Dujos.

After the receipt of approvals from the Lithuanian Competition Council and the Commission, on 21 May 2014 Lietuvos Energija signed the agreements with the German company E.ON Ruhrgas International, under which Lietuvos Energija took over 38.9 % of shares of Lietuvos Dujos and 11.76 % of shares of LESTO AB. The total consideration for the shares acquired amounted to LTL 336.9 million, of which the consideration for the shares of Lietuvos Dujos alone amounted to LTL 219 million. After the completion of this transaction the Group held more than a half of shares of Lietuvos Dujos.

According to the Law on Securities, having exceeded the limit of a third of votes Lietuvos Energija submitted a takeover bid to buy up the remaining shares of Lietuvos Dujos owned by Gazprom OAO and the minority shareholders. The bid price was equal to EUR 0.653 (LTL 2.255) for one ordinary registered share of the issuer with the nominal value of LTL 1 each. During the mandatory takeover bid Lietuvos Energija acquired 40.03 % or 116,357,288 units of shares of Lietuvos Dujos for LTL 262 million.

On 17 June 2014, during the tender offer Lietuvos Energija acquired 40.03 % of shares of Lietuvos Dujos. After the completion of this acquisition Lietuvos Energija holds 96.63 % of shares of Lietuvos Dujos.

In implementing the requirements of the EU legal acts for the unbundling of the activities of natural gas supply and distribution, a company Lietuvos Dujų Tiekimas was unbundled from Lietuvos Dujos from November 2014, which will be responsible for the supply of natural gas to Lithuanian consumers. A new company took over from Lietuvos Dujos all gas consumers and gas supply agreements concluded with them. Lietuvos Dujos operates the natural gas distribution network and provides distribution services. Management reorganisation of both gas companies was also performed. The Supervisory Council and the Board of Lietuvos Dujos were formed in observance of the corporate governance guidelines approved by the Minister of Finance that are applicable across the state-owned group of energy companies Lietuvos Energija. The implementation of this model contributes to the clearer definition of the responsibilities of management and supervisory bodies of the company, ensures higher transparency and better realisation of goals set by the shareholder.

Investments in generation from biofuel in Elektrėnai, analysis of wind energy potential at Kruonis Pumped Storage Power Plant

Lietuvos Energijos Gamyba continued the project of the development of new heat production capacities launched at the Elektrėnai complex in 2011. The tinworks and assembly of technological equipment of a biofuel warehouse were completed at the scheduled time in 2014 and according to the planned volumes, the works of installation of a smoke condensation economiser and related pipelines were carried out, smoke channels were installed, electrostatic smoke filters were mounted, a biofuel weighing machine was installed, a building for a biofuel weighting machine was built and a weighting machine was installed. The local road was constructed by which trucks will deliver the stocks of biofuel to the territory of the boiler house in cold season. The adjustment works of the part of equipment assembled on the construction site of the boiler house have been started – the newly erected grabbing cranes to be used in the premises of the boiler house's warehouse have been tested. Also, the works of installation of the heating system pipelines were carried out in the biofuel boiler house.

The main mechanical reconstruction works of the heating system pipelines necessary for ensuring the supply of heat to Elektrėnai and other customers were completed according to the schedule. During the heating season of 2014-2015, heat was supplied via newly assembled pipelines. The production of heat energy by new biofuel boilers is expected to start before the end of the 2014-2015 heating season.

The testing of newly assembled steam production equipment and systems was performed in November 2014. New steam production equipment was put into operation already in December. After a successful performance of construction completion procedures, the statement on the completion of works was received on 19 December 2014 allowing to put new equipment into operation.

The steam boiler house was installed for the purpose of maintaining heat reserves, ensuring heat energy production during the coldest periods of the year as well as launching the units of the Reserve Power Plant. Heat energy produced at the steam boiler house is currently supplied to Elektrėnai.

At the beginning of 2014, the complex measurements of wind speed, directions and other meteorological conditions were started in the territory of Kruonis Pumped Storage Power Plant in order to carry out an initial assessment of the potential of the land plot for the installation of the wind power park. Based on favourable interim wind measurement results the company passed a decision to initiate the project for the preparatory works for the installation of the wind power park in the territory of Kruonis Pumped Storage Power Plant. In 2015-2016, the feasibility study on the installation of the wind power park will be prepared, environmental aspects of the project will be evaluated and the necessary territory planning procedures will be carried out.

Installation of the infrastructure of the industrial park in the territory of Kruonis Pumped Storage Power Plant

In the first quarter of 2014, Lietuvos Energijos Gamyba finalised the planned works under the project of installation of the engineering infrastructure of the industrial park situated in the territory of Kruonis Pumped Storage Power Plant. Now the territory is better prepared for foreign direct investments that will enable to develop high-tech activities in this appealing area provided with all required infrastructure.

In implementing the project, about 5 km of roads were reconstructed and the engineering infrastructure was set up: the water supply system with water wells and rainwater drainage networks. The works of reconstruction of the road and installation of rain water collector were also completed by the end of December 2013, and in February 2014, the final part of the project – the installation of the watering place – was completed. At present the planning of the second stage of the project is under way.

Joining NASDAQ OMX Commodities Exchange, the Group's representative will contribute to the implementation of REMIT

On 14 August 2014, Lietuvos Energijos Gamyba joined the financial derivatives' exchange NASDAQ OMX Commodities in order to actively contribute to the integration of electricity markets of the Northern European and Baltic countries. NASDAQ OMX Commodities is derivatives' exchange trading in financial instruments linked to the electricity price on the Nord Pool Spot electricity exchange The trading in financial instruments enables to manage the risks of fluctuations in electricity prices.

In October 2014, Diana Kazakevič, the lawyer of Lietuvos Energijos Gamyba trading on the electricity exchange, was invited to represent the participants of the Lithuanian energy sector and the market of the Baltic countries in the Nord Pool Spot Member Focus Group for REMIT. REMIT is the Regulation of the European Parliament and of the Council on wholesale energy market integrity and transparency. This Group, to which the representative from Lietuvos Energijos Gamyba has been invited, focuses on addressing any issues arising to market participants with respect to the implementation of REMIT. Representatives of the members provide the feedback and express the needs, ideas and proposals of members of the exchange in implementing the changes.

On 20 January 2015, Lietuvos Energijos Gamyba became a market maker for the Latvian Electricity Price Area Differential, EPAD RIGA, the first among the participants of the Lithuanian electricity market, and offered financial derivatives linked to the price difference between the prevailing price in Latvia bidding area and the price in the entire Nord Pool Spot system. Financial products to be offered by the company at the financial derivatives' exchange NASDAQ Commodities enables all participants of the electricity market and financial institutions to secure against fluctuations in electricity prices in the physical trading exchange Nord Pool Spot Lithuania/Latvia bidding area and strengthen the control of risks arising from trade between different bidding areas.

Start of operations of the most effective Tier III data centre in the Eastern Europe

On 6 May 2014, one of the largest data transmission and data centre operators in the Baltic countries Duomenų Logistikos Centras belonging to the Group opened one of the most advanced data centres in the Baltic countries – Data Inn – the only centre in Lithuania holding Tier III Certificate issued by the Uptime Institute. The energy efficient Data Inn will allow reducing costs for information technologies, improving their functional reliability and enhancing the competitiveness of Lithuania and its business at the global level. Its power usage effectiveness (PUE) ratio is only 1.3, considerably outpacing the global average (1.65).

The new data centre is the first stage of the whole project of Data Inn. Currently, it useful floor space covers 500 m2, power – 1000 kW, and capacity – 100 server racks. Investments in the project amounted to around EUR 2.9 million (around LTL 10 million).

The plans for the nearest future include the design and construction of the new stages of Data Inn and the expansion of its capacities by several times. According to the plans, after completion of expansion, Data Inn will have its useful floor space increased to 3,200 m2, power – to 6,000 kW and will provide places for 6,000 server racks. The total project value will reach EUR 12.2 million (LTL 42 million).

On 15 October 2014, Duomenų Logistikos Centras was issued a renewed certificate confirming the compliance with the information security management standard ISO 27001:2013 which covers the new data centre Data Inn. The certificate indicates that proper control measures securing information confidentiality, integrity and access has been implemented at the company which are aimed at protecting information of the company and clients and also confirms that the entire information security management system of the company meets high security requirements.

Official opening of the data transmission network Baltic Highway

On 21 January 2015, the 3,000 km data transmission network Baltic Highway was officially opened. The network of high throughput connected Vilnius and Tallinn with one of the largest data transmission centres in the world – Frankfurt via Riga, Warsaw and Berlin. The new data transmission network is distinguished for its high reliability, low 35 milliseconds latency, capacity of 100G per channel and 9.6 Tbit/s total throughput. It allows transmitting large quantities of data between the East and the West at a very high speed.

The Baltic Highway project was implemented by three partners – Duomenų Logistikos Centras (Lithuania), a company of the Lietuvos Energija group, Latvenergo (Latvia) and the telecommunication group Tele2. The data network development lasted for more than five years and involved investment of more than EUR 1.5 million.

Baltic Highway is the first and the only seamless (i.e. not made up of different segments of operator networks) network which uses the infrastructure of a single manufacturer. Moreover, it is the shortest span data highway connecting Eastern and Western Europe and providing the possibility to transmit data between Europe and Asia at a rate which is one of the highest in the world.

Syderiai geological structure surveys

At the beginning of 2014, Lietuvos Energijos Gamyba analysed the possibilities for the installation of the underground natural gas storage in Telšiai region, finalised the processing of data collected during all seismic and geological surveys, and developed the simulation model of the storage reservoir. This model allows assessing the geological suitability of the storage, it behaviour in the course of gas pumping and extraction processes, and setting the working parameters of operations of the storage. All results and conclusions of the surveys were submitted to the Ministry of Energy. In order to enable the project initiator, i.e. the Government, to adopt a reasonable decision on a further progress of the project, the specialists of the company performed the cost-benefit analysis of the project on the instruction of the Ministry. Its results have shown that only the regional alternative of 500 million m3 working capacity storage facility is financially feasible, using a part of the storage facility's capacities for satisfying the needs of the Polish market, however, the implementation of the project on the Gas Interconnection Poland-Lithuania (GIPL) is necessary. The study specifies that it would be expedient to attract the EU financial support from the Connecting Europe Facility (CEF) for the implementation of the project. Following the presentation of the results of the project surveys to the Government, a decision was passed to evaluate the possibilities to ensure the financial support from the CEF fund for the implementation of the project, to determine the interest and preparation of the Polish energy companies to jointly implement the project, actual implementation of further preparatory works of the project only after having ensured a partial financial support from the CEF fund for these actions and having determined Poland's interest and preparation for a joint implementation of this project.

Performance of preparatory works of the nuclear power plant project

At the beginning of 2014, a positive conclusion was received from the State Nuclear Power Safety Inspectorate (the Inspectorate) on the nuclear power plant site assessment report. The Inspectorate found no inconsistencies, and positive conclusions were also obtained in respect of the revised report from all coordinating authorities. This conclusion finalised an important stage of the nuclear plant project that has lasted for several years. The summary of the completed site assessment surveys and the amount of data obtained in the course of these surveys leads to the conclusion that the sites are suitable for the construction of the power plant; and, moreover, the territory of the sites has been subject to the most in-depth geological surveys at the level of both Lithuania and the Baltic countries.

On 30 July 2014 a memorandum of understanding between the Ministry of Energy and Hitachi, the strategic investor of the new nuclear power plant, was signed stating the intention to proceed with the establishment of a joint interim project company (i-PCO). The parties to the memorandum have undertaken to jointly perform the preparatory works of the establishment of i-PCO after the completion of which the potential investors will be provided with the proposal on the establishment of i-PCO. The memorandum provides for the preparation of a detailed plan for the establishment of i-PCO defining the structure and functions of this company. The prepared plan and its implementation progress will be introduced and discussed in detail with representatives of the regional partners – Latvia and Estonia – in order to adopt decisions on i-PCO. This company is being set up for the purpose of ensuring the maturity of the project and further improvement of the project competitiveness and implementation conditions.

On 30 October 2014, the Inspectorate agreed the report on the assessment of safety of the construction site of the new nuclear power plant. The report prepared by Lietuvos Energija UAB covers the assessment of two alternative sites selected for the construction of the nuclear power plant in the territory of Visaginas municipality near the completely decommissioned Ignalina Nuclear Power Plant. The report contains the information about the characteristics of the construction site which are likely to have impact on the safety of the nuclear power plant and the conclusion reached on the suitability of both selected construction sites for the design of the new nuclear power plant. The report analyses geotechnical, geological and seismological data of the construction site, the features of the final heat absorber (the Drūkšiai lake), the risks of meteorological phenomena characteristic of the site (extreme winds, precipitation, extreme snow cover, extreme temperatures, tornados, snowstorms, etc.) and other relevant safety matters.

With a view to separating and clarifying these activities and concentrating all nuclear energy related achievements, competences, started and completed projects, it was decided to transfer the project of the new nuclear power plant, as a part of business of Lietuvos Energija, to a separate company VAE SPB, UAB. On 13 October 2014, Rimvydas Štilinis was appointed the CEO of VAE SPB, UAB, and on 21 October, the employees of Lietuvos Energija Project Management Service, who have worked with the project, were transferred to VAE SPB. According to amended articles of associations, the activities of VAE SPB shall be expanded without limiting it only to the new nuclear plant project. VAE SPB has been provided with a possibility to operate in the area of development and application of new technologies, participate in the projects that are being carried out, and provide expert advice to other companies of the Group.

On 5 January 2015 a special plan for Transport and Communications needed for heavy, bulky and other cargoes transportation for a construction of the new nuclear power plant was approved.

Enhancement of the operational efficiency

Higher efficiency of activities of the Group implies both higher profit and return for shareholders and lower tariffs for consumers. The strategy of Lietuvos Energija for 2014–2020 provides that higher operational efficiency will be achieved by applying the most advanced management practices in corporate governance, planning and monitoring of activities, finance, procurement, risk management and internal audit areas.

Robust basis for enhancing operational efficiency were laid already in 2013, when the Lietuvos Energija group reorganised its management according to a new model. The parent company Lietuvos Energija concentrated the coordination of activities of the Group companies, elected the supervisory and management boards, separated the responsibilities of management and supervisory bodies. In the second quarter of 2014, when Lietuvos Energija became the main shareholder of Lietuvos Dujos, the management reform of Lietuvos Dujos was commenced in accordance with the corporate governance guidelines applicable across the Group. The management reform was completed on 3 November 2014.

In addition, currently the Group is implementing the uniform management and control system aimed at establishing the management and control principles corresponding to the common needs of the Lietuvos Energija group, the division of responsibilities for separate activities and processes, risk management and control, as well as supervision, coordination and control of activities and processes at the level of the Group or individual companies. This system will facilitate progress towards higher efficiency and synergy in the activities of the Group companies and the implementation of goals set.

Successful performance puts Lietuvos Energija among the largest tax payers in Lithuania – contributions made by the Lietuvos Energija group to the state budget amounted to EUR 180.2 million (LTL 622.2 million) in 2014, 80 % more than in 2013. Increase in taxes paid resulted mainly from the acquisition of Lietuvos Dujos.

Development of the concept for identification of central activities

Structural changes that took place in 2014 and a changing market situation enabled the Lietuvos Energija group to look for synergy possibilities in the Group companies in 2015. Lietuvos Energija identifies which components of each company create the highest value for customers, employees and which areas lack efficiency.

By the end of 2015, Lietuvos Energija plans to identify which activities are central and distribute them among its companies in a way that ensures the best value for the Group and its customers – users of electricity. The concept aimed at identifying central components of the value chain and the preparation of the action plan are expected to be completed in the first quarter of 2015. The programme will be implemented in the period between April and December.

The revised operational concept is expected to lead to improvement of customer service, operational efficiency and reduction of costs. The programme aimed at identifying central components of the value chain has been divided into 4 main fields of activity: generation, supply/trade, grid, customer service. The programme aimed at identifying central components of the value chain is developed and will be implemented by the team of specialists of Lietuvos Energija; the hiring of external advisers is not planned.

On 3 March 2015, Lietuvos Energija made a public announcement about the plans to merge the companies that operate electricity and gas distribution networks, i.e. LESTO and Lietuvos Dujos. Synergy of these two companies would lead to improvement of the Group's efficiency as a result of lower operating expenses, and as many as possible benefits to electricity and natural gas users.

In optimising the structure of the state-owned group of energy companies Lietuvos Energija took over 100 % of shares of Elektros Tinklo Paslaugos (ETP) from LESTO and 100 % of shares of Energijos Tiekimas and 100 % of shares of Kauno Energetikos Remontas (KER) from Lietuvos Energijos Gamyba. Consideration paid for the acquired shares of these companies was equal to the market value of these shares established by independent valuers as follows: the estimated value of shares of ETP, Energijos Teikimas and KER was equal to EUR 7.695 million, EUR 6.883 million and EUR 4.778 million, respectively. The enterprise multiples (enterprise value-to-EBITDA ratio) based on the results of operations for 2014 as adjusted for one-off events range from 6 to 8 times and correspond to average market values of transactions.

Centralisation and improvement of efficiency of processes

With a view to improving the processes that support the principal activities of the Group and reducing their costs, the Lietuvos Energija group companies have agreed on the concentration of the part of functions supporting the principal activity in a separate company, i.e. Verslo Aptarnavimo Centras UAB. Verslo Aptarnavimo Centras UAB supports the Group companies in providing the services of public procurement, accounting and administration of employment relationships. In July 2014, the agreement on the establishment of Verslo Aptarnavimo Centras UAB was signed by five companies of the Group – Lietuvos Energija, UAB, Lietuvos Energijos Gamyba, UAB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB.

The aim of centralisation of the processes of public procurement, accounting and administration of employment relationships is to standardise the processes, achieve higher transparency and efficiency and accelerate them. Such model of concentration of the supporting processes is in line with the best international practices.

Firstly, from October of 2014, Verslo Aptarnavimo Centras UAB took over the public procurement functions from the Group companies. In December, the company started providing centralised accounting services (on 21 December all employees of the Lietuvos Energija group providing accounting services were transferred to Verslo Aptarnavimo Centras). In spring of 2015, the administration of employment relationships in the Group companies is expected to be started through Verslo Aptarnavimo Centras. On 2 October, the Board of Lietuvos Energija approved the public procurement policy of the contracting authorities of the Group, which establishes uniform principles of the organisation and performance of public procurements of the Group of companies.

Lietuvos Energija, having acquired the controlling block of shares of Lietuvos Dujos, controls two companies providing services to private and corporate customers – the synergy will enable to improve the quality of services provided to electricity and gas consumers and offer better servicing to them, and contribute to higher efficiency and improvement of operating results through coordinated activities of the companies. In August, Lietuvos Dujos together with LESTO opened a joint customer service centre in Vilnius.

The Group carries out the centralisation of the management of motor vehicles as well – a single procurement for the car lease services for 14 companies of the Group was started on 3 April 2015. Such decisions are expected to reduce costs incurred for the administration of the Group's vehicle fleet. Common principles applied in managing vehicle fleets have already proved to be beneficial. A number of cars was reduced following the optimisation of the vehicle fleet in 2013–2014. The Group plans to lease not more than 1,131 cars on a centralised basis. Industrial motor vehicles are expected to represent a major portion of the total number of vehicles leased . The services to be procured will include the lease, surveillance, insurance, repair, technical maintenance of motor vehicles and other services. „Since 5 January 2015t the Internal Audit activity was centralised. All the auditors of the group companies moved to a newly created Internal Audit Division.

Publication of the operational strategies of LESTO and Lietuvos Energijos Gamyba for 2014–2020

On 20 August 2014, LESTO and Lietuvos Energijos Gamyba published the approved new operational strategies for 2014–2020.

LESTO will attempt to improve the reliability of the power distribution network by nearly a tenth over the period of seven years. According to the approved long-term strategy LESTO will seek consistent investments in the projects contributing to higher reliability and security of the distribution of electricity and increase of the company's value, operational efficiency and return on equity. One of the key objectives of LESTO is to seek a further simplification of the power installation procedures and shortening the time of connection to power grids.

Lietuvos Energijos Gamyba provides in its strategy that its total revenue over the coming year will decrease because of higher competition and reducing production volumes at the Elektrėnai complex. However, the profitability of the company is forecast to grow as a result of the strategic goals being implemented. Lietuvos Energijos Gamyba plans to increase its value through a consistent improvement of the profitability of commercial activities, refusal of unused production capacities, by investing in the upgrading of other capacities, enhancing process efficiency and reducing operating expenses.

On 3 February 2015, LESTO also announced its plans to carry out a major modernisation of the distribution network over the next ten years. In order to ensure the provision of reliable, safe and smart services, the company plans to invest EUR 1.7 billion (LTL 5.87 billion) in the modernisation and renewal of the network by 2025. Investments aimed at increasing the resilience of the network to whether conditions will make up a major share (EUR 511 million (LTL 1,764 million)) of the total planned investments.

Integration of Lietuvos Dujos with the Group

On 21 July 2014, the Board of Lietuvos Dujos approved the description of the method of the unbundling of the company's distribution activity together with the action plan, according to which for the purpose of unbundling the distribution and supply activities of the company it will transfer the set of assets (a part of the company), i.e. the natural gas supply activity with the assets, rights and obligations attributed thereto, to a company controlled by Lietuvos Energija, the shareholder of Lietuvos Dujos, on the basis of a purchase and sale contract. On 24 July 2014, the National Control Commission for Prices and Energy approved the latter action plan and concluded that this change in the action plan on the unbundling of the distribution activity will not affect the established final term of legal, functional and organisational unbundling of activities of Lietuvos Dujos On 30 July 2014, the Board of Lietuvos Energija approved the guidelines of the action plan for integration of Lietuvos Dujos with the Lietuvos Energija group which comply with the corporate governance guidelines of the Lietuvos Energija group. The integration of the company has been started and covers such areas as management model, procurements and accounting, planning and monitoring, ITT, internal audit and other functional areas. On 31 October 2014, Lietuvos Dujos AB transferred and Lietuvos Dujų Tiekimas UAB (wholly-owned by Lietuvos Energija, UAB) took over a part of the company, i.e. the natural gas supply activity with all assets, rights and obligations attributed thereto The price for a part of the company amounted to LTL 60.457 million. The price of a sold part of the company corresponded to the market value of a part of the company established by the independent valuers.

During the Extraordinary General Meeting of Shareholders of Lietuvos Dujos held on 29 October, the new Articles of Association of Lietuvos Dujos, on the basis of which the Supervisory Council is formed at this company, were approved, the Supervisory Council was elected, terms of the agreements on activities of the Supervisory Council members and on confidential information protection were approved, and the existing Audit Committee of Lietuvos Dujos was abolished. These actions completed the reorganisation of the management of the company according to the corporate governance guidelines. Members of the new Supervisory Council supervise the specific areas of activities of Lietuvos Dujos and hold the positions of managers of the respective divisions.

Implementation of the uniform project management policy

The Group of companies is implementing the uniform project management policy according to which the portfolios will be formed for the implementation of the Group's strategy. The Enterprise Project Management Office (EPMO), which is being set up at the controlling company Lietuvos Energija, will ensure the sharing of best practices in project management between the companies of the Group. The EPMO will consult the Project Management Offices (PMO) set up / renewed at the companies, all project managers of the Group on the issues of project management and will monitor the status of projects under implementation.

Establishment of the optimal scenario of operations of the Elektrėnai complex

On the basis of results of analysis of the project Prospects of the Elektrėnai complex initiated by Lietuvos Energijos Gamyba, the recommended optimal operational scenario was developed for the Elektrėnai complex, which consists of old units of the Lithuanian Power Plant and the combined cycle gas turbine block.

According to the established optimal operational scenario of the Elektrėnai complex, units 1 and 2 (with a 150 MW power each) of the Reserve Power Plant should be decommissioned after the start of the operation of a new biofuel boiler house, which now is under construction in Elektrėnai, and units 5 and 6 (with a 300 MW power each) should be decommissioned after the start of operation of the interconnections with Sweden and Poland. In this way, with effect from 2016, electricity generation capacities at the Elektrėnai complex would consist of a modern block of the combined cycle gas turbine with a 455 MW power, and units 7 and 8 of the Reserve Power Plant (with a 300 MW power each) that can generate electricity both from gas and fuel oil. The total installed power of the power plant would reach 1,055 MW.

In view of the situation in the market and the company's operational strategy, on 20 October the Board of Lietuvos Energijos Gamyba passed a decision to terminate the operation of units 1 and 2 of the Reserve Power Plant in Elektrėnai. The dismantling of unit 1 was started in January 2015 and the dismantling of unit 2 is planned to start in April.

The Gross Bidding principle based trading

In March 2014, Lietuvos Energijos Gamyba started electricity trading on the Nord Pool Spot exchange under the Gross Bidding principle. This means that the company carries out all its electricity purchase and sale transactions separately, which allows increasing the transparency of the non-regulated market and enhancing its efficiency. The assessment of benefits of the concluded fixed-price transactions has become easier for Lietuvos Energijos Gamyba and the company has better preconditions for increasing the efficiency of trading activities. Concurrently, the company contributes to the development of transparent wholesale electricity market in the Baltic countries.

Conclusion of the credit agreements

On 21 February 2014, Lietuvos Energijos Gamyba signed the credit agreement with SEB Bankas AB for the granting of the loan not exceeding EUR 158 million (LTL 546 million) with the repayment term of 10 years. Three long-term loans received in 2005 and 2010 under the credit agreements concluded with the consortia of banks operating in Lithuania and the European Bank for Reconstruction and Development will be subject to refinancing using funds borrowed from the bank. This transaction enhances the optimisation of investments of the country's company of strategic importance aimed at the implementation of projects at the Elektrėnai complex as the refinancing of the existing loans will result in the reduction of costs of the regulated activity incurred by the company and easier administration of assumed obligations. Moreover, a lower credit risk will enable obtaining more favourable terms of financing in the future.

On 8 October 2014, LESTO and SEB Bankas AB signed the agreement on the granting of a long-term loan of EUR 85 million. Proceeds received will be allocated for the refinancing of existing financial liabilities and the financing of investment projects aimed at increasing the reliability and quality of electricity supply. On 20 November, LESTO announced its intentions to commence a public procurement for obtaining a long-term loan. The company plans to borrow EUR 75 million for the term of five years.

Ensuring the quality of services

The Group's company LESTO servicing more than 1.6 million customers devotes great attention to the development and modernisation of the power grid and consistently expands and improves the provided services considering the changing needs of its customers, thus providing both economic and social benefits to the society, increasing the reliability and quality of electricity supply and contributing to higher energy efficiency.

Over the twelve months of 2014, LESTO connected 26,433 new electricity customers, i.e. 28.0 % more than in the respective period of 2013, when 20,649 new customers were connected. Admissible electric power of newly connected customers was 335,910 MW, which is 13.0 % more than in 2013. LESTO also continued the buyout of electricity networks of homestead cooperatives, thus ensuring a reliable and secure supply of electricity and carried out the projects of network modernisation co-financed from the EU structural funds – in 2014 the company completed works in 75 objects of homestead cooperatives, carried out the modernisation of five transformer substations (according to the project seven substations will be modernised), and replaced overhead power transmission lines by cable lines.

During the period of twelve months, LESTO replaced 124,202 units of electricity meters that no longer meet the meteorological requirements, installed 25,505 units of electricity metering devices for new customers By investing in the modernisation and automation of electricity metering devices, in 2014, LESTO connected 5,043 units of electricity metering devices to the automated data reading system, thus increasing the number of electricity metering devices operated by the company the data of which are read in a remote manner to 25,110. The automation of electricity metering devices provides the possibility of automated billing of customers for electricity consumed in a certain period without the need for customers to declare the consumed amount of electricity themselves.

LESTO takes into account the needs of customers and their changing habits – customers wish to save their time and receive information on the matters of interest to them operatively, therefore, the number of customers who receive services by phone or at the self-service website www.manoelektra.lt.rather than at customer service centres is increasing in recent years. In the third quarter of 2014, LESTO reorganised the customer service network. In cooperation with the partners – the Lithuanian Post and libraries of the country – LESTO offered its customers even more possibilities to receive services conveniently. This will reduce costs incurred by the company and increase efficiency in a long run.

LESTO presented to its customers a mobile version of the self-service website www.manoelektra.lt. From now users connected to manoelektra.lt by using smart phones or tablet computers will see a specially adapted and convenient mobile interface of LESTO self-service website.

The self-service website www.manoelektra.lt had 513 thousand registered users at the end of the reporting period (at 31 December) and the number of its visitors reached 3.044 million. During the twelve months of 2014, by short client service telephone 1802 information was provided to more than 1 million clients, more than 434 thousand requests of the clients on various questions were received and solved, more than 252 thousand clients were served by client service centres located in the five largest Lithuanian cities.

Investments of Lietuvos Dujos allocated for the connection of new customers amounted to EUR 5.7 million (LTL 19.5 million) in 2014 (2013: EUR 4.3 million (LTL 14.9 million)). A 87.3 km gas distribution pipeline was constructed (2013: 72.6 km) and 3,600 new customers were connected, which is 15 % more than in 2013 when 3,000 new customers were connected to the gas distribution systems. In 2014, the company's employees performed 357 thousand checks of readings of the natural gas meters of customers.

In August, Lietuvos Dujos and LESTO opened a joint customer service centre in Vilnius, located at Viršuliškių side-street 34, where the services of both companies can be provided to customers during one visit. With effect from 1 December 2014, services of Lietuvos Dujų Tiekimas and LESTO are provided to clients in Vilnius region only at this joint customer service centre. As the pilot project proved to be beneficial, joint customer service centres were opened in other cities from 30 March. Clients of LESTO, Lietuvos Dujų Tiekimas and Lietuvos Dujos are serviced at joint customer service centres in Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus and Utena.

One of the largest projects of investment in the construction of new gas systems launched in 2014 is the average pressure gas pipeline to the block of residential houses of the northern part of Pilaitė district in Zujūnų, Varnės, Smalinės, Karaliaučiaus Streets in Vilnius. The first stage of this project was already completed. In implementing this project, 4.6 km of the gas distribution system were constructed, EUR 0.14 million (LTL 0.5 million) were invested, and 37 new customers were connected. Further development of the project will be carried out considering the needs of customers.

The project on the construction of gas infrastructure distribution system of Vilnius in Vismaliukai was also completed in 2014. In implementing this project, 4.1 km of the average pressure gas pipeline were constructed and EUR 0.26 million (LTL 0.9 million) were invested. The company will continue the projects that were commenced aimed at improving efficiency, optimising costs and achieving synergy within the Lietuvos Energija group.

Information on securities of the Group companies

The shares of LESTO, Lietuvos Energijos Gamyba and Lietuvos Dujos have been listed on the Main List of NASDAQ Vilnius Stock Exchange since 17 January 2011, 1 September 2011 and 23 April 1996, respectively. The shares of the companies are traded only at NASDAQ Vilnius Stock Exchange.

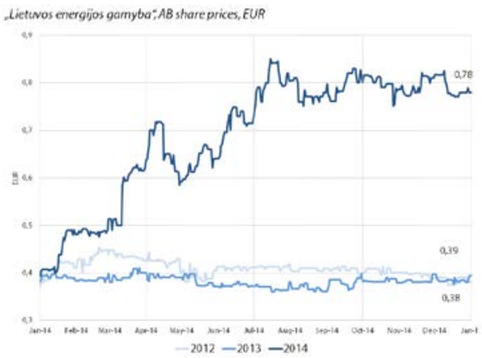
Structure of the authorised share capital and shareholders owning more than 5 per cent of the issuer's authorised share capital as at 31 December 2014

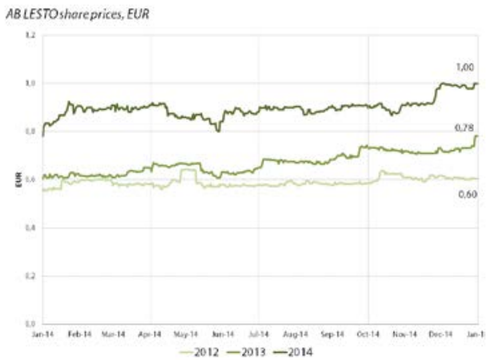
Company	Total nominal value of shares, in Lt	ISIN code	Securities' abbreviation	Trade list	Full name of the shareholder (name of the company)	Percentage of voting rights conferred by shares owned
LESTO AB	603,944,593	LT0000128449	LES1L	BALTIC MAIN LIST	Lietuvos Energija, UAB	94.39
Lietuvos Energijos Gamyba, AB	635,083,615	LT0000128571	LNR1L	BALTIC MAIN LIST	Lietuvos Energija, UAB	96.13
Lietuvos Dujos AB	290,685,740	LT0000116220	LDJ1L	BALTIC MAIN LIST	Lietuvos Energija, UAB	96.64

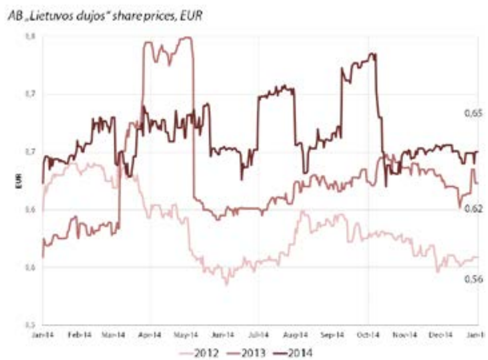
Dynamics of the price of securities of Lietuvos Energijos Gamyba, LESTO and Lietuvos Dujos

LESTO is one of the largest companies listed on the stock exchanges of the Baltic countries in terms of the market capitalisation. During 2014, the price of shares of LESTO increased by 28 %. The lowest price of shares of LESTO was observed in January 2014 (it was equal to EUR 0.78). The price of shares of LESTO reached the highest level in December 2014 (it was equal to EUR 1.01) and on the last days of trade in shares in December (it was equal to EUR 0.998).

During 2014, the price of shares of Lietuvos Energijos Gamyba increased by 98 %; the highest level was reached on 15 July 2014 (the price was equal to EUR 0.854); the lowest price (EUR 0.395) was observed in the beginning of 2014. On the last day of the 2014 trade, the price of shares of Lietuvos Energijos Gamyba was equal to EUR 0.78. During 2014, the price of shares of Lietuvos Dujos increased by 4.3 %; the highest level was reached on 3 October 2014 (the price was equal to EUR 0.743); the lowest price (EUR 0.613) was observed in the beginning of 2014. On the last day of the 2014 trade, the price of shares of Lietuvos Dujos was equal to EUR 0.65.







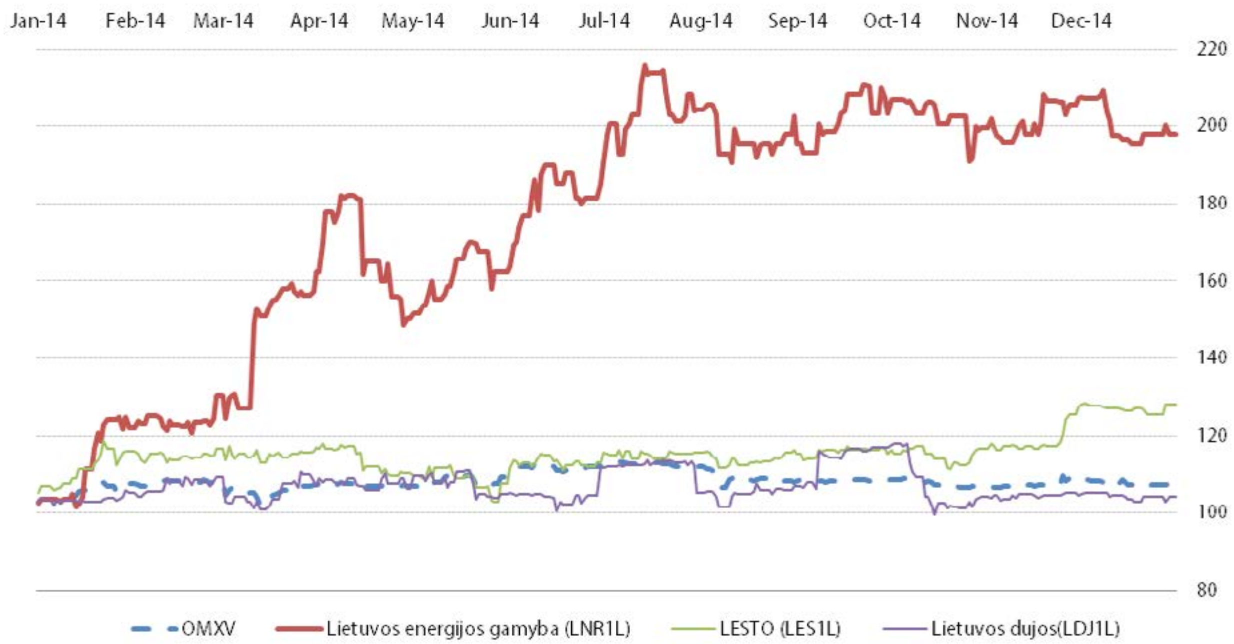
Capitalisation of the companies and the total capitalisation of companies listed on NASDAQ OMX Vilnius AB Stock Exchange, in EUR million

Company	2012	2013	2014	Change, % (2013 /2014)
LESTO AB	364.18	471.08	602,74	+28
Lietuvos Energijos Gamyba, AB	241.97	250.22	495.37	+98
Lietuvos Dujos AB	262.21	181.10	188.95	+4.3
In total	868.36	471.08	1 287.06	+41.1

Comparison of stock exchange indices and prices of securities

From the beginning of 2014 until the last day of the 2014 trade in shares, the OMX Vilnius Index increased by 7.7 %. During this period, over the twelve months of 2014, the price of shares of LESTO increased by 28 %, the price of shares of Lietuvos Energijos Gamyba increased by 98 % and the price of shares of Lietuvos Dujos increased by 4.3 %.

Comparison of dynamics of prices of shares of Lietuvos Energijos Gamyba, LESTO AB and Lietuvos Dujos AB and the OMX Vilnius Index



Corporate governance

The aim of the state-controlled group Lietuvos Energija is to ensure efficient and transparent operations. In order to achieve this aim, the reorganisation of governance was carried out in 2013, during which the corporate governance of the Group was reorganised and improved.

The new governance structure and model of the Group has been developed on the basis of the most advanced international and national practices, following the recommendations published by the Organisation for Economic Cooperation and Development, having regard to the Corporate Governance Code of companies listed on the NASDAQ OMX Vilnius exchange, Guidelines on the Governance for State-owned Enterprises recommended by the Baltic Institute of Corporate Governance. The corporate governance model of the power generation companies' group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013 (the Guidelines are available at: www.le.lt).

The primary goal of the corporate governance is to achieve the effect of synergy aligning different activities of the Lietuvos Energija group companies and targeting them at the achievement of the common goals at the Group level.

The Group's governance structure has been formed according to the principles of corporate governance and contributes to their implementation. The Company's shareholder is the State which controls 100 % of its shares. The rights and obligations of the shareholder are implemented by the Ministry of Finance of the Republic of Lithuania, which adopts the main decisions relating to the implementation of the ownership rights and obligations.

Supervisory bodies

Supervisory Council

The Supervisory Council is a collegial supervisory body provided for the Articles of Association of the Company and elected by the General Meeting of Shareholders for a term of four years. The Supervisory Council of Lietuvos Energija consists of seven members – natural persons representing the Ministry of Finance, the Ministry of Energy, the Ministry of Economy, the Office of the Government of the Republic of Lithuania, and three independent members.

The Supervisory Council has the Chairman, elected by the Supervisory Council from among its members. This model of formation of the Supervisory Council complies with the principles of corporate governance.

The composition of the Supervisory Council of Lietuvos Energija formed on 16 July 2013 and functioning at the end of the reporting period (until 31 December 2014) was as follows:

								
	Šarūnas Kliokys (born in 1959) Chairman, Independent member	**Antanas Danys** (born in 1975) Independent member	**Dr. Virginijus Lepeška** (born in 1955) Nepriklausomas narys	**Tomas Garasimavičius** (born in 1978) Member	**Aloyzas Vitkauskas** (born in 1954) Member	**Žydrūnė Juodkienė** (born in 1974) Member until 12 September 2014	**Rasa Noreikienė** (born in 1959) Member	**Rokas Baliukovas** (born in 1977) Member from 17 December 2014
Educational background	Vytautas Magnus University; Baltic Management Institute, Master's degree in Business Administration (EMBA); Vilnius University, Economist's Diploma.	Vilnius University, Master's degree in Business Administration (MBA); Boston College, Bachelor's degree.	Independent member Vilnius University, Doctoral degree in Social Sciences.	Creighton University, Master's studies of Political Science; Institute of International Relations and Political Science (IIRPS) of Vilnius University, Master's studies of Political Science; Vilnius University IIRPS, Bachelor's degree in Political Science.	Vilnius Civil Engineering Institute, Post-graduate studies of Technical Sciences; Vilnius Civil Engineering Institute, Master's degree in Civil Engineering.	ISM University of Management and Economics, Bachelor's degree in Management and Business Administration; Mykolas Romeris University, Master's degree in Law; Vilnius Pedagogical University, Diploma of History and Political Science.	Kaunas University of Technology, Master's degree in Public Administration; Vilnius University, Lawyer's Speciality.	Kaunas University of Technology, Bachelor's degree in Electrical Engineering; Šiauliai University, Master's degree in Power Engineering; Šiauliai University, Master's degree in Management and Business Administration.
Participation in the capital of the Company and Group companies,	–	–	–	–	–	–	–	–
Workplace, position	Chairman of the Board of Ekonovus UAB, Chairman of the Board and Director of Avestis UAB, Chairman of the Board of Šiaulių Plento Grupė UAB.	Member of the Board of the public institution Lietuvos Junior Achievement; Partner of United Partners.	Chairman of the Board of Organizacijų Vystymo Centras UAB, Member of the Board of the association Mentor Lietuva; Member of the Board of the public institution Children's Support Centre.	Government of the Republic of Lithuania, Advisor to the Prime Minister for Energy.	Ministry of Finance of the Republic of Lithuania; Deputy Minister.	Ministry of Energy of the Republic of Lithuania; Deputy Minister.	Ministry of Economy of the Republic of Lithuania; Deputy Minister.	Ministry of Energy of the Republic of Lithuania; Deputy Minister.

The main functions and responsibilities of the Supervisory Council are as follows: election and removal of the Board Members, supervision of activities of the Board and the CEO, provision of comments to the General Meeting of Shareholders on the Company's strategy, a set of financial statements, appropriation of profit or loss, and annual report. The Supervisory Council also addresses other matters within its competence.

The Supervisory Board is functioning at the Group level, i.e. where appropriate, it addresses the issues related not only to the activities of the Company, but also to the activities of its subsidiaries or the activities of their management and supervisory bodies.

Committees of the Supervisory Council

For the purpose of effective fulfilment of its functions and obligations, the Supervisory Council forms the committees. The committees of the Supervisory Board provide their conclusions, opinions and proposals to the Supervisory Council within their competence. A committee consists of at least three members, of whom at least one member is a member of the Supervisory Council and at least one member is an independent member.

The following committees have been established at Lietuvos Energija:

- **Risk Management Supervision Committee** is responsible for the submission of conclusions or proposals to the Supervisory Council on the functioning of management and control system in the Group and (or) main risk factors and implementation of risk management or prevention measures;
- **Audit Committee** is responsible for the submission of the objective and impartial conclusions or proposals to the Supervisory Council on the functioning of the audit and control system in the Group;
- **Appointment and Remuneration Committee** is responsible for the submission of conclusions or proposals on the matters of appointment, removal or promotion of the Board Members to the Supervisory Council, also for the assessment of activities of the Board and its members and for issuing the respective opinion. The functions of the Committee also cover the formation of the common remuneration policy at the Group level, establishment of the amount and composition of remuneration, principles of promotion, etc.

Where appropriate, the Company may also form other ad hoc committees (e.g. for addressing specific issues, preparation, supervision or coordination of strategic projects, etc.).

A detailed description of the supervisory bodies of the Company and listed companies of the Group is provided on page 107.

Management bodies

Board

The Board is a collegial management body provided for in the Articles of Association of the Company. The members of the Board are elected for a term of four years and removed by the Supervisory Council on the proposal of the Appointment and Remuneration Committee.

The Board consists of five members and elects from among its members the Chairman of the Board – the Chief Executive Officer of the Company. The members of the Board, acting within their competence, must ensure the proper performance of the Company's activities/ supervision of the respective areas at the Group level.

The composition of the Board of Lietuvos Energija formed on 22 July 2013 and functioning at the end of the reporting period(until 31 December 2014) was as






	Dr. Dalius Misiūnas (born in 1978)	**Ilona Daugėlaitė** (born in 1970)	**Darius Kašauskas** (born in 1972)	**Mindaugas Keizeris** (born in 1980)	**Liudas Liutkevičius** (born in 1980) Member of the Board until 3 November 2014	**Dalia Andrulionienė** (born in 1971) *Member of the Board from 2 March 2015*
Educational	Lundo universitetas, Lund University, Doctoral degree in Technological Sciences; Lund University, Master's degree in Industrial Electrical Engineering and Automatics ; Kaunas University of Technology, Bachelor's degree in Electrical Engineering.	Vilnius University, Master's degree in Hydrogeology and Engineering Geology.	ISM University of Management and Economics, Doctoral studies of Social Sciences, Course of Economics; ISM University of Management and Economics; BI Norwegian Business School, Master's degree in Management; Vilnius University, Master's degree in Economics.	Vilnius University, International Business Master's Degree; Vilnius University, Business Administration and Management Bachelor's Degree.	Vilnius University, International Business School, International Business Finance Master's Degree; Vilnius University, International Business School, International Business Bachelor's Degree.	BI Norwegian Business School, Executive Master, Management program; Vilnius University, Master's degree in Economics and Management.
Participation in the capital of the Company and Group companies, %	–	–	–	–	–	–
Workplace, position	Lietuvos Energija, UAB, Chairman of the Board; Lietuvos Energijos Gamyba, AB, Chairman of the Supervisory Council; Association Eurelectric, Member of the Board of Directors; National Lithuanian Electricity Association, President; Alumni Association of Kaunas University of Technology, President.	Lietuvos Energija, UAB, Board Member, Director of the Organisational Development Service; LESTO AB, Supervisory Council Member; Technologijų ir Inovacijų Centras UAB, Chai of the Board; Elektros Tinklo Paslaugos UAB, Board Member; Duomenų Logistikos Centras UAB, Chair of the Board.	Lietuvos Energija, UAB, Board Member, Director of the Finance and Treasury Service; LESTO AB, Chairman of the Supervisory Council; NT Valdos UAB, Chairman of the Board; Kauno Energetikos Remontas UAB, Board Member; Verslo Aptarnavimo Centras UAB, Chairman of the Board; Lietuvos Dujos AB, Chairman of the Supervisory Council.	Lietuvos Energija, UAB, Board Member, Director of the Strategy and Development Service; Elektros Tinklo Paslaugos UAB, Chairman of the Board ; Lietuvos Dujų Tiekimas UAB, Board Member; Energijos tiekimas UAB, Chairman of the Board; LITGAS UAB, Chairman of the Board; Lietuvos Energijos Gamyba, AB, Member of the Supervisory Council; Kauno Energetikos Remontas UAB, Chairman of the Board.	Lietuvos Dujos AB, Chairman of the Board, CEO.	Lietuvos Energija, UAB, Board Member, Director of Production and Service s.

The description of management bodies of the listed companies of the Group is provided on page 110.

Organizational culture and employees

Employees of the Company are the key element in implementing the operational strategy of the Lietuvos Energija group. The aim is to build and maintain the organisational culture based on values that motivates employees to assume responsibility, cooperate, and joint efforts to achieve the best result.

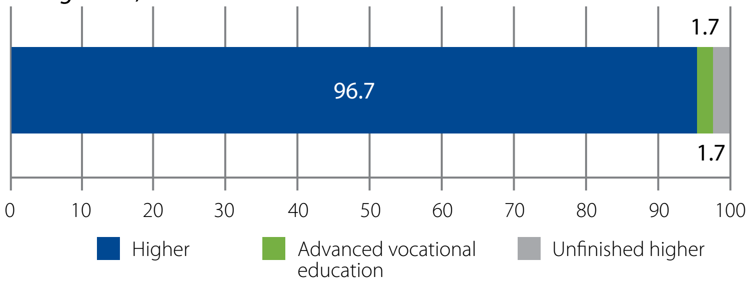
In implementing the objectives set by the shareholder and pursuing a socially responsible business, we aim at attracting and retaining skilled specialists in the Group and creating with them the long-term partnership relationships and joint successful future while ensuring the mutual benefits.

As at 31 December 2014, the Group had 5,602[1] employees. The number of employees of the Lietuvos Energija group slightly decreased compared to the third quarter of 2014.

Company	Total number of employees
Lietuvos Energija, UAB	61
LESTO AB	2,229
Lietuvos Energijos Gamyba, AB	474
Lietuvos dujos AB	1,136
Technologijų ir inovacijų centras UAB	190
UAB Duomenų logistikos centras	19
Energijos tiekimas UAB	16
Geton Energy SIA	1
Kauno energetikos remontas UAB	236
Gotlitas UAB	9
ELEKTROS TINKLO PASLAUGOS UAB	556
NT Valdos, UAB	219
Energetikų mokymo centras, VšĮ	164
LITGAS UAB	13
VAE SPB UAB	17
Verslo Aptarnavimo Centras UAB	121
Lietuvos Dujų Tiekimas UAB	141
Sponsorship Fund of Lietuvos Energija	0
Total	**5602**

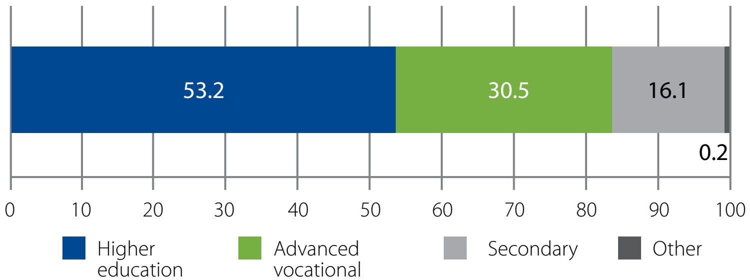
As at 31 December 2014, the Company had 61 employees. The total of 96.7 % of the Company's employees have higher university education, of whom 3 have doctoral degrees. The Company employs two certified professional project managers (PRINCE2), one certified financial analyst (CFA), one certified internal auditor (CIA), one certified fraud examiner (CFE), two certified risk management assurance experts (CRMA), five employees holding the professional Board Member's qualification of the Baltic Institute of Corporate Governance. The employees are active members of the associations, unions, and academic community (Business Council of Kaunas University of Technology, Supervisory Council of the Lithuanian Energy Institute, Technological Development Committee under the Agency for Science, Innovation and Technology, etc.).

Structure of the Company's employees according to educational background, %



The total of 53.2 % of the Group's employees have higher education, of whom 25 have doctoral degrees, 30.5 % of employees have acquired advanced vocational education and 16.1 % have secondary education.

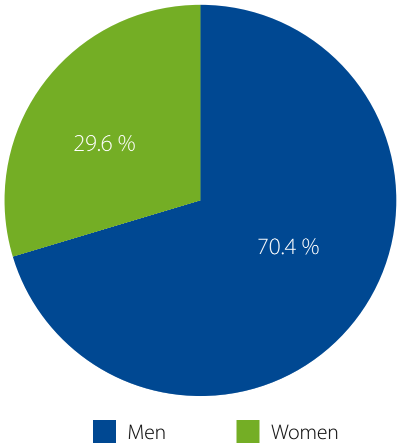
Structure of the Group's employees according to educational background, %



[1] *Number of valid employment contracts.*

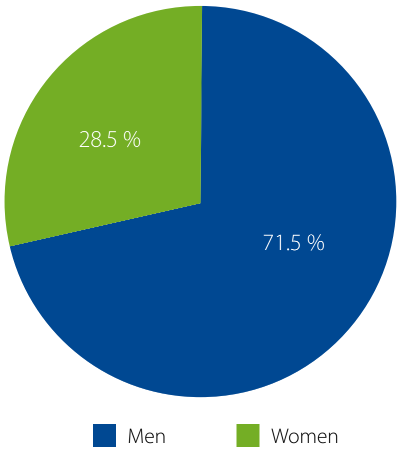
The percentage of men and women employed at the Group is equal to 70.4 % and 29.6 %, respectively.

Breakdown of all employees by gender, %



The breakdown of managers by gender is similar, i.e. male managers make up 71.5 % and female managers – 28.5 %.

Breakdown of managers by gender, %



The total wages fund of the Company for January–December 2014 amounted to LTL 6,614 thousand.

The average monthly wage of the Company's employees in January–December 2014 was as follows:

Category of employees	Average monthly wage, in LTL
Chief executive officer (CEO)	20,153
Top-level managers	16,669
Medium-level managers	10,672
Experts, specialists	6,111

As at 31 December 2014, the Group had 5,602 employees (including employees of Lietuvos Dujos AB). The total wages fund of the Group for January–December 2014 amounted to LTL 211.172 million.*

The average monthly wage of the Group's employees in January–December 2014 was as follows:

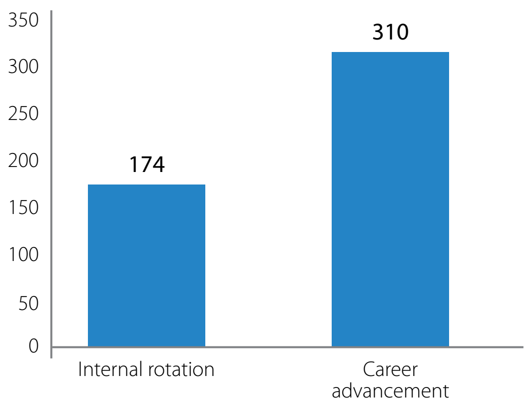
Category of employees	Average monthly wage, in LTL
Chief executive officers (CEOs)	14,540
Top-level managers	13,032
Medium-level managers	6,542
Experts, specialists, workers	3,158

**wage bill of Lietuvos Dujos AB is included from 1 July 2014.*

Development of the organisation and its culture

Following the reorganisation of the management of the Lietuvos Energija group in 2014 attention was focused on a coordinated development of the organisation, management of human resources, formation of a new organisational culture, enhancement of efficiency of organisation of operations, development and maintenance of competences.

In 2014, the model of general, management and leadership competences applied across the Group was updated, the 3600 assessment of the employees' competences was performed, the principles/system for the management of employees' activity were updated and unified, the key positions at the companies were identified and the employees able to replace an employee holding a key position were named, the level of preparedness to take a key position was established, the selection of the top management was consolidated, and aiming to strengthen the employer's positive image, participation was taken in four career days events organised by the universities. The following projects commenced in 2014 were continued by the Group in 2015: the project on the concentration of labour relations administration at the service centre, the project on the update of the system for employees' adaptation, the project on the improvement of the remuneration system and the project on the development of the training system.



The projects on career management, structuring of rotation systems were also initiated (174 employees were rotated within the Group companies, 310 employees achieved career advancement within a company in 2014).

The Lietuvos Energija group understands that the realisation of its aims of continuous development and increase of the Group's value mostly depends on the involvement of employees and their contribution to the development and success of the organisation. In order to assess how much the employees are involved in the activity of the organisation and are interested in active participation in the achievement of success of the organisation, the survey of involvement of the Group's employees was initiated. Results of the survey are analysed and with the participation of employees the plans of action for maintaining and increasing the involvement of employees are being developed for the year 2015.

In fostering the common values of the Lietuvos Energija group, the companies of the Group organised awareness-raising events. For example, LESTO organised the summer event LESTIADA in which more than 800 employees of LESTO participated. Kauno Energetikos Remontas held the session of ambassadors of the Company's values, during which the action plan for the promotion of values was prepared and arrangements were made regarding the establishment of responsible employees and deadlines. The ambassadors of values have already implemented one initiative – organised the Children's Drawing Afternoon. Three more initiatives are planned to be implemented.

The Group company LESTO devotes large attention to its most talented employees, therefore the talent management system is being developed for several successive years. In 2014, the list of the most talented employees was updated and the talent development plans were prepared.

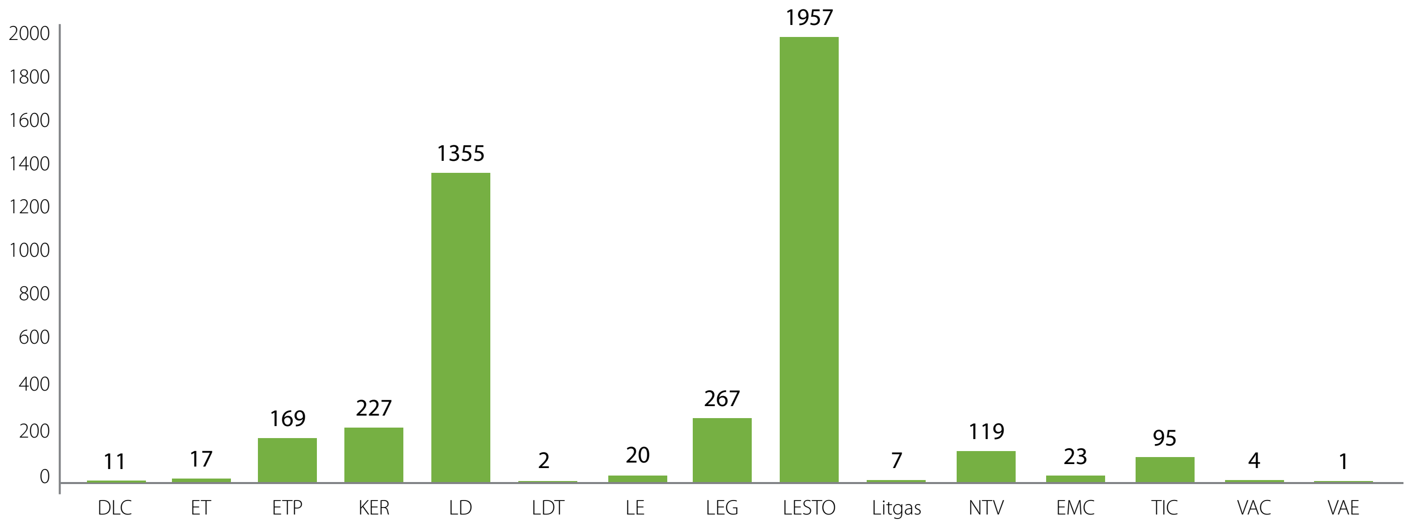
Development of competences

The Lietuvos Energija group is consistently taking care of the professional development of employees and ensures that employees possess all certificates established by laws that are necessary for their work and improve the required competences. In 2014, training courses organised by the Lietuvos Energija group were attended by 4,287 employees.

Individual companies of the Group organised various training courses on the development of general, professional and management competences, e.g. time management and planning, team formation, ability to make influence, management of conflicts and stress, change management, communication, project management, business process management, sales skills, effective customer service, etc.

In 2014, the Group's Medium-level Management Forum initiative involving 25 medium-level managers representing each company of the Group was initiated. The purpose of this Programme is to organise common discussions, seminars and project activities in order to develop management and leadership competences of the medium-level managers, facilitate the sharing of experience and encourage mutual cooperation and jointly pursue strategic goals.

Number of employees participating in training courses



Opportunities of internship

The Group companies create conditions for students of higher education institutions and vocational schools to apply their theoretical knowledge and acquire practical skills. In 2014, 182 students were placed in internships with the following Group companies: Lietuvos Energija, Lietuvos Energijos Gamyba, LESTO, Lietuvos Dujos, Kauno Energetikos Remontas, Elektros Tinklo Paslaugos, Centre of Training for Energy Specialists, NT Valdos. Twenty-three trainees after the completion of internship with Kauno Energetikos Remontas, LESTO, Lietuvos Energijos Gamyba, Elektros Tinklo Paslaugos, Centre of Training for Energy Specialists were employed according to fixed-term or open-ended employment contracts.

Lietuvos Energijos Gamyba acquired the Occupational Safety and Health Certification (OHSAS)

On 19 May 2014, Lietuvos Energijos Gamyba acquired OHSAS 18001:2007 certificate confirming that the occupational safety and health system (OSH) of the company meets the requirements of this management standard. The company was recognised for a continuous practical improvement of the OSH policy, which forms a part of the management system of the company covering the organisational structure, planned activities, distribution of responsibilities, business practice, internal routines and procedures, methods, management of processes and resources necessary for the implementation, support and improvement of the OSH policy. Lietuvos Energijos Gamyba was also recognised for ensuring the occupational safety and health of employees in reducing the probability of occupational accidents.

Supervisory bodies

The composition of the Supervisory Council functioning at Lietuvos Energijos Gamyba, AB as at 31 December 2014 was as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Dr. Dalius Misiūnas Chairman	-	August 2013 – August 2017	Lietuvos Energija, UAB, Chairman of the Board and CEO
Pranas Vilkas Independent member	-	August 2013 – August 2017	-
Liudas Liutkevičius Member	-	August 2013 – 12 November 2014	Lietuvos Dujos, AB, CEO
Mindaugas Keizeris	-	From 20 November 2014 – August 2017	Lietuvos Energija, UAB, Strategy and Development Director

The composition of the Supervisory Council functioning at LESTO AB as at 31 December 2014 was as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Darius Kašauskas Chairman	-	July 2013 – July 2017	Lietuvos Energija, UAB, Finance and Treasury Service Director
Petras Povilas Čėsna Independent member	-	September 2013 – July 2017	LITEXPO, Chairman of the Board
Ilona Daugėlaitė Member	-	July 2013 – July 2017	Lietuvos Energija, UAB, Organisational Development Director

The composition of the Supervisory Council formed on 30 October 2014 and functioning at Lietuvos Dujos AB as at 31 December 2014 was as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Dr. Darius Kašauskas Chairman	-	November 2014 – November 2018	Lietuvos Energija, UAB, Finance and Treasury Service Director
Petras Povilas Čėsna Independent member	-	November 2014 – November 2018	LITEXPO, Chairman of the Board
Ilona Daugėlaitė Member	-	November 2014 – November 2018	Lietuvos Energija, UAB, Organisational Development Director

Committees of the Supervisory Council

As at 31 December 2014, the Supervisory Council's committees formed at the Company, as a parent company of the Group, included the Audit Committee, Risk Management Supervision Committee, and Appointment and Remuneration Committee.

Audit committee

Member of the Committee	Number of shares of the Company and the Group companies held	Workplace
Rasa Noreikienė Chair of the Committee		Ministry of Economy of the Republic of Lithuania, Deputy Minister
Danielius Merkinas Independent member	-	Nordnet UAB, Finance Director
Aušra Vičkačkienė Member	-	Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department
Gintaras Adžgauskas Member	-	World Energy Council, Director of the Lithuanian Member Committee
Irena Petruškevičienė (From 28 October 2014)		European Commission, Member of Audit Development Committee

Main functions of the Committee are as follows:

- to monitor the process of preparation of financial statements of the Company and the Group companies, with a special focus on the relevance and consistency of accounting methods used;
- to monitor the effectiveness of internal controls and risk management systems of the Company and the Group companies, to analyse the need for and relevance of these systems and perform the review of the existing internal controlmanagement systems;
- to monitor the adherence to the principles of independence and objectivity by the certified auditor and audit company, to provide related recommendations, as well as proposals for the selection of an audit company;
- to monitor the audit performance processes of the Company and the Group companies, to examine the effectiveness of audit and response of the administration to the recommendations provided in the management letter;
- to monitor the effectiveness of the internal audit function of the Company and the Group companies, to analyse the need for and relevance of this function, to provide recommendations on the need for, effectiveness of the internal audit function, and on other internal audit related matters;
- to provide proposals for the internal audit plans of the Company and the Group companies, recommendations for the regulations of the internal audit units of the Company and the Group companies, appointment and dismissal of the head of a structural unit performing the functions of the internal audit, approval of his (her) job description, imposition of incentives and penalties;
- to monitor the compliance of activities of the Company and the Group companies with laws and other legal acts of the Republic of Lithuania, articles of association and operational strategy;
- to assess and analyse other issues attributed to the competence of the Committee by the decision of the Supervisory Board;
- to perform other functions related to the functions of the Committee set forth by legal acts of the Republic of Lithuania and in the Corporate Governance Code of companies listed on NASDAQ OMX Vilnius Stock Exchange;

Risk Management Supervision Committee

Member of the Committee	Number of shares of the Company and the Group companies held	Workplace
Antanas Danys Chairman of the Committee	-	Public Institution Lietuvos Junior Achievement, Board Member
Raimundas Petrauskas Independent member	-	Schmitz Cargobull Baltic UAB, CEO
Donatas Kaubrys Independent member	-	Dovirma, UAB, General Manager
Tomas Garasimavičius Member	-	Advisor to the Prime Minister of the Republic of Lithuania for Energy
Žydrūnė Juodkienė Member until 12 09 2014	-	Lithuanian Ministry of Energy, Deputy Minister

Main functions of the Committee are as follows:

- to monitor the identification, assessment and management of risks relevant for the accomplishment of goals of the Company and the Group companies;
- to assess the relevance of internal control procedures and risk management measures with respect to the identified risks;
- to assess the status of implementation of risk management measures;
- to monitor the implementation of risk management process;
- to analyse financial possibilities for the implementation of risk management measures;
- to assess the risks and risk management plan of the Company and the Group companies;
- to assess the regular risk identification and assessment cycle;
- to control the establishment of risk registers, analyse their data and provide proposals;

Appointment and Remuneration Committee

Member of the Committee	Number of shares of the Company and the Group	Workplace
Aloyzas Vitkauskas Chairman of the Committee	-	LR finansų ministerija, viceministras
Virginijus Lepeška Independent member	-	Chairman of the Board of Organizacijų Vystymo Centras UAB
Tomas Garasimavičius Member	-	Advisor to the Prime Minister of Lithuania for Energy

Main functions of the Committee are as follows:

- to assess and provide proposals on the long-term remuneration policy of the Company and Group companies (the main fixed part of the remuneration, performance based remuneration, pension insurance, other guarantees and forms of remuneration, compensations, severance pays, other parts of the remuneration package), other principles of compensation for costs related to the individual's performance;
- to assess and provide proposals on the policy of bonuses of the Company and the Group companies;
- to monitor the compliance of the policy of remunerations and bonuses of the Company and the Group companies with the international practice and good governance practice recommendations, and provide respective proposals for the improvement of the policy of remunerations and bonuses;
- to provide proposals concerning bonuses upon appropriation of profit (losses) to be appropriated of the Company and the Group companies of the respective financial year;
- to assess the terms and conditions of agreements of the Company and Group companies with members of management bodies of the Company and the Group companies;
- to assess the procedures of recruitment and selection of candidates to members and senior management of the Company and the Group companies and establishment of the qualification requirements;
- to perform regular reviews of the structure, size, composition and activities of the management and supervisory bodies of the Company and the Group companies;
- to perform regular reviews of the structure, size, composition and activities of the management and supervisory bodies of the Company and Group companies to supervise how members of management bodies and employees of the Company and Group companies are notified of the professional development possibilities and how they upgrade their skills regularly;

Management bodies of the Group companies

As at 31 December 2014, the Board of Lietuvos Energijos Gamyba, AB comprised as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Juozas Bartlingas Chairman	-	September 2013 - September 2017	Lietuvos Energijos Gamyba, AB, CEO
Chairman - Adomas Birulis Member	-	September 2013 - September 2017	Lietuvos Energijos Gamyba, AB, Director of Business Development Department
Eglė Čiužaitė Member	-	September 2013 - September 2017	Lietuvos Energijos Gamyba, AB, Director of Production Department
Darius Kucinas Member	-	September 2013 - September 2017	Lietuvos Energijos Gamyba, AB, Director of Wholesale Electricity Trade Department
Vidmantas Salietis Member	-	September 2013 - September 2017	Lietuvos Energijos Gamyba, AB, Director of Wholesale Electricity Trade Department

General Manager: Juozas Bartlingas, Chief Executive Officer of Lietuvos Energijos Gamyba, AB.

As at 31 December 2014, the Board of LESTO AB comprised as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Aidas Ignatavičius Chairman	-	September 2013 - September 2017	LESTO AB, CEO
Andrius Bendikas Member	-	September 2013 - September 2017	LESTO AB, Director of Finance and Administration Service
Dalia Andrulionienė Member	-	September 2013 - March 2015	LESTO AB, Director of Personnel and Communication Service
Sergejus Ignatjevas Member	-	September 2013 - September 2017	LESTO AB, Director of Customer Service Service
Virgilijus Žukauskas Member	-	September 2013 - September 2017	LESTO AB, Director of Electricity Network Service

General Manager: Aidas Ignatavičius, Chief Executive Officer of LESTO AB.

Until 29 October 2014, the Board of Lietuvos Dujos AB comprised as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Dr. Dalius Misiūnas	-	June 2014 - 29 October 2014	Lietuvos Energija, UAB, Chairman of the Board, CEO
Ieva Lauraitytė	-	June 2014 - 29 October 2014.	Lietuvos Energija, UAB, Director of Legal Service
Ilona Daugėlaitė	-	June 2014 - 29 October 2014	Lietuvos Energija, UAB, Director of Organisational Development Service
Mindaugas Keizeris	-	June 2014 - 29 October 2014	Lietuvos Energija, UAB, Director of Strategy and Development Service

From 3 November 2014, the Board of Lietuvos Dujos AB comprised as follows:

Full name	Participation in the capital of the Company and the Group companies, %	Term of office	Workplace
Liudas Liutkevičius	-	3 November 2014 - November 2018	Lietuvos Dujos AB, CEO
Giedrė Ginskienė	-	3 November 2014 - November 2018	Lietuvos Dujos AB, Director of Finance and Treasury Service
Tomas Šidlauskas	-	3 November 2014 - February 2015	Lietuvos Dujos AB, Director of Gas Network Service
Nemunas Biknius	-	3 November 2014 - November 2018	Lietuvos Dujos AB, Director of Service Provision and Development Service
Valentina Birulienė	-	3 November 2014 - November 2018	Lietuvos Dujos AB, Director of Organisational Development Service
Dalius Svetulevičius	-	3 November 2014 - November 2018	Lietuvos Dujos AB, Director of Gas Network Service

General Manager: until 8 September 2014 – Viktoras Valentukevičius, Chief Executive Officer of Lietuvos Dujos AB. Between 9 September and 3 November – Mantas Mikalajūnas, Acting CEO of Lietuvos Dujos AB. From 4 November, CEO of Lietuvos Dujos AB – Liudas Liutkevičius.

Social responsibility

The Lietuvos Energija group devotes special attention to the social responsibility and seeks to ensure that operations of the Group are based on principles of responsible activities laid down in the Global Compact, a United Nations initiative. The Global Compact includes implementation of 10 principles of responsible activity and encourages companies to avoid damage to the environment, community, and other businesses, and to join their effort with the United Nations, public authorities and non-governmental organisation in dealing with social and and environmental issues, thereby contributing to the development of the society and economic growth. The Global Compact is based on the principles of human rights, rights at work, environment, and anti-corruption.

The model of socially responsible business of the Lietuvos Energija group is implemented through targeted and consistent activities in the following areas:

Environmental protection

Relationships with employees and society

Market operations

On 3 September 2014, all companies of the Lietuvos Energija group joined the Memorandum of Good Business Practice during the Adoption of the Euro supervised by the Ministry of the Economy of the Republic of Lithuania. In this way the companies committed to ensure the fair recalculation of the prices of services and goods, indicate the prices in the litas and the euro in a clear and understandable manner, not to mislead consumers and not to increase prices under the pretence of the currency changeover.

On 4 September 2014, Lietuvos Energija was recognised as one of the most dynamic and advanced companies from among 33 countries of Europe – together with nine other Lithuanian companies the Group was invited to represent Lithuania in the prestigious programme European Business Awards 2014. This award was granted to 709 out of 24,000 applicant European Companies and it entitles to seek for the main prize – the ribbon of honour Ruban d'Honneur.

In December 2014, Lietuvos Energija was announced a winner of the national competition Prize of Innovations in the category of innovative companies. This competition is organised by the public institution the Lithuanian Innovation Centre and the Lithuanian Confederation of Industrialists for the tenth successive year.

On 22 January 2015, LESTO was recognised for the Best Investor Relations in the Baltic countries. This award was announced at the Baltic Market Awards 2014 organised by the operator of the securities exchanges of the Baltic countries Nasdaq.

The Association Investor's Forum engaged in assessing and awarding companies, organisations and media representatives that have mostly contributed to the improvement of the country's climate and business environment for the third consecutive year, recognised LESTO to be the most responsible company of 2013. The Group's company was awarded for social and public education projects implemented by it, targeted aspirations to foster relationships with its customers, promote transparency and conscious and responsible consumption of energy.

At the beginning of 2014, LESTO was elected a member of the Lithuanian Association of Responsible Business (LAVA) Congress. The mission of LAVA is to promote the development of responsible activities as a precondition of sustainable growth in Lithuania. Activities of the association are led by collegial bodies – the Council of 3 members, the Congress of seven members and the general meeting of members.

Environmental protection

The Lietuvos Energija group encourages the use of work equipment reducing costs and pollution, sustainable use of natural resources, is actively looking for ways of minimising the impact of energy objects on people and environment, and investing in the environmentally friendly modern technologies. In implementing different environmental projects, the Group companies aim at minimising the impact of energy objects on people and environment, and also at encouraging the participation of society in different initiatives related to environmental protection.

Waste management and sorting, efficient use of resources

The Lietuvos Energija group companies are implementing waste sorting initiatives, and have installed special waste sorting containers for sorting of plastic and paper. In cooperation with the Association of Purchasers of Electronic Equipment, LESTO also collects energy-saving light bulbs, small electronic devices and batteries at the customer service centres; special containers have also been installed in divisions of Lietuvos Energijos Gamyba in Elektrėnai, Kruonis, Kaunas and Vilnius for discarding obsolete small electronic devices and batteries. Since 2013, the Group company Kauno Energetikos Remontas UAB has been involved in the environmental project We Sort Waste in the Company aimed at sorting and collecting waste of electronic equipment, domestic appliances and portable batteries and accumulators generated in the process of operations of the companies and at homes of their employees, reducing the discharge of such waste into the environment, educating and informing the society about waste sorting.

In April 2014, employees of the Group actively joined the traditional annual cleanness initiative Let's Do It 2014 – they collected different waste, cleaned environment in various towns of Lithuania, and set up new sports equipment and waste bins on the coast of the Elektrėnai sea.

The Group's company LESTO keeps encouraging its clients to give up paper bills and pay-books. More than 90 % of business customers of LESTO already use electronic bills. LESTO sends free of charge SMS and emails to almost 80 % of the users of electricity to inform them about power supply failures or planned duration of their elimination.

The Environmental Management System complying with requirements of LST EN ISO 14001:2005 has been implemented in objects of Lietuvos Energijos Gamyba. Also, divisions of Lietuvos Energijos Gamyba implement the requirements for the atmospheric, surface water, groundwater and soil pollution monitoring and protection measures specified in the Integrated Pollution Prevention and Control (IPPC) permits.

During the twelve months of 2014, the Elektrėnai complex handed over for utilisation 71 tonnes of railway sleepers, 1,392 tonnes of hazardous waste of sewage sludge, 1,221 tonnes of liquid fuel ash, 1,243 tonnes of construction waste, sold 554 tonnes of electrical and electronic equipment waste, and 4,654 tonnes of ferrous metal scrap, 26,6 tonnes of aluminium scrap and 15.9 tonnes of copper scrap. Household waste collected in the territory of this object is removed by a specialised company on contractual basis. The operation of the chemistry section generated 310 tonnes of sludges from water clarification that were released to the Obeniai land plot for clarification.

In 2014, the amount of waste accumulating at the Elektrėnai complex and released to the environment was reduced significantly. The amount of waste discharged to the environment decreased by more than 15 % compared to 2013.

In cases when electricity was generated using liquid fuel (fuel oil) at the Reserve Power Plant, up to 97.6 % of sulphur compounds and up to 92.9 % of particulate matter occurring from fuel burning were caught using air treatment facilities.

In 2014, Kruonis Pumped Storage Power Plant handed over for utilisation 14.7 tonnes of hazardous waste, 1.3 tonnes of non-hazardous waste and sold 12.9 tonnes of ferrous metal scrap. Household waste collected in the territory of this object is removed by a specialised company on contractual basis. Household waste accumulated in 2014 amounted to 33.3 tonnes.

In 2014, Kaunas Algirdas Brazauskas Hydro Power Plant handed over for utilisation nearly 0.5 tonne of hazardous waste, 0.9 tonne of non-hazardous waste. Household waste generated in the territory of this object is removed by a specialised company on contractual basis. Household waste accumulated in 2014 amounted to around 5.6 tonnes.

Paper and cardboard waste in all power plants is collected by enterprises processing such waste.

Lietuvos Dujos has implemented the environmental management system complying with the requirements of ISO 14001 standard, which is continuously managed and improved. The environmental audit carried out in 2014 confirmed that the system functions properly. One of the main objectives of the company in controlling and reducing atmospheric pollution to the lowest possible level using technical means is to control natural gas discharges during the distribution of gas. In order to ensure the reliability of gas systems, technical maintenance, repair, reconstruction and modernisation of gas distribution pipelines and their equipment are performed. Gas discharges to the atmosphere due to the fault of third parties amounted to 0.06 million cubic metres in 2014 similarly as in 2013.

Aiming to reduce a harmful impact on the environment Lietuvos Dujos installs technical measures for the ensurance of the reliability of gas systems, renews the vehicle fleet on an annual basis. This year the company acquired 14 new cars that use the cleanest fossil fuel, i.e. natural gas. The emissions level of these cars (80 kw) was 157 g $CO2$/km. While emissions of cars with petrol engines (59 kW) are equal to 191 g $CO2$/km and cars with diesel engines (55 kW) – 167 g $CO2$/km.

Support fund

In August 2014, the Minister of Finance of the Republic of Lithuania signed the Order On the Support Fund of Lietuvos Energija. The Fund is aimed at providing support and other assistance to legal entities in the manner prescribed by the Lithuanian Law on Charity and Sponsorship and the Lithuanian Law on Charity and Sponsorship Funds in the fields of science, education, culture, art, sports and other areas beneficiary to the society and areas not related to personal benefit.

On 15 October 2014, Lietuvos Energija established a Support fund which joins and coordinates the support provided by all companies of the Group for the projects, programmes and activities of public interest. The Support Fund allows ensuring the transparency of the allocation of support and creates a solid foundation for the Group's social responsibility. Annual support amount allocated by the Group to the Fund should not exceed 1 (one) per cent of the net consolidated profit of the previous reporting year of the Lietuvos Energija group. Applications to receive support from the Fund will be submitted once a year following the established procedure and deadlines.

In 2014, 95 applications were received with the requests to receive support from the Fund. After the evaluation of the applications beneficiaries were invited to sign agreements on 17 November 2014. Support allocated from the Support Fund of Lietuvos Energija for 12 regional, 4 national projects and activities amounted to LTL 1.8 million. Beneficiaries were publicly announced on 5 December 2014. At the national level, the Support Fund took over men's basketball club Žalgiris Kaunas, the women's basketball team Kibirkštis-Viči, the Lithuanian Athletics Federation and the Lithuanian basketball league LKL.

At the regional level, support was allocated for two projects implemented by the administration of the Elektrėnai municipality, i.e. promotion of a healthy lifestyle and sports in Elektrėnai and Jubilee Year – Another Page of the History of Elektrėnai. Support was also allocated for the Krikliniai community of Pasvalys region aimed at the renewal of the lightning system of the Krikliniai town; for the community centre Girsta in Kaunas for the implementation of the project Good to Create Together; for the disabled sports and day centre Draugystė for the organisation of sports events for people with disabilities; for the Lithuanian Computer Society aiming to promote the IT competition Beaver; for the Noriai community of Pasvalys region to implement the project on the lightning of the streets of the Noriai village; for Elektrėnai handball club RK-ENERGIJA, which will be used to promote the popularity of handball; the association LRK ENERGIJA to be aimed at ensuring the activity of the ice-hockey club Energija; for Druskininkai division of the Lithuanian Special Society of Creative Works Guboja designated for the social integration of people with disabilities and association TEDxVilnius, which is aimed at the implementation of the projects TEDXKIDS@ VILNIUS and TEDXVILNIUS.

At the national level, support was allocated for the applicants of national significance which are the organisations or movements that contribute to promoting the State of Lithuania in the world through sports, art, science, culture, environmental protection, social and other initiatives and have been awarded with prizes of international significance and promoting their activity for at least two years. In assessing projects and activities of the regional level, the Support Fund of Lietuvos Energija took into consideration the value created for the regions, in the close proximity of which companies of the Lietuvos Energija group operate, compliance with the Group's social responsibility policies and links with the Group's operational nature, principles, values and initiatives. Support was allocated only for those applicants that were actively engaged in their activities for at least two years.

Social initiatives

The Group's companies were actively involved in the event of the traditional Days of Energy Professionals organised by the National Lithuanian Energy Association (NLEA). On 17-18 April 2014, free educational events were organised at the Lithuanian Energy and Technology Museum – excursions for the public, the concert of the pop group Saulės Kliošas. During the excursions the visitors were able to familiarise with the Lithuanian energy system and its topicalities and to learn more about the energy specialist's occupation.

In July 2014, LESTO together with the partners Nissan and the company NT Valdos set up the first quick charging station of electric cars in Vilnius, at Lelevelio street. A discharged battery of the electric car can be charged in 30 minutes at this station. The project of the first station for quick charging of electric cars is a significant turning point in the development of the infrastructure of electric cars. At present, free of charge power supply to the station is guaranteed by the largest supplier of energy of the Lithuanian capital – Energijos Tiekimas. So far, there were only slow charging stations in Lithuania – the first such station was installed in 2011 in Vilnius, near the Lithuanian Energy and Technology Museum. At present there are up to 15 slow charging stations for electric cars in Lithuania. In these stations the charging of electric cars takes 4 to 8 hours.

In order to contribute to raising awareness about energy among society and young generation in particular, Lietuvos Energijos Gamyba welcomes free of charge excursions to the objects under its control: the Combined Cycle Block, Kruonis Pumped Storage Power Plant, Kaunas Hydro Power Plant. During the twelve months of 2014, the power plants were visited by more than 3,292 visitors from different enterprises, schools and other institutions as well as by delegations from foreign countries. During the mentioned period, the largest number of excursions – 107 – were organised in Kruonis PSPP, 50 excursions – in Kaunas Algirdas Brazauskas HPP, and Combined Cycle Block welcomed 16 delegations arriving on excursions.

On 19 December, employees of Lietuvos Energija organised a Christmas evening for children raised in the childcare residence in Molėtai during which workshops of creative works were organised that invited children to draw postcards, make feeders for birds and wild animals.

On the eve of the 1st of September, children of the Elektrėnai childcare residence – pupils of the primary school received the primary school pupils' kits. In cooperation with Elektrėnai Municipality, the primary school pupils' baskets were handed over to socially disadvantaged families. The baskets were also handed over to employees of Lietuvos Energijos Gamyba who raise children attending primary schools. On the Christmas Eve, children of the Elektrėnai childcare residence and children from socially disadvantaged families were invited to a festive performance at the Elektrėnai cultural centre and were given Christmas gifts.

Lietuvos Energijos Gamyba together with the Library of Elektrėnai organises traditional events for the community of Elektrėnai region, where its principal activity is concentrated. In 2014, four meetings were organised – in March with singing actors, the father and the son Saulius Bareikis and Jokūbas Bareikis, in June – with the writer, director and author of songs Vytautas V. Landzbergis, in October – with the team of the largest entrepreneurship competition in Lithuania Do Business and in December – with a famous musicologist, head of St. Christopher Chamber Orchestra from Vilnius, professor Donatas Katkus. Nine events of this cycle have already been organised. The Company aims at gathering the community of the town and region as well as its employees in one place providing them with the opportunity to meet with famous, interesting and original people.

LESTO is continuing its cooperation with libraries under the project Libraries for Progress 2 launched in 2014. The purpose of this cooperation is to enable customers to use the self-service website: www.manoelektra.lt at the places convenient for them.

Customer service centre of LESTO in Kaunas is completely adapted for people with disabilities. This fact was acknowledged by experts of the project Without Thresholds aimed at minimising social exclusion of the disabled. During their visit to Kaunas customer servicing centre the specialists of the project Without Thresholds checked the number of parking spaces for cars for people with disabilities, the distance to the entrance of the building, the condition of the sloping from the carriageway to the pavement, and how the driveway to customer service centre is adapted to customers with disabilities, as well as many other aspects. The conclusion drawn by experts contained several recommendations for possible improvements.

In 2014, Lietuvos Dujos continued cooperation with the fine crafts' centre for youth with disabilities – the traditional fair of handmade works was organised before the Easter, at which employees of the company purchased handmade works in support of young people with disabilities. During the blood donation campaign arranged in June a large number of the company's employees donated their blood for people suffering from illnesses. The company's employees continue annual cooperation with public institution Mažoji Guboja, a day centre for people with disabilities. During the event organised in December employees could purchase handmade works in support of the activities of the day centre. In December, the company organised a Christmas Charity Auction, the purpose of which was to support the soup kitchen Betanija. During the auction employees purchased from each other goods made or donated and collected the sum of LTL 2,100 which was donated to the soup kitchen Betanija daily visited by around 550 people living in poverty.

In December 2014, pupils from the third grade of Panevėžys primary school visited the training site for gas specialists in Panevėžys where an excursion named Where Do Our Parents Work? was organised. Children observed the emergency service vehicles, the work of gas specialists and learned how to handle gas safely.

Long-term projects

The large scale long-term social responsibility projects for children, youth and general public implemented by the Group's company LESTO are characterised by active involvement of communities and different social groups, and ideas of safety, energy efficiency and conservation of environment. The active development of such projects was continued in the fourth quarter of 2014.

Operation 2020. This project is aimed promoting responsible behaviour with power grid installations, raise awareness of people about safe behaviour with electrical equipment and reduce negative consequences arising from irresponsible or malicious behaviour of residents.

In 2014, LESTO continued active cooperation with the Association of the Wardens of the Municipalities of Lithuania, attended its meetings and conferences. The greatest support in fighting against thefts is the sense of community – reports of residents help to quickly identify the offenders, repair damaged transformers before they get burnt and supply of electricity to residents is interrupted.

LESTO together with the Association of the Wardens of the Municipalities of Lithuania invited wards and their communities to submit applications for the competition of projects on increasing safety near power grid installations and responsibility of the community. For the purpose of solving issues related to safe and rational use of electricity, the communities had to propose plans for solving these problems and involve the highest possible number of residents in the implementation of these projects. In 2014, applications were submitted by 30 wards and communities. Applications submitted were evaluated by the representatives of LESTO, the Association of the Wardens of the Municipalities of Lithuania, the Association of Municipalities of Lithuania and the public institution Rūpi. Seven educational and practical projects were chosen as the winners of this year. These projects will create the highest value aiming to ensure a safe behaviour of residents near the power grid installations. This is a third competition organised by LESTO and the Association of the Wardens of the Municipalities of Lithuania.

As much as Needed. This social responsibility project of LESTO is aimed at developing the reasonable energy use traditions of the society.

The cycle of energy efficiency conferences for industrial enterprises. In September 2014, LESTO together with partners started the cycle of energy efficiency conferences As much as Needed by Industry. The first conference held in Šiauliai was attended by representatives of more than 70 industrial enterprises of Šiauliai and Panevėžys regions. The cycle of conferences As much as Needed by Industry deals with practical energy saving measures in enterprises, energy management automation solutions, strategies of servicing industrial enterprises, examples of their application. The topics of the event also included the change of electric power and reliability, the balancing of the reliability of the electricity network and business production process and the price of electricity and its determining factors. The experience and knowledge at the conference was shared by partners from the international companies Schneider Electric Lithuania, Mano Būstas LT, SKF Lietuva and the Training Centre for Energy Specialists.

The Green Protocol, Energy Efficiency Conference for Business, *Energy Dialogue 2014.* All enterprises are invited to join the Green Protocol for the fourth year in a row. This is a unique agreement of such type initiated by LESTO in our country whereby enterprises and organisations confirm that they are familiar with the ideas of conservation of the environment promoting reasonable use of electric energy, approve such ideas and promise to apply them in practice. Almost 230 participants from more than 160 enterprises of the country willing to get familiarised with the most relevant energy efficiency tendencies and latest solutions enabling to minimise energy costs attended the annual conference on reasonable use of energy held on 14 February 2014. The nomination of the Green Ambassador introduced for the first time may be awarded to an employee of the Green Protocol enterprise distinguished for the most creative and effective way of promotion of the energy saving ideas in the enterprise, involved other co-workers, or implemented or encouraged to implement the innovative technologies over the past year.

Days of balanced and safe use of electricity in libraries of Lithuania. In order to encourage residents to contribute to the protection of the environment and balanced use of energy resources, LESTO organises the cycle of events on balanced and safe use of electricity in 14 libraries of the country. During these events LESTO specialists recommend residents how to use electric power in a balanced manner and reduce the bills for electricity.

The energy efficiency conference for independent electricity suppliers *Energy Dialogue 2014.* Independent suppliers supply electricity to 13,000 corporate customers of LESTO (58,000 objects) that consume approx. 80 % of the total amount of electricity transmitted to corporate customers. The continued liberalisation of the market will probably increase the number of independent suppliers in the future. Aiming for a closer cooperation LESTO as an electricity distribution operator organised a second conference for independent suppliers Energy Dialogue 2014. The topics of the conference included not only the analysis of the current situation in the electricity market, but also the review of the upcoming requirements for the implementation of the Energy Efficiency Directive. The survey conducted after the conference showed that more than 90 % of the participants found this conference useful and they would agree to attend it again.

The national educational programme *Sustainable School.* In order to raise awareness of school communities and contribute to the creation of a sustainable, energy-efficient and environmentally-friendly society of Lithuania, LESTO and the Lithuanian Youth Centre together with partners invited educational institutions of the country to participate in a one-year educational programme Sustainable School. Seventy educational institutions from different regions of Lithuania participating in the programme completed the first task of the programme – the Ecological Footprint study. Its results were introduced at the forum of school managers participating in the Sustainable School programme held in Vilnius. The Ecological Footprint is a measure of human demand on the resources of our planet. The Ecological Footprint study has been prepared for schools of Lithuania according to the methodology specially developed for educational institutions by Austrian scientists. The project of Sustainable School is aimed at contributing to the creation of sustainable educational institutions' communities capable of efficiently managing and using their resources, combining the environmental protection, social justice and economic development. This project is implemented with the assistance of the public institution Organisation of Packaging Waste Management and companies Schneider Electric Lietuva UAB, Mano Būstas UAB and the National Consumer Federation.

Electromagic. This educational initiative is aimed at raising awareness of children and youth about benefits, threats and safety of electric energy. The purpose of this initiative is to teach youth safe behaviour with electricity and electrical equipment, stimulate their interest in responsible use of electricity, environmental protection and ideas of sustainable development.

In 2014, different initiatives for education of children about safe behaviour with electricity have been continued. At the beginning of this year, the pre-school and school-age children were invited to take part in the table game creation competition aimed at deepening their electricity-related knowledge in physics; this game develops logical thinking, encourages to learn more about the world of electricity and technologies, and, of course, develops creativity and drawing skills. The Project Electromagic.lt was also innovatively introduced in the form of interactive lessons for school-age children.

Basic information about the Company and the Group

The Interim Report of Lietuvos Energija and its subsidiaries is prepared in compliance with Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 On the Approval of the Guidelines for Ensuring the Transparency of Activities of the State-owned Enterprises and Appointment of the Coordinating Authority and published on the Company's internet website www.le.lt.

Company name	„Lietuvos energija", UAB
Company code	301844044
Authorised share capital	LTL 4,179,849,289
Paid-up share capital	LTL 4,179,849,289
Address	Žvejų g. 14, LT-09310, Vilnius, Lithuania
Telephone	(8 5) 278 2998
Fax	(8 5) 278 2115
E-mail	biuras@le.lt
Website	www.le.lt
Legal form	Private limited liability company
Date and place of registration	28 August 2008 Register of Legal Entities
Register accumulating and storing data about the Company	Register of Legal Entities, State Enterprise the Centre of Registers

On 13 February 2013, the Company's shares were transferred to the Ministry of Finance by right of trust.

With effect from 30 August 2013, the Company's name Visagino Atominė Elektrinė UAB was changed to Lietuvos Energija, UAB.

As at 31 December 2014, the authorised capital of the Company totalled LTL 4,179,849,289 (31 December 2013:

LTL 4,067,163,632). On 31 December 2013 and 31 December 2014, the authorised capital was divided into ordinary registered shares with a nominal value of LTL 1 per share. All the shares are fully paid.

Shareholders of the Company	Share capital (LTL'000)	%
State of Lithuania represented by the Lithuanian Ministry of Finance	4,179,849	100

Information on subsidiaries, branches and representative offices

Companies directly or indirectly controlled by Lietuvos Energija, UAB at the end of the reporting period (31 December 2014) were as follows:

Company name	Office address	Effective ownership interest at 31 Dec 2014 (%)	Share capital (LTL '000) At 31 Dec 2014	Profile of activities
Lietuvos Energijos Gamyba, AB	Elektrinės g. 21, Elektrėnai	96.1	635,084	Electricity generation, supply, import, export and trade
AB LESTO	Žvejų g. 14, Vilnius	94.4	603,945	Electricity supply and distribution to end users
Lietuvos Dujos AB	Aguonų g. 24, Vilnius	96.6	290,686	Natural gas supply and distribution to end users
NT Valdos UAB	Geologų g. 16, Vilnius	94.7	295,408	Operation of real estate, other related activities and provision of services
Duomenų Logistikos Centras UAB	A. Juozapavičiaus g. 13, Vilnius	79.6	13,907	Support services for information technology and telecommunications
ELEKTROS TINKLO P Motorų g. 2, ASLAU-GOS UAB	Motorų g. 2, Vilnius	94.4	18,904	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to the grid
Kauno Energetikos Chemijos g. 17, Re-montas UAB	Chemijos g. 17, Kaunas	96.1	15,244	Repairs of energy equipment, manufacturing of metal structures
LITGAS UAB	Gedimino pr. 33-2, Vilnius	66.7	45,000	Supply of liquid natural gas via terminal and trade in natural gas
Gotlitas UAB	Chemijos g. 17, Kaunas	96.1	1,100	Accommodation services, trade
Energijos tiekimas UAB	Jeruzalės g. 21, Vilnius	96.1	750	Supply of electricity and natural gas
Public Institution Training Centre for Energy Specialists (formerly known as Public Institution Republican Training Centre for Energy Specialists before Oct 2014)	Jeruzalės g. 21, Vilnius	100	294	Professional development and continuing training of energy specialists
Geton Energy OÜ	Narva mnt 5, 10117 Talinas	96.1	121	Supply of electricity
Geton Energy SIA	Bezdelingu 12, LV-1048, Ryga	96.1	99	Supply of electricity
Technologijų ir Inovacijų Centras UAB	A. Juozapavičiaus g. 13, Vilnius	97.8	22,201	IProvision of IT, telecommunication and other services
VAE SPB UAB	Žvejų g. 14, Vilnius	100	1,010	Business and other management consultations
Verslo Aptarnavimo Centras UAB (paid-up share capital amounted to LTL 1,891 thousand as at 31 12 2014)	P.Lukšio g. 5 b, Vilnius	97.0	2,000	Organisation and execution of public procurement, accounting and personnel administration services
Lietuvos Dujų Tiekimas UAB	Aguonų g. 24, Vilnius	100	3,000	Gas supply
Sponsorship Fund of Lietuvos Energija	Žvejų g. 14, Vilnius	100	10	Provision of support for projects, initiatives and activities of public interest

Information about agreements with intermediaries of public trading in securities

Lietuvos Energija has not concluded any agreements with intermediaries of public trading in securities, because its securities are not traded on the stock exchange.

Group companies:

Lietuvos Energijos Gamyba, AB

Since 1 September 2011, shares of Lietuvos Energijos Gamyba have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange.

As at 31 December 2014, the company had issued 635,083,615 ordinary registered shares with the nominal value of LTL 1.

ISIN code of the issue is LT0000128571.

Lietuvos Energijos Gamyba has concluded the securities accounting agreement on the accounting of securities issued by the issuer and management of personal securities accounts with

Swedbank, AB.

Lietuvos Dujos AB

Since 1 January 2008, shares of Lietuvos Dujos AB have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange. The company's shares are traded on NASDAQ OMX Vilnius Stock ExchangeAs at 31 December 2014, the company had issued 290,685,740 ordinary registered shares with the nominal value of LTL 1.

ISIN code of the issue is LT0000116220.

Lietuvos Dujos AB has concluded the agreement on the accounting of securities issued by the company and management of personal securities accounts, payment of dividends to minority shareholders and provision of other related services with SEB Bank AB.

AB LESTO

Since 17 January 2011, ordinary registered shares of LESTO have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange.

As at 31 December 2014, the company had issued 603,944,593 ordinary registered shares with the nominal value of LTL 1.

ISIN code of the issue is LT0000128449.

The authorised manager of securities accounts of LESTO is

Swedbank, AB.

Main events related to changes in the Group that occurred until the date of the preparation of the Report

- The Ministry of Finance of the Republic of Lithuania, in implementing Resolution No 120 of the Government of the Republic of Lithuania of 12 February 2014 On Investment of the State-owned Assets and Increase of the Authorised Share Capital of Companies, transferred to Lietuvos Energija, UAB 51,454,638 ordinary registered intangible shares of Lietuvos Dujos AB owned by the State with the nominal value of LTL 1 each, which confer 17.7 % of voting rights at the General Meeting of Shareholders of Lietuvos Dujos (21 February 2014).

- New members of the Board of Duomenų Logistikos Centras UAB were appointed: Liudas Liutkevičius, Production and Service Director of Lietuvos Energija, UAB and Mindaugas Keizeris, Strategy and Development Director of Lietuvos Energija, UAB (18 March 2014).

- The meeting of shareholders of Nordic Energy Link AS (hereinafter – NEL), the shareholder of which is Lietuvos Energijos Gamyba, AB, passed the decision on the liquidation of NEL. The company set up in 2004 was tasked with implementing the project of connection of energy systems of the Baltic countries and Finland by means of the electricity cable Estlink 1 laid down along the bottom of the Baltic sea. On 30 December 2013, the cable was transferred to the Estonian and Finnish transmission system operators Elering and Fingrid, therefore, the shareholders of NEL decided on the liquidation of the company as provided for in the memorandum of association of NEL. Lietuvos Energijos Gamyba, AB has a 25 % ownership interest in NEL (19 March 2014).

- Lietuvos Energija, UAB acquired from the Group companies Lietuvos Energijos Gamyba, AB ad LESTO AB ownership interests of 54.04 % and 24.94 %, respectively, in Duomenų Logistikos Centras UAB held by these companies. After the completion of this transaction Lietuvos Energija, UAB holds 79.34 % of shares of Duomenų Logistikos Centras UAB (31 March 2014).

- Remigijus Štaras was elected the independent member of the Board of Energijos Tiekimas UAB (1 April 2014).

- Nerijus Stasiulionis was elected the independent member of the Board of Kauno Energetikos Remontas UAB (2 April 2014).

- Tomas Vitkus, Director of Sales Department of Duomenų Logistikos Centras UAB was appointed the Acting CEO of Duomenų Logistikos Centras UAB (17 April 2014).

- Vilius Nikitinas was elected the independent member of the Board of Elektros Tinklo Paslaugos UAB (17 April 2014).

- Lina Paukštė was elected the independent member of the Board of NT Valdos, UAB (17 April 2014).

- Kęstutis Betingis was elected the independent member of the Board of LITGAS UAB (18 April 2014).

- Aurimas Bakas was elected the independent member of the Board of Duomenų Logistikos Centras UAB (30 April 2014).

- Rimvydas Štilinis was appointed as an Acting CEO of VAE SPB UAB (10 May 2014).

- Darius Kašauskas, Director of Finance and Treasury Service of Lietuvos Energija, UAB, was elected the Chairman of the Board of NT Valdos, UAB (15 May 2014).

- Liudas Liutkevičius, Production and Service Director of Lietuvos Energija, UAB, was elected the Chairman of the Board of LITGAS UAB (20 May 2014).

- Lietuvos Energija, UAB signed the agreement with the German company E.ON Ruhrgas International, under which the company acquired 38.9 % of shares of Lietuvos Dujos AB and 11.76 % of shares of LESTO AB (21 May 2014).
- The projects of the modernisation of the district heating sector in the cities of Vilnius and Kaunas have been recognised by the Government as projects of the state significance. The implementation of these projects was assigned to the state-owned group of energy companies Lietuvos Energija (21 May 2014).
- Liudas Liutkevičius, Production and Service Director of Lietuvos Energija, UAB, was elected the Chairman of the Board of Duomenų Logistikos Centras UAB, and Andrius Markevičius was appointed the CEO of the company (27 May 2014).
- During the tender offer Lietuvos Energija acquired 40.03 % of shares of Lietuvos Dujos AB. After the completion of this acquisition Lietuvos Energija holds 96.63 % of shares of Lietuvos Dujos(17 June 2014).
- During the General Meeting of Shareholders of LITGAS UAB a decision was passed to increase the Company's authorised capital to LTL 45 million through the issue of LTL 42 million ordinary registered shares with the nominal value of LTL 1 each. Lietuvos Energija, UAB and Klaipėdos Nafta AB control 66.7 % and 33.3 % of shares of LITGAS UAB, respectively (27 June 2014).
- During the Extraordinary Meeting of Shareholders of Lietuvos Dujos AB decisions were passed to approve the resignation of the Board Members delegated by E.ON Ruhrgas International GmbH, Dr. Achim Saul and Uwe Fip, revoke the Board Members delegated by Gazprom OAO, Dr. Valery Golubev and Kirill Seleznev. The newly elected members of the Board of Lietuvos Dujos AB were as follows: Ieva Lauraitytė, Legal Service Director of Lietuvos Energija, UAB, Ilona Daugėlaitė, Organisational Development Service Director of Lietuvos Energija, UAB, and Mindaugas Keizeris, Strategy and Development Service Director of Lietuvos Energija, UAB (30 June 2014).
- During the meeting of the Board of Lietuvos Dujos AB a decision was passed to elect Dr. Dalius Misiūnas, CEO of Lietuvos Energija, UAB, to the position of the Chairman of the Board of Lietuvos Dujos AB (30 June 2014).
- The authorised capital of Technologijų ir Inovacijų Centras UAB was increased from LTL 10 thousand to LTL 20 million. Lietuvos Energija, UAB acquired 11,106 million units of shares of the new issue and increased the controlled portion of the authorised capital of the company from 50 % to 55.55 %. Lietuvos Energijos Gamyba, AB and LESTO AB acquired 4.442 million units of new shares each and increased their ownership interests from 20 % to 20.22 % (10 July 2014).
- Lietuvos Energija, UAB together with other companies of the Group – Lietuvos Energijos Gamyba, AB, LESTO AB, LITGAS UAB and Technologijų ir Inovacijų Centras UAB signed the agreement on the establishment of Verslo Aptarnavimo Centras UAB. Activities of the company include the provision of public procurement, accounting and employment relation administration services to the company's shareholders (21 July 2014).
- During the Extraordinary Meeting of Shareholders of Lietuvos Dujos AB a decision was passed to pay dividends of LTL 53.3 million, or 18.3 cents per share. Also, for the purpose of applying uniform reserve formation principles in the financial statements of all companies of the Lietuvos Energija group, the meeting of shareholders decided to transfer other reserves of LTL 328 million formed by Lietuvos Dujos AB over several past years to retained earnings of the company (22 July 2014).
- New company of the Group – Verslo Aptarnavimo Centras UAB (authorised share capital equal to LTL 100,000) was registered in the Register of Legal Entities of the Republic of Lithuania. 50 % of shares of this company were acquired by Lietuvos Energija, UAB. Darius Kašauskas, Director of Finance and Treasury Service of Lietuvos Energija, UAB, was appointed to the positions of the Chairman of the Board and the Acting CEO of Verslo Aptarnavimo Centras UAB; Members of the Board: Andrius Bendikas, Eglė Čiužaitė, Marius Juknevičius, Augustas Dragūnas (30 July 2014).
- During the meeting of the National Control Commission for

Prices and Energy (the Commission) the Resolution on the Results of the Study on the Electricity Generation Market (the Resolution) was passed. Under this Resolution the Commission designated Lietuvos Energijos Gamyna as an operator with significant market power in the electricity generation services and with effect from 1 January 2015 established instructions relating to the application of prices and the announcement of information on costs of the regulated activity (7 August 2014).

- Management reorganisation of Lietuvos Dujos AB was announced to be implemented under the corporate governance guidelines applicable across the entire state-owned group of energy companies Lietuvos Energija. In observance of these guidelines the formation of a new Board of Lietuvos Dujos AB was started and public selection of Board Members was announced (11 August 2014).
- Since 14 August, the customer service centre of LESTO in Vilnius opened a new area which also services customers of Lietuvos Dujos AB. This is a pilot project during which both companies assess the possibilities of their synergy in order to offer the services and servicing to customers according to the one-stop-shop principle (14 August 2014).
- Lietuvos Energijos Gamyba became a member of NASDAQ OMX Commodities Stock Exchange (14 August 2014).
- LESTO announced its Operational Strategy for 2014–2020. One of the key objectives of the long-term strategy is to improve the reliability of the power distribution network by nearly a tenth over the period of seven years. LESTO will seek consistent investments in the projects contributing to higher reliability and security of the distribution of electricity and increase of the company's value, operational efficiency and return on equity (20 August 2014).
- Lietuvos Energijos Gamyba announced its Operational Strategy for 2014–2020. Lietuvos Energijos Gamyba indicates in its strategy that its total revenue over the coming year will reduce because of higher competition and reducing production volumes at the Elektrėnai complex. However, the profitability of the company should grow as a result of the implementation of the strategic objectives (20 August 2014).
- Lietuvos Energijos Gamyba made amendments to the guarantee issued on 18 April 2011 in the amount of EUR 1,766,000.00 to the borrower Kauno Energetikos Remontas UAB (Agreement No BG 07/01/01). The company provides a guarantee to secure the fulfilment of another obligation of the borrower to Nordea Bank Finland Plc (overdraft agreement No OS 14/09/01), including all amendments and supplements, on granting the overdraft of EUR 1,448,100.00) (8 September 2014).
- Viktoras Valentukevičius resigned from the position of the CEO of Lietuvos Dujos AB held since 2002. Mantas Mikalajūnas, Strategic Development Division Manager, was appointed as an Acting CEO of Lietuvos Dujos AB (8 September 2014).
- Lietuvos Energijos Gamyba appealed against the Resolution of the Commission of 7 August 2014 On the Results of the Study on the Electricity Generation Market, whereby the Commission recognised the company as an operator with a significant market power in the electricity generation services. (23 September 2014).
- During the General Meeting of Shareholders of LESTO AB a decision was passed to pay dividends in the amount of LTL 66.4 million, or 11 cents per share. (30 September 2014).
- During the General Meeting of Shareholders of Lietuvos Energijos Gamyba AB a decision was passed to pay dividends in the amount of LTL 69.9 million, or 11 cents per share. (30 September 2014).
- The public procurement policy of the contracting authorities of the Lietuvos Energija group, which establishes uniform principles of the organisation and performance of public procurements, was approved (2 October 2014).
- Lietuvos Energija started the selection process of partners interested in a joint development of the projects on new co-generation power plants in Vilnius and Kaunas and invited to submit applications. During the selection process of partners
- 18 applications from 8 countries were received (3 October 2014).

- LESTO and SEB Bank AB signed the agreement on granting the long-term loan of EUR 85 million (LTL 293,488 million). Proceeds received by the company will be allocated for the refinancing of the company's financial liabilities to financial institutions and the financing of investments aimed at increasing the reliability of the network and the quality of services provided (8 October 2014).
- Rimvydas Štilinis was appointed as a CEO of VAE SPB, UAB (13 October 2014).
- Lietuvos Energijos Gamyba passed a decision to discontinue the operation of units 1 and 2 of the Lithuanian Power Plant from 1 January 2015. The dismantling of unit 1 is to start from 1 January 2015 and the dismantling of unit 2 is to start from 1 April 2015 (20 October 2014).
- During the General Meeting of Shareholders of Verslo Aptarnavimo Centras UAB a decision was passed to increase the authorised capital of Verslo Aptarnavimo Centras UAB from LTL 100,000 to LTL 1,500,000. The authorised capital shall be increased by additional contributions of the company's shareholders by issuing 1,400,000 ordinary registered shares; the nominal value and issue price of one share is equal to LTL 1. (28 October 2014).
- During the General Meeting of Shareholders the Supervisory Council of Lietuvos Dujos was elected, which consists of Darius Kašauskas, Director of Finance and Treasury Service of Lietuvos Energija UAB, Ilona Daugėlaitė, Organisational Development Service Director of Lietuvos Energija, and the independent Member – Petras Povilas Čėsna, the Chairman of the Board of tje Lithuanian Exhibition and Conference Centre LITEXPO. The company's Board reports to the Supervisory Council. New Articles of Association of Lietuvos Dujos AB were also approved during the Extraordinary General Meting of Shareholders (29 October 2014).
- Liudas Liutkevičius and Darius Kašauskas, Members of the Board of LITGAS, were replaced by Mindaugas Keizeris and Vitalij Rakovski. (29 October 2014).
- Lietuvos Energija received a letter from the European Bank for Reconstruction and Development which expressed support for the construction of new co-generation power plants in Vilnius and Kaunas and submitted a proposal on a possible long-term financing or investing in such projects (30 October 2014).
- The nuclear power plant project was transferred from Lietuvos Energija, UAB to VAE SPB (30 October 2014).
- The National Control Commission for Prices and Energy established the adjusted price cap for the natural gas distribution service of Lietuvos Dujos for 2015 equal to 25.80 LTL/MWh. In 2015, the price cap for the natural gas distribution service increased by 16.7 % compared to 2014. The main reason: a projected decrease in natural gas volumes by 17 % in 2015 (30 October 2014).
- Mantas Mikalajūnas was appointed the CEO of Lietuvos Dujų Teikimas, Ieva Lauraitytė and Mindaugas Keizeris were elected to the positions of the Board Members (30 October 2014).
- Lietuvos Dujos AB transferred the natural gas supply activity to the new company Lietuvos Dujų Tiekimas UAB, which with effect from 1 November ensures the supply of natural gas to household consumers, corporate and other customers. In November, the management reorganisation of Lietuvos Dujos in the natural gas sector completed the implementation of the requirement of the Third Energy Package of the European Union regarding the unbundling natural gas supply, trade and distribution activities. Following the transfer of the natural gas supply activity to a new company of the Lietuvos Energija group Lietuvos Dujų Tiekimas, the company Lietuvos Dujos operates the natural gas distribution network and provides gas distribution services (31 October 2014).
- Vilnius Regional Administrative Court accepted the complaint of Lietuvos Energijos Gamyba in respect of the annulment of the Resolution of the Commission No 03-818 of 30 September 2014 On the Scheduled Audit of Lietuvos Energijos Gamyba, AB.The Commission approved Report on Scheduled Audit No E3-4 of 19 September 2014 and decided to reduce revenue from sponsored electricity generation received by the Lithuanian Power Plant controlled by the Company by LTL 21.2 million

(EUR 6.14 million) and reduce revenue from the provision of capacity reserve services received by the company by LTL 25.7 million (EUR 7.44 million). The Resolution also specifies that the implementation period of these decisions of the Commission is the reporting year of 2015–2016. In the opinion of the company this resolution is unjustified and contradicts the previously adopted decisions of the Commission on the same issues (31 October 2014).

- A new Board and CEO of Lietuvos Dujos AB were elected. Liudas Liutkevičius was appointed to the position of CEO of Lietuvos Dujos AB who is also the Chairman of the company's Board. The following Board Members were elected: Giedrė Glinskienė, Head of the Finance and Treasury Service, Tomas Šidlauskas, Head of the Gas Network Service, Nemunas Biknius, Head of Service and Development Service and Valentina Birulienė, Head of Organisational Development Service (4 November 2014).

- Vilnius Regional Administrative Court accepted another complaint of Lietuvos Energijos Gamyba AB in respect of the annulment of the Resolution of the Commission of 17 October 2014 On the Establishment of Price Caps for Capacity Reserve Services of Lietuvos Energijos Gamyba, AB for 2015 and the Resolution of 30 October 2014 On the Establishment of the Purchase Price for Electricity Produced at the Division of Lietuvos Energijos Gamyba, AB the Lithuanian Power Plant for 2015. In the company's opinion the calculations of the return on investments presented in the Resolutions are inaccurate and incorrect. (18 November 2014).

- LESTO announced its intentions to commence a public procurement for obtaining a long-term loan. The company plans to borrow EUR 75 million (LTL 258.96 million) for the term of five years. Proceeds received will used to refinance the company's financial liabilities and finance its working capital. The variable interest rate is expected to be set as 1 month EURIBOR (20 November 2014).

- On 28 October 2014, Member of the Supervisory Council, Liudas Liutkevičius, informed of his resignation from the position of the Member of the Supervisory Council of Lietuvos Energijos Gamyba AB. During the Extraordinary General Meeting of Shareholders held on 20 November Mindaugas Keizeris was elected as a Member of the Supervisory Council (20 November 2014).

- A complaint of LESTO AB was accepted at Vilnius Regional Administrative Court in respect of a partial annulment of Resolutions No O3-841 and No O3-845 of 17 October 2014 of the National Control Commission for Prices and Energy. In the opinion of the company, the Commission illegitimately extended the regulation period of 2011–2013 for the year 2015 and incorrectly established price caps for electricity distribution services for the year 2015 (24 November 2014).

- Lietuvos Energija commenced the provision of management services to the Group companies (1 December 2014).

- Lietuvos Energija acquired 100 % of venturer's rights of the Training Centre for Energy Specialists from Duomenų Logistikos Centras (8 December 2014).

- Lietuvos Energija was announced a winner of the 2014 national competition Prize of Innovations in the category of innovative companies (19 December 2014).

- LESTO announced its disagreement with the results and conclusions of the Commission's audit regarding allegedly unjustified costs (19 December 2014).

- The Commission amended its Resolution of 30 October 2014. As a result, the total PSO budget of Lietuvos Energijos Gamyba decreased by LTL 29.35 million down to LTL 174.69 million. The Commission decided that the purchase price of electricity for 2015 produced at the Elektrėnai complex will amount to 40.95 cents per kWh (excl. VAT), which is 0.96 cents less than it was established earlier. On 30 December, the complaint filed by Lietuvos Energijos Gamyba in respect of this decision was accepted at Vilnius Regional Administrative Court (19 December 2014).

- All employees of the Lietuvos Energija group providing accounting services were transferred to Verslo Aptarnavimo Centras where the accounting function of all companies of the Group is concentrated (21 December 2014).

- The Commission approved new electricity prices for 2015. The price of electricity established for household customers decreased on average by 6.3 % from 2015 (23 December 2014).
- The pricing of natural gas for 2015–2016 of Lietuvos Dujų Teikimas applicable to non-household customers was approved – an additional 20 % discount was applied to the natural gas price for two years (30 December 2014).
- A complaint of Lietuvos Energijos Gamyba was accepted at Vilnius Regional Administrative Court in respect of Resolution of 19 December 2014 of the Commission whereby the Commission changed the purchase prices of electricity produced at the division of the Company the Lithuanian Power Plant for 2015 that were established by the previously adopted Resolution (30 December 2014).
- Under the decision of the Bank of Lithuania Lietuvos Dujos was instructed to announce that it was given a warning regarding the violation of Article 21(5) of the Law on Securities. In view of this, the company will recognise the impairment of property, plant and equipment on a retrospective basis in the annual financial statements for the year ended 31 December 2014. The annual financial statements for the year 2014 will be released publicly not later than by 30 April 2015 (31 December 2014).
- Lietuvos Dujų Tiekimas reduced the price of natural gas for 2015 for corporate customers and other non-household customers by nearly a fifth. This was made possible when on 30 December the Commission agreed the pricing of Lietuvos Dujų Tiekimas for corporate customers for 2015–2016 (31 December 2014).
- The Group companies successfully prepared for the introduction of the euro in Lithuania (1 January 2015).
- Lietuvos Dujos started to publicly announce data about the actual caloric value of natural gas (thermal value) supplied to the network. Gas consumed is now accounted for to the system users in the euros for kilowatt-hours (1 January 2015).
- LITGAS started the supply of the minimum quantity of natural gas required for the Liquefied Natural Gas Terminal to the regulated energy producers (1 January 2015).
- Lietuvos Energija and Kaunas University of Technology signed the Letter of Intent on the establishment of the joint research centre (16 January 2015).
- The testing works of a part of new heat production capacities in Elektrėnai, i.e. a steam boiler house, were completed. A newly constructed steam boiler house which uses natural gas has already been put into operation and it was taken over by the personnel of Lietuvos Energijos Gamyba (16 January 2015).
- Vilnius Regional Administrative Court accepted the complaint of Lietuvos Energijos Gamyba in respect of the annulment of the Resolution No O3-934 of the Commission of 11 December 2014. Under this Resolution the Commission unilaterally established the components of the price of thermal energy produced by the company (16 January 2015).
- Lietuvos Energijos Gamyba became a market maker in the financial derivatives of electricity for Latvia bidding area (20 January 2015).
- The 3,000 km data transmission network of high throughput Baltic Highway was officially opened (21 January 2015).
- Vilnius Regional Administrative Court accepted the complaint of Lietuvos Energijos Gamyba in respect of a partial annulment of Resolution No O3-941 of the Commission of 19 December 2014. Under the clauses of the Resolution which are to be annulled the Commission decided to reduce the amount of funds to be paid in 2015 to the Company for the provision of the public obligation service, i.e. the production of electricity necessary for the ensurance of safety of electricity supply (21 January 2015).
- Vilnius Regional Administrative Court accepted the complaint of LESTO in respect of the annulment of the Resolution of the Commission of 19 December 2014 On the Scheduled Audit of LESTO AB and Resolutions passed on the grounds of this Resolution (23 January 2015).

- LITGAS became the first company in Lithuania and one of the first companies in the Baltic countries to be supplying natural gas to customers in other countries. In January LITGAS signed natural gas supply contracts with the Estonian company Eesti Energia, Reola Gaas, a company of the Estonian energy group Alexela Group (27 January 2015).

- The Lithuanian Government established a special commission which will examine the issues of the implementation of the projects for the modernisation of the district heating sector in the cities of Vilnius and Kaunas (28 January 2015).

- During the sitting held on 30 January the Commission decided not to consider the issue on the application of the sanction to the company LESTO and postpone the decision until the end of March (30 January 2015).

- Tomas Šidlauskas resigned from the position of a Board Member of Lietuvos Dujos (30 January 2015).

- LESTO announced its plans to invest EUR 1.7 billion in the modernisation of the network by 2025 (3 February 2015).

- Lietuvos Dujų Tiekimas won the tender for the purchase of gas announced by Vilniaus Energija (6 February 2015).

- Lietuvos Energija announced about the programme aimed at identifying central components of the value chain – by the end of 2015, Lietuvos Energija plans to identify which activities are central and distribute them among its companies in a way that ensures the best value for the Group and its customers – users of electricity (13 February 2015).

- LITGAS announced its plans to engage in a new activity jointly with Statoil, i.e. low-volume LNG supply and bunkers. The company will analyse cooperation opportunities in this field and plans to reach an agreement on the form of a joint arrangement by the end of the second quarter of 2015 (13 February 2015).

- The Estonian regulatory authority granted an exception to LITGAS allowing it to trade in natural gas in Estonia without establishing a branch. This exception will enable the company to make closer contacts with potential clients who had to take care of the natural gas transportation from the Estonian–Latvian border (19 February 2015).

- LITGAS ensured the gas transit through the territory of Latvia by signing the agreement with Latvijas Gaze (20 February 2015).

- LITGAS signed the memorandum on the supply of gas from the US terminal Delfin LNG (26 February 2015).

- LITGAS signed a Master Trade Agreement with Cheniere Marketing (27 February 2015).

- During the sitting of the Board of Lietuvos Energija the concept of the programme aimed at identifying central components of the value chain of the Group was approved. By the end of 2015, Lietuvos Energija plans to identify which activities are central and distribute them among its companies in a way that ensures the best value for the Group and its customers – users of electricity. The programme aimed at identifying central components of the value chain has been divided into 4 main fields of activity: generation, supply/trade, grid, customer service. Potential for synergies is also analysed (27 February 2015).

- Lietuvos Energija made a public announcement about the plans to merger the companies that operate electricity and gas distribution networks, i.e. LESTO and Lietuvos Dujos. Synergy of these two companies would lead to improvement of the Group‘s efficiency as a result of lower operating expenses, and as many as possible benefits to electricity and natural gas users (3 March 2015).

- A complaint of LESTO was accepted at Vilnius Regional Administrative Court in respect of the annulment of Resolutions No O3-11 of 19 January 2015 of the Commission On the Establishment of Price Caps for Distribution Services of LESTO AB Via Medium and Low Voltage Networks for 2016-2020 (10 March 2015).

- The Board of Lietuvos Dujos passed a decision to revoke the legal form of branches by 1 June 2015. With effect from 1 June, Gas Network Departments will operate in the regions (Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys). The legal form of branches is being revoked in order to facilitate and streamline the management of the company (10 March 2015).
- Customers of Lietuvos Dujos will be able to resolve the issues on the connection to the gas pipelines, verification of gas meters and the reorganisation of the gas systems at the joint customer service centres where services are provided to customers of LESTO and Lietuvos Dujų Tiekimas. Customers of Lietuvos Dujų Tiekimas were informed in advance about the relocation of the service centres to the customer service divisions of LESTO in Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus and Utena (30 March 2015).
- Lietuvos Energija acquired 100 % of shares of Elektros Tinklo Paslaugos from LESTO, and 100 % of of shares of Energijos Tiekimas and 100 % of shares of Kauno Energetikos Remontas from Lietuvos Energijos Gamyba (31 March 2015).
- The Board of LESTO passed a decision to hold the Ordinary General Meeting of Shareholders on 27 April. The Board of LESTO proposes to allocate amount of EUR 12.079 million for payment of dividends or EUR 0.02 per share (3 April 2015).
- The Board of Lietuvos Energijos Gamybos convenes the Ordinary General Meeting of Shareholders on 27 April 2015.
- The amount of dividends proposed to be paid to the shareholders is equal to EUR 21.72 million or EUR 0.0342 per share (3 April 2015).
- Lietuvos Dujos announced that the General Meeting of Shareholders is convened on 27 April. The amount of dividends proposed to be allocated for the second half year of 2014 is equal to EUR 28 million or EUR 0.0963 per share (3 April 2015).

Chief Executive Officer
of Lietuvos Energija,
15 April 2015

Dr. Dalius Misiūnas

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

Independent Auditor's Report

To the shareholder of Lietuvos Energija UAB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Lietuvos Energija UAB ("the Company") and its subsidiaries ("the Group") set out on pages 133 to 189, 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 qualified audit opinion.

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

Basis for qualified opinion

According to the Group's accounting policy, property, plant and equipment (except for the Power Plants, distribution networks and related installations, gas technological equipment and constructions, information technology and telecommunication equipment) are carried at revalued amounts, being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses. As explained in Note 4, the Group's management assessed the fair values of property, plant and equipment as of 31 December 2014 and recognised a loss on revaluation of LTL 2,116 million. Due to the reasons disclosed in this Note, the Group's management did not determine the fair values of property, plant and equipment with carrying amounts of LTL 4,499 million as of 31 December 2013 (LTL 4,639 as of 31 December 2012) although impairment indications existed as of that date. Our audit opinion on the financial statements for the year ended 31 December 2013 was modified accordingly. As a result, we were unable to assess the extent to which the above described revaluation loss should have been recorded in the year ended 31 December 2013 or in earlier periods.

As of 31 December 2014, the Group's management assessed the recoverable amount of goodwill and recognised an impairment loss of LTL 178 million. The recoverable amount of this goodwill was not assessed as of 31 December 2013 and 31 December 2012 although impairment indications existed as of those dates. Our audit opinion on the financial statements for the year ended 31 December 2013 was modified accordingly. As a result, we were unable to assess the extent to which the above mentioned impairment of goodwill should have been recorded in the year ended 31 December 2013 or in earlier periods.

The Company accounts for its investments in subsidiaries at cost less impairment losses. As of 31 December 2014, the Company recognised impairment losses of LTL 194 million in relation to investments in subsidiaries for which impairment indicators existed in previous periods. The carrying amounts of these investments were LTL 1,743 million and LTL 2,761 million as of 31 December 2013 and 31 December 2012, respectively. Our audit opinion on the financial statements for the year ended 31 December 2013 was modified accordingly. As a result, we were unable to assess the extent to which the above mentioned impairment losses should have been recorded in the year ended 31 December 2013 or in earlier periods.

Qualified opinion

In our opinion, except for the effects of the matters referred to in *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 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 4 to 129 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

Vilnius, Republic of Lithuania
15 April 2015

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

All amounts in LTL thousands unless otherwise stated

	Notes	Group At 31 December 2014	At 31 December 2013 (restated)	At 31 December 2012 (restated)
ASSETS				
Non-current assets				
Intangible assets	6	52 946	218 066	243 702
Property, plant and equipment	7	5 597 295	7 318 650	7 509 236
Prepayments for non-current assets		24	132	7 408
Investment property	8	129 115	121 626	113 879
Investments in associates	9	424	28 800	29 178
Amounts receivable after one year and grants/subsidies receivable	10	831 474	712 888	733 110
Long-term investments	15	16 216	57 302	-
Other non-current assets	11	26 152	17 850	23 723
Deferred income tax assets	20	28 324	1 160	978
Total non-current assets		**6 681 970**	**8 476 474**	**8 661 214**
Current assets				
Inventories	12	183 043	34 614	73 618
Prepayments		32 243	16 292	2 346
Trade receivables	13	450 708	304 437	271 244
Other amounts receivable	14	74 432	85 641	245 406
Other current assets		2 228	227	6
Prepaid income tax		25 021	10 190	4 262
Short-term investments	15	52	122 385	301 454
Cash and cash equivalents	16	728 605	558 396	122 176
		1 496 332	**1 132 182**	**1 020 512**
Non-current assets held for sale		1 988	618	8 291
Total current assets		**1 498 320**	**1 132 800**	**1 028 803**
TOTAL ASSETS		**8 180 290**	**9 609 274**	**9 690 017**

	Notes	Group At 31 December 2014	At 31 December 2013 (restated)	At 31 December 2012 (restated)
EQUITY AND LIABILITIES				
Equity				
Share capital	17	4 179 849	4 067 164	4 067 164
Reserves	18	317 791	1 456 119	1 568 323
Retained earnings		(146 906)	(52 647)	(290 410)
Equity attributable to owners of the parent		4 350 734	5 470 636	5 345 077
Non-controlling interests		168 601	681 811	694 447
Total equity		**4 519 335**	**6 152 447**	**6 039 524**
Liabilities				
Non-current liabilities				
Non-current borrowings	19	863 251	805 826	948 017
Finance lease liabilities		145	36	44
Grants and subsidies	21	1 051 203	1 091 511	1 125 450
Deferred income tax liabilities	20	74 015	391 646	431 160
Provisions	23	29 498	4 588	3 512
Deferred income	22	186 358	189 523	198 034
Other non-current amounts payable and liabilities	24	60 598	77 559	34 429
Total non-current liabilities		**2 265 068**	**2 560 689**	**2 740 646**
Current liabilities				
Current portion of long-term debts	19	442 220	302 656	178 078
Current borrowings	19	46 460	71 562	129 525
Current portion of finance lease liabilities		62	8	327
Trade payables	25	491 695	268 561	225 140
Advance amounts received		138 215	69 470	65 846
Income tax liabilities		41 544	7 765	17 396
Provisions	23	20 316	12 437	13 915
Other current amounts payable and liabilities	26	215 375	163 679	279 620
Total current liabilities		**1 395 887**	**896 138**	**909 847**
Total liabilities		**3 660 955**	**3 456 827**	**3 650 493**
TOTAL EQUITY AND LIABILITIES		**8 180 290**	**9 609 274**	**9 690 017**

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

Dr. Dalius Misiūnas
Chief Executive Officer

Darius Kašauskas
Finance and Treasury Director

Edita Steponavičienė
Verslo Aptarnavimo Centras UAB acting under Order No V-002 of 19 January 2015

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014
All amounts in LTL thousands unless otherwise stated

	Notes	Company At 31 December 2014	Company At 31 December 2013
ASSETS			
Non-current assets			
Intangible assets		-	-
Property, plant and equipment	7	31	33
Subsidiaries and other investments	9	3 343 643	2 763 355
Amounts receivable after one year and grants/subsidies receivable	10	825 131	690 000
Long-term investments	15	16 216	57 302
Deferred income tax assets		109	71
Total non-current assets		**4 185 130**	**3 510 761**
Current assets			
Prepayments		9	8
Trade receivables	13	1	2
Other amounts receivable	14	7 259	38 537
Short-term investments	15	52	122 385
Cash and cash equivalents	16	108 235	309 974
		115 556	**470 906**
Non-current assets held for sale		266	266
Total current assets		**115 822**	**471 172**
TOTAL ASSETS		**4 300 952**	**3 981 933**

	Notes	Company At 31 December 2014	Company At 31 December 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	17	4 179 849	4 067 164
Reserves	18	255	-
Retained earnings		118 509	(87 060)
Total equity		**4 298 613**	**3 980 104**
Liabilities			
Non-current liabilities			
Other non-current amounts payable and liabilities		79	-
Total non-current liabilities		**79**	**-**
Current liabilities			
Trade payables	25	648	409
Income tax liabilities		547	-
Other current amounts payable and liabilities	26	1 065	1 420
Total current liabilities		**2 260**	**1 829**
Total liabilities		**2 339**	**1 829**
TOTAL EQUITY AND LIABILITIES		**4 300 952**	**3 981 933**

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

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Chief Executive Officer

Darius Kašauskas
Finance and Treasury Director

Edita Steponavičienė
Verslo Aptarnavimo Centras UAB acting under Order No V-002 of 19 January 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

All amounts in LTL thousands unless otherwise stated

	Notes	Group Jan-Dec 2014	Group Jan-Dec 2013	Company Jan-Dec 2014	Company Jan-Dec 2013
Revenue					
Sales revenue	27	3 197 519	2 787 167	-	-
Other income	28	160 982	120 370	8	8
Total revenue		**3 358 501**	**2 907 537**	**8**	**8**
Operating expenses					
Purchases of electricity or related services		(1 338 558)	(1 410 414)	-	-
Purchases of gas and heavy fuel oil		(775 867)	(374 164)	-	-
Depreciation and amortisation	6 ,7 ,21	(455 482)	(470 190)	(14)	(17)
Wages and salaries and related expenses		(264 258)	(231 687)	(9 156)	(7 082)
Repair and maintenance expenses		(103 321)	(84 194)	-	-
Revaluation of non-current assets	7	(1 438 096)	(4 115)		
Other expenses	29	(332 655)	(180 769)	(206 024)	(3 593)
Total operating expenses		**(4 708 237)**	**(2 755 533)**	**(215 194)**	**(10 692)**
Operating profit (loss)		**(1 349 736)**	**152 004**	**(215 186)**	**(10 684)**
Negative goodwill on acquisition of Lietuvos Dujos AB	32	154 203		-	
Share of profit of associate company	32	149 194		-	
Revaluation of associate company	32	(97 987)		-	
Financial income	30	18 718	20 103	506 584	123 983
Financial costs	31	(27 015)	(30 219)	(413)	(4)
Share of profits of associates companies	9	1 006	(358)	-	-
Profit (loss) before tax		**(1 151 617)**	**141 530**	**290 985**	**113 295**
Current year income tax expense	33	(53 154)	(40 044)	(547)	-
Deferred income tax (expense)/income	20, 33	238 123	39 333	83	(27)
Net profit (loss)		**(966 648)**	**140 819**	**290 521**	**113 268**

	Notes	Group Jan-Dec 2014	Group Jan-Dec 2013	Company Jan-Dec 2014	Company Jan-Dec 2013
Net profit (loss)		**(966 648)**	**140 819**	**290 521**	**113 268**
Attributable to:					
Owners of the parent		(902 659)	129 940	290 521	113 268
Non-controlling interests		(63 989)	10 879	-	-
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Gain (loss) on revaluation of non-current assets		(572 796)	(2 056)	-	-
Items that will not be reclassified to profit or loss, total		(572 796)	(2 056)	-	-
Items that will be reclassified to profit or loss					
Change in fair value of available-for-sale financial assets		255	-	255	-
Items that will be reclassified to profit or loss, total		255	-	255	-
Other comprehensive income (loss)		**(572 541)**	**(2 056)**	**255**	**-**
Total comprehensive income (loss) for the year		**(1 539 189)**	**138 763**	**290 776**	**113 268**
Attributable to:					
Owners of the parent		(1 443 172)	127 852	290 776	113 268
Non-controlling interests		(96 017)	10 911	-	-

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

Dr. Dalius Misiūnas

Chief Executive Officer

Darius Kašauskas

Finance and Treasury Director

Edita Steponavičienė

Verslo Aptarnavimo Centras UAB acting under Order No V-002 of 19 January 2015

STATEMENT OF CASH FLOWS
For the year ended 31 December 2014
All amounts in LTL thousands unless otherwise stated

	Notes	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Cash flows from operating activities					
Net profit (loss) for the year		(966 648)	140 819	290 521	113 268
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation	6,7	496 788	511 301	14	17
Impairment of goodwill	6	178 103		-	
Revaluation result of assets	7	1 438 096	(519)	-	34
Valuation of investments in subsidiaries		-	-	201 450	-
(Gain) on disposal of investments in subsidiaries and associates/impairment		(1 006)	-	-	-
Share of profit of associates and joint ventures		-	358	-	-
Income tax expenses	33	(184 969)	711	464	27
(Depreciation) of grants	21	(41 306)	(40 796)	-	-
Increase (decrease) in provisions	23	8 378	(402)	-	-
(Gain) loss on disposal/write-off of property, plant and equipment		13 684	12 777	-	-
Emission allowances utilised	23	10 042	13 895	-	-
Elimination of results of financing and investing activities					
Interest income	30	(16 205)	(15 129)	(16 815)	(14 728)
Interest expenses	31	24 138	30 041	401	-
Other finance (income) costs		364	(4 796)	(489 769)	(109 255)
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		(71 492)	126 572	(178)	2 115
(Increase) decrease in inventories, prepayments and other current assets		120 868	24 837	(1)	118
Increase (decrease) in amounts payable, deferred income and advance amounts received		11 636	100 843	(37)	113
Income tax (paid)		(48 829)	(55 765)	-	-
Net cash flows from (used in) operating activities		**971 642**	**844 747**	**(13 950)**	**(8 291)**

	Notes	Group 31 Dec 2014	Group 31 Dec 2013	Company 31 Dec 2014	Company 31 Dec 2013
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(493 224)	(452 502)	(12)	(5 678)
Disposal of property, plant and equipment and intangible assets		5 162	1 581	-	-
Loan repayments received, (repayments) of borrowings		(100 132)	23 632	(100 131)	25 000
Change in time deposits		-	151 295	-	147 475
Subsidies received		-	-	(69 809)	(2 010)
Acquisition of subsidiaries (associates)		24 123	6 485	-	-
Bonds acquired		-	(199 583)	-	
Bonds redeemed	15	162 908	170 695	162 908	170 695
Interest received		13 441	16 205	14 521	15 346
Dividends received	34	6 644	-	489 331	109 255
Acquisition of LESTO AB shares from minority shareholders	9	-	-	(117 887)	-
Acquisition of Lietuvos Dujos AB shares	32	(354 763)	-	(481 357)	-
Other cash flows from investing activities		-	-	-	-
Net cash flows from (used in) investing activities		**(715 886)**	**(282 192)**	**(102 436)**	**260 500**
Cash flows from financing activities					
Proceeds from borrowings		338 890	171 074	50 491	-
Repayments of borrowings		(140 478)	(191 842)	(50 491)	-
Finance lease payments		(95)	(327)	-	-
Interest paid		(23 049)	(30 723)	(401)	-
Dividends paid	34	(121 643)	(18 544)	(84 952)	-
Acquisition of LESTO AB shares from minority shareholders	9	(117 887)	-	-	-
Acquisition of ownership interest in subsidiaries (associates)		-	(1 272)	-	-
Increase in share capital of LITGAS UAB		13 860	-	-	-
Reduction of share capital of Duomenų Logistikos Centras UAB		(9 429)	-	-	-
Other cash flows from financing activities		-	(18)	-	-
Net cash flows from (used in) financing activities		**(59 831)**	**(71 652)**	**(85 353)**	**-**
Increase (decrease) in cash and cash equivalents (including overdraft)		**195 925**	**490 903**	**(201 739)**	**252 209**
Cash and cash equivalents (including overdraft) at the beginning of the year	16	487 688	(3 215)	309 974	57 765
Cash and cash equivalents (including overdraft) at the end of the year	16	**683 613**	**487 688**	**108 235**	**309 974**

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

Dr. Dalius Misiūnas
Chief Executive Officer

Darius Kašauskas
Finance and Treasury Director

Edita Steponavičienė
Verslo Aptarnavimo Centras UAB acting under Order No V-002 of 19 January 2015

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014
All amounts in LTL thousands unless otherwise stated

Group	Note	Equity attributable to owners of the Group							
		Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance at 1 January 2013		4 067 164	75 467	802 934	689 922	(207 569)	5 427 918	711 864	6 139 782
Revaluation of property, plant and equipment		-	-	-	-	(82 841)	(82 841)	(17 417)	(100 258)
Balance at 1 January 2013 (restated)		**4 067 164**	**75 467**	**802 934**	**689 922**	**(290 410)**	**5 345 077**	**694 447**	**6 039 524**
Revaluation of property, plant and equipment, net of deferred income tax		-	-	(2 088)	-	-	(2 088)	32	(2 056)
Total other comprehensive income (loss) for the year		**-**	**-**	**(2 088)**	**-**	**-**	**(2 088)**	**32**	**(2 056)**
Net profit (loss) for the year (restated)		-	-	-	-	129 940	129 940	10 879	140 819
Total comprehensive income (loss) for the year		**-**	**-**	**(2 088)**	**-**	**129 940**	**127 852**	**10 911**	**138 763**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(73 434)	-	73 434	-	-	-
Transfer to reserves and movement in reserves		-	1 595	-	(38 453)	36 858	-	-	-
Dividends	34	-	-	-	-	-	-	(18 818)	(18 818)
Disposal of LITGRID AB		-	-	-	-	(307)	(307)	1 307	1 000
Changes in non-controlling interests due to changes in the group's structure		-	12	164	-	(2 162)	(1 986)	(6 036)	(8 022)
Balance at 31 December 2013 (restated)		**4 067 164**	**77 074**	**727 576**	**651 469**	**(52 647)**	**5 470 636**	**681 811**	**6 152 447**
Balance at 1 January 2014		**4 067 164**	**77 074**	**727 576**	**651 469**	**(52 647)**	**5 470 636**	**681 811**	**6 152 447**
Revaluation of property, plant and equipment, net of deferred income tax		-	-	(540 768)	-	-	(540 768)	(32 028)	(572 796)
Change in fair value of available-for-sale financial assets, net of deferred income tax		**-**	**-**	**-**	**255**	**-**	**255**	**-**	**255**
Total other comprehensive income (loss) for the year		**-**	**-**	**(540 768)**	**255**	**-**	**(540 513)**	**(32 028)**	**(572 541)**
Net profit (loss) for the year		-	-	-	-	(902 659)	(902 659)	(63 989)	(966 648)
Total comprehensive income (loss) for the year									
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(50 338)	-	50 338	-	-	-
Transfer to reserves and movement in reserves		-	1 250	-	(651 555)	650 305	-	-	-
Dividends	34	-	-	-	-	(84 953)	(84 953)	(36 690)	(121 643)
Acquisition of subsidiary	32	-	-	-	-	-	-	27 762	27 762
Increase in share capital	17	112 685	-	-	-	-	112 685	-	112 685
Acquisition of shares from non-controlling interest	9	-	5 792	97 044	(7)	186 982	289 811	(407 698)	(117 887)
Reduction of share capital of Duomenų Logistikos Centras UAB	9							(9 164)	(9 164)
Increase in share capital of LITGAS UAB	9							13 588	13 588
Disposal of supply business from Lietuvos Dujos AB to Lietuvos Dujų Tiekimas UAB	9					5 728	5 728	(5 728)	-
Other structural changes		-	-	-	(1)		(1)	737	736
Balance at 31 December 2014		**4 179 849**	**84 116**	**233 514**	**161**	**(146 906)**	**4 350 734**	**168 610**	**4 519 335**

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

Dr. Dalius Misiūnas
Chief Executive Officer

Darius Kašauskas
Finance and Treasury Director

Edita Steponavičienė
Verslo Aptarnavimo Centras UAB acting under

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014
All amounts in LTL thousands unless otherwise stated

Order No V-002 of 19 January 2015

Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013		**4 067 164**	**-**	**-**	**(200 328)**	**3 866 836**
Net profit (loss) for the year (restated)		-	-	-	113 268	113 268
Balance at 31 December 2013		**4 067 164**	**-**	**-**	**(87 060)**	**3 980 104**
Balance at 1 January 2014		**4 067 164**	**-**	**-**	**(87 060)**	**3 980 104**
Increase in share capital	17	112 685	-	-	-	112 685
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	255	-	255
Net profit (loss) for the year		-	-	-	290 521	290 521
Dividends	34	-	-	-	(84 952)	(84 952)
Balance at 31 December 2014		**4 179 849**	**-**	**255**	**118 509**	**4 298 613**

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

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1 General information

Lietuvos Energija UAB (hereinafter "the Company") is a private limited liability company registered in the Republic of Lithuania. The address of the Company's registered office is Žvejų g. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-seeking entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044, VAT payer's code LT10004278519. The Company has been established for an unlimited period.

The Company is a parent company, which is responsible for the management and coordination of activities of group companies engaged in electric power and heat production and supply, electric power import and export, distribution and trade, as well as in service and development of electric energy industry.

The Company analyses the activities of group companies, represents the whole group, implements its shareholders' rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication and other.

The Company seeks to ensure effective operation of group companies, implementation of goals related to the group's activities set forth in the National Energetic Independence Strategy and other legal acts, ensuring that it builds a sustainable value in a socially responsible manner.

On 21 July 2014 a new company Verslo Aptarnavimo Centras UAB was established as part of Lietuvos Energija UAB group, to be engaged primarily in service of Lietuvos Energija UAB group companies through provision of public procurement, accounting and employment relations administration services. As these support functions were based in a single company, the team of Verslo Aptarnavimo Centras UAB was joined by the specialists from different fields who moved from Lietuvos Energija UAB group companies. Commencement date of accounting services was 1 December 2014. The financial statements for the year 2014 were prepared and signed by the representatives of the Accounting Department of Verslo Aptarnavimo Centras UAB.

The Company is wholly owned by the state of the Republic of Lithuania.

Company's shareholder	At 31 December 2014		At 31 December 2013	
	Share capital	%	Share capital	%
Republic of Lithuania represented by the Lithuanian Ministry of Finance	4 179 849	100.00	4 067 164	100.00

The Group consists of Lietuvos Energija UAB and subsidiaries directly or indirectly controlled by the Company:

Company name	Office address	Effective ownership interest at 31 Dec 2014 (%)	Share capital (LTL '000) at 31 Dec 2014	Profile of activities
Lietuvos Energijos Gamyba AB	Elektrinės g. 21, Elektrėnai	96.1	635 084	Electricity generation, supply, import, export and trade
AB LESTO	Žvejų g. 14, Vilnius	94.4	603 945	Electricity supply and distribution to end users
Lietuvos Dujos AB	Aguonų g. 24, Vilnius	96.6	290 686	Natural gas supply and distribution to end users
NT Valdos UAB	Geologų g. 16, Vilnius	94.7	295 408	Operation of real estate, other related activities and provision of services
Duomenų Logistikos Centras UAB	A. Juozapavičiaus g. 13, Vilnius	79.6	13 907	Support services for information technology and telecommunications
ELEKTROS TINKLO PASLAUGOS UAB	Motorų g. 2, Vilnius	94.4	18 904	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to the grid
Kauno Energetikos Remontas UAB	Chemijos g. 17, Kaunas	96.1	15 244	Repairs of energy equipment, manufacturing of metal structures
LITGAS UAB	Gedimino pr. 33-2, Vilnius	66.7	45 000	Supply of liquid natural gas via terminal and trade in natural gas
Gotlitas UAB	Chemijos g. 17, Kaunas	96.1	1 100	Accommodation services, trade
Energijos Tiekimas UAB	Jeruzalės g. 21, Vilnius	96.1	750	Supply of electricity and natural gas
Public Institution Training Centre for Energy Specialists (formerly known as Public Institution Republican Training Centre for Energy Specialists before 10 2014)	Jeruzalės g. 21, Vilnius	100	294	Professional development and continuing training of energy specialists
Geton Energy OÜ	Narva mnt 5, 10117 Tallinn	96.1	121	Supply of electricity
Geton Energy SIA	Bezdelingu 12, LV-1048, Riga	96.1	99	Supply of electricity
Technologijų ir Inovacijų Centras UAB	A. Juozapavičiaus g. 13, Vilnius	97.8	22 201	Provision of IT, telecommunication and other services
VAE SPB UAB	Žvejų g. 14, Vilnius	100	1 010	Business and other management consultations
Verslo Aptarnavimo Centras UAB (paid-up share capital amounted to LTL 1 891 thousand as at 31 12 2014)	P.Lukšio g. 5 b, Vilnius	97.0	2 000	Organisation and execution of public procurement, accounting and personnel administration services
Lietuvos Dujų Tiekimas UAB	Aguonų g. 24, Vilnius	100	3 000	Gas supply
Lithuanian Energy Support Fund	Žvejų g. 14, Vilnius	100	10	Provision of support for projects, initiatives and activities of public interest

As at 31 December 2014, the Group and the Company operated with 5 602 and 61 employees, respectively (31 December 2013: 4 378 and 53 employees, respectively).

The Company's management approved these financial statements on 15 April 2015. The Company's shareholders have a statutory right to approve or not to approve these financial statements and require that management prepare a new set of financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Company's and the Group's financial statements for the year ended 31 December 2014 are summarised below.

2.1 Basis of preparation

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

The Group's and the Company's financial statements as at and for the year ended 31 December 2014 have been prepared on a historical cost basis, except for property, plant and equipment measured at revalued amount, and investment property, emission allowances and derivative financial instruments measured at fair value.

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

IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2014); The Standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC-12, 'Consolidation – special purpose entities'. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The adoption of this standard had no significant impact on the Group's financial statements.

IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2014), replaces IAS 31, 'Interests in joint ventures' and SIC-13, 'Jointly controlled entities—non-monetary contributions by ventures'. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The adoption 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'. It replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The amended standard resulted in additional disclosures presented in the financial statements by the Group.

IFRS 27, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2014). This Standard was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, 'Consolidated financial statements'. The adoption 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). IAS 28 was amended following the issue of IFRS 11 and now requires that joint ventures and associates are accounted for using the equity method. The adoption of this standard had no significant impact on the Group'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.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning 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. These amendments had no significant impact on the Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation , and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The adoption of this standard had no significant impact on the Group's/Company's financial statements.

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

Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The adoption of this standard had no significant impact on the Group's/Company's financial statements.

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

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

Annual improvements to 2012 IFRSs (effective for the 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. 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 these amendments on its financial statements.

Annual improvements to 2013 IFRSs. 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 these 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 and the 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 2014 IFRSs
- Disclosure initiative – Amendments to IAS 1
- Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IFRS 28

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

There are no other new standards, amendments to the existing standards or interpretations that are not yet effective and that may have a material impact on the Group/Company.

2.2 Consolidation

Consolidation

The consolidated financial statements of the Group include the financial statements of the parent company Lietuvos Energija UAB and its directly and indirectly controlled subsidiaries. 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. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the parent company. On consolidation, all inter-company transactions, balances and unrealised gains and/or losses on transactions among the Group companies are eliminated.

Non-controlling interest represents a part of profit or loss and net assets which is not controlled by the Group. Non-controlling interest is reported separately in the consolidated statement of comprehensive income. The share of equity attributable to the non-controlling interest and to the owners of the parent is shown separately in the consolidated balance sheet.

Business combinations

IFRS 3, 'Business combinations' is not applied to business combinations involving entities under common control, therefore, for the purpose of these financial statements business combinations involving entities under common control were accounted for using the 'pooling of interest' method.

Acquisition of subsidiaries which are not part of the Company's group are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, the equity interest issued and liabilities incurred or assumed at the date of exchange. All acquisition-related costs are expensed when incurred. The acquiree's assets acquired, liabilities and contingent liabilities meeting recognition criteria laid down in IFRS 3 'Business combinations' are identified. They are recognised at their fair values at the acquisition date.

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.

Non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportional share of the fair value of the net assets, liabilities and contingent liabilities recognised.

Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Investments in subsidiaries (Company)

A subsidiary is an entity directly or indirectly controlled by a parent company. In the parent company's balance sheet investments in directly controlled subsidiaries are stated at acquisition cost less impairment loss, where the investment's carrying amount in the parent company's balance sheet exceeds its estimated recoverable amount.

2.4 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence. 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.

In the parent company's balance sheet investments in associates are stated at acquisition cost less impairment loss, where the investment's carrying amount in the parent's balance sheet exceeds its estimated recoverable amount.

In the consolidated financial statements of the Group results of operations, assets and liabilities of associates are accounted for using an 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 are carried in the consolidated balance sheet 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. Losses of an associate in excess of the Group's share of assets in that associate are not recognised, unless the Group had incurred legal or indirect obligations or made payments on behalf of the associate or 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 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 balance sheet. 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 cost and the value estimated according to IAS 37, 'Provisions, contingent liabilities and contingent assets'.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

The Group has an interest in a joint venture GET Baltic UAB, which is jointly controlled and the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. In the financial statements the Group recognises its interest in the joint venture using the equity method. Under the equity method, the value of the investment in a joint venture is measured in the statement of financial position at the cost as adjusted to recognise changes in the Group's share of the net assets of the investee. The Group's share of the results of operations of the joint venture is recognised in the income statement. The Group's share of unrealised gains or losses arising from transactions between the Group and the joint venture owned by it, are eliminated.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

With effect from 2 February 2002, the litas has been pegged to the euro at exchange rate of LTL 3.4528 = EUR 1.

On 1 January 2015, Lithuania became a full-fledged member of the euro zone and the national currency the litas was replaced by the euro. The euro was adopted at exchange rate of 3.4528 litas to 1 euro.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.6 Property, plant, and equipment

Property, plant and equipment is stated at cost or revalued amount. Property, plant and equipment, including categories of assets of the Hydro Power Plant, Pumped Storage Power Plant, structures and machinery of Thermal Power Plant (Combined Cycle Unit and Reserve Power Plant), gas distribution pipelines, gas technological equipment, as well as IT and telecommunication equipment, is accounted for at cost less accumulated depreciation and impairment. All other property, plant and equipment are shown at revaluated amounts, based on periodic (at least every 5 years) valuations by external independent valuers or by the Group's management, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment. 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. All other repairs and maintenance costs charged to the statement of comprehensive income as incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and credited to the revaluation reserve in shareholders' equity. If the carrying amount of property, plant and equipment increases after revaluation and the carrying amount of these assets has suffered impairment in previous periods as a result of which expenses were recognised, the amount of the increase in the asset's carrying amount, net of depreciation, is deducted from expenses which were included in the statement of comprehensive income in previous periods and the remaining amount of the increase is credited against the revaluation reserve. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and charged against the revaluation reserve directly in equity; all other decreases are charged to profit or loss in the statement of comprehensive income. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) charged to profit or loss in the statement of comprehensive income and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred income tax.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost/revalued amounts to their residual values over their estimated useful lives (number of years), as follows:

Buildings	15-75
Structures and machinery	
- electricity and communications equipment	20-25
- electricity distribution equipment	15-45
- electricity equipment	15-35
- other equipment	5-50
Assets of Hydro Power Plant, Pumped Storage Power Plant, Reserve Power Plant and Combined Cycle Unit:	
Assets of Hydro Power Plant and Pumped Storage Plant:	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25-40
- other equipment	8-15
Assets of Reserve Power Plant:	
- structures and infrastructure	10-70
- thermal and electricity equipment	10-60
- measuring devices and equipment	5-30
- other equipment	8-15
Assets of Combined Cycle Unit:	
- structures and infrastructure	20-50
- electricity lines	20-40
- electricity generation equipment	20-50
Gas distribution pipelines and their equipment	55
Motor vehicles	2-35
IT and telecommunication equipment	3-10
Other property, plant and equipment:	
- tools, other property, plant and equipment	4-10

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate.

Borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets (Note 2.18).

When property is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gains or losses are included in profit or loss in the statement of comprehensive income. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the book value of assets disposed. When revalued assets are disposed, the corresponding portion of revaluation reserve is transferred to retained earnings (deficit).

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.

Construction in progress is transferred to appropriate categories of property, plant and equipment when it is completed and ready for its intended use.

On 31 December 2014, the Group changed the accounting policies by establishing a separate category of assets 'IT and telecommunication equipment' and changing its recognition from the revalued amount to the acquisition cost method. The Group retrospectively reviewed the values of this asset and determined that as at 31 December 2012 and 2013, the carrying values of this assets did not significantly differ from values obtained using the acquisition cost method, therefore no retrospective adjustments to the data were made.

2.7 Intangible assets

(a) Patents and licences

Patents and licences are stated at cost. Trademarks and licences acquired in business combination are recorded at fair value at the date of acquisition. Trademarks and licences are accounted for at cost less accumulated amortisation. Amortisation is calculated using a straight-line basis over the estimated useful life of 3 to 5 years or a specific validity term of a licence and/or patent, if any. Useful life is reviewed on year-by-year basis.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 4 years).

(c) Emission allowances

For detailed description of accounting policy for emission allowances see Note 2.23.

(d) Other intangible assets

Intangible assets expected to provide economic benefits in future periods are valued at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years.

2.8 Impairment of non-financial assets

At each reporting date, the Group/Company reviews the book values of its property, plant and equipment and intangible assets to determine whether there are 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 recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

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 the item of comprehensive income.

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 the item of comprehensive income.

2.9 Investment property

Investment property, which consists of the Group's buildings and structures, is held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and subsequently at fair value which is determined by independent properly qualified property valuers and based on recent experience in valuation of assets of similar nature. Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss in the statement of comprehensive income for the reporting period.

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 Group, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Group can be sold separately, the 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 is accounted for under IAS 40.

2.10 Non-current assets held for sale

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell if the carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.11 Financial assets

The Group/Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans granted and receivables. The classification of financial assets is based on the purpose of financial assets acquired, the management's intentions and whether the investments are quoted in active market. The management determines the classification of financial assets at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group/Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs for investments not carried at fair value through profit or loss.

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

Financial assets at fair value through profit or loss

The Group's financial assets measured at fair value through profit or loss includes the derivative financial instruments only (see Note 2.12).

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets traded in active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the 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 inflows or outflows to net carrying amount of financial assets over the expected life of the financial instrument or a shorter period, if necessary.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale securities are measured at fair value based on quoted bid prices or amounts derived from discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When such financial assets are derecognised the cumulative revaluation gain or loss previously recognised in equity is reclassified to profit or loss in the statement of comprehensive income. However, interest received on such financial assets calculated using the effective interest rate is recognised as income of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of the preparation of the statement of financial position, in which case they are classified as non-current assets.

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

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 debtors 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 expected future cash flows, estimated using the original 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 trade receivables are written-off when they are identified as irrecoverable.

If subsequent to the reporting date the amount of the 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 and recognised in 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 right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred.

2.12 Derivative financial instruments

Derivative financial instruments are classified as held for trading and they initially recognised at fair value, and subsequently are also measured at fair value. The fair value is determined with reference to quoted market prices or using valuation techniques encompassing the present market values or contractual prices of assets relating to financial instruments, and all other inputs. Derivative financial instruments are classified as assets when their fair value is positive, and they are classified as liabilities when their fair value is negative. Gain or loss on these financial instruments is recognised in profit or loss in the statement of comprehensive income within financial income or financial costs.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, expect for natural gas and liquefied natural gas, the cost of which is determined using the weighted average costing method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less attributable variable selling expenses.

2.14 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment loss. Impairment of trade receivables is recognised when there is objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (overdue for more than 2 months) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is irrecoverable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income as revenue.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under liabilities within current borrowings in the balance sheet.

2.16 Share capital

Ordinary shares are classified as equity

When the Company acquires its own shares, the shares acquired are deducted from equity. For the purpose of the statement of comprehensive income, no gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

2.17 Trade payables

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

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the amount at initial recognition and the redemption value is recognised in profit or loss in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

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

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) 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.

2.19 Income tax and deferred income tax

Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the balance sheet date.

Current income tax is calculated on profit for the year, net of deferred income tax. Calculation of income tax is based on requirements of the Lithuanian regulatory legislation on taxation.

In 2014 and 2013, a standard income tax rate of 15 per cent was applicable to the companies in Lithuania.

Tax losses can be carried forward for indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company terminates the activities that caused these losses, except when the Company discontinues its activities due to the reasons that are beyond the Company's control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred income tax

Deferred income tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect 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.

The carrying amounts of deferred income tax assets are reviewed at each date of the statement of financial position and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred income tax assets could be utilised in full or in part. Deferred income tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Current and deferred income tax

Current 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 or other comprehensive income in the same or subsequent period or on business combination.

2.20 Employee benefits

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 plan is a plan under which the Group and the Company pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

Actuarial gains or losses arising from adjustments based on experience or from changes in actuarial assumptions are recognised immediately within the Group's and the Company's other comprehensive income in the statement of comprehensive income. All past service costs are recognised immediately.

Long-term employee benefits

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2-6 monthly salaries according to Lithuanian laws and the terms of the collective employment agreement. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the balance sheet. The aforementioned non-current liability for pension benefits to employees at the date of the statement of financial position is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

2.21 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. under the insurance contract, 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 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 financial costs.

Provisions for onerous contract

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.

2.22 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 and the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, net of value added tax, returns and discounts.

Revenue from sale of electricity to end customers

The Group’s revenue from sale of electricity to end customers includes production, transmission, distribution, supply, public service obligations (PSO) and other services rendered in the process of sale of electricity to end customers. The prices of transmission, distribution and PSO services provided by the Group companies are regulated by the National Commission for Energy Control and Prices (hereinafter “the Commission”).

Revenue from electricity sales to household customers is recognised when electricity is supplied. An estimate of accrued revenue is made to record electricity supplied but not yet declared by household customers at the end of each reporting period. This estimate is based on historical experience and average payment for electricity period by the customers.

Revenue from electricity sales to business customers is recognised when electricity is supplied based on the actual consumption of electricity which is determined with reference to meter readings.

Regulation of tariffs

Tariffs for electricity distribution are regulated by the Commission by establishing the upper limits on prices. The specific prices for the distribution services are established by the Group company, which is a distribution network operator, within the limits approved by the Commission.

Tariffs for electricity transmission and PSO services are regulated by the Commission by establishing the upper limit for tariffs of the transmission services and prices for PSO services. The specific prices and tariffs for the transmission and PSO services are established by the service provider that does not belong to the Group 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 when the producer or independent 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.

Revenue from provision of PSO services

When providing PSO services the Group earns income and incurs expenses. PSO service fees are the fees paid to the suppliers of electricity under public service obligations scheme (based on pre-set annual quantities and prices of services). Subsequently, these services are provided to the distribution system operators and electricity users at a tariff established by the Commission.

The Group's company engaged in the production of electricity 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 electricity production costs provided by the producers.

The Group's subsidiary, which is a distribution network operator, collects PSO service fees from users at tariffs established by the Commission and transfers the fees to the electricity transmission system operator (a company which does not belong to the Group), which is responsible for the allocation of PSO service fees to electricity producers. Fees collected from users for PSO services, which are later allocated to electricity producers that do not belong to the Group, are recognised based on the actual amount of electricity consumed and at tariffs established by the Commission. PSO service fees that are later allocated to the Group's subsidiary engaged in electricity production are recognised based on variable costs actually incurred, although monthly payments made by the electricity transmission system operator to the electricity producer are established based on pre-determined quantities and prices. The Commission approves the actual receivable amount of PSO services fees within a year after the end of the reporting period and the difference is paid to the electricity transmission system operator within a second year after the end of the reporting period.

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 ‘Amounts receivable after one year’ 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 ‘Trade payables’). Amounts payable each month by the distribution network subsidiary to the electricity transmission system operator are recognised as current amounts payable (under the line item 'Trade payables').

Revenue from distribution and supply of natural gas

Revenue from non-household customers for the distribution and supply of natural gas is recognised on a monthly basis referring to the readings of measuring devices provided by users or if users did not provide the reading of measuring devices, referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas (an accrual basis). Revenue from household customers is recognised on a monthly basis referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, i.e. the calculation of revenue takes into account mismatches between quantities of gas declared by household customers and quantities of gas used by them (an accrual basis).

Income from repair services

Income from specific projects, i.e. income from repair services, is recognised using the stage of completion method, based on which project costs actually incurred are compared against total estimated project costs. The probable change in profitability is recognised in the statement of comprehensive income when such change is established. The projects are reviewed regularly and the provisions are established for onerous contracts when such are identified.

Income from new customer connection

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

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

Payments made by consumers for the connection to the gas system are recorded as deferred income and recognised as income over the depreciation period of the capitalised assets concerned.

Revenue from sale of services

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

Income from sale of services is recognised when it is probable that economic benefits will be received in relation to the services rendered and a reliable estimate of the amount of income can be made. Income is recognised when services are rendered.

Income from sale of goods

Income from sale of goods is recognised when all risks associated with loss or damage to goods, as well as any incremental costs arising from events occurring subsequent to the delivery of goods to the carrier or to the agreed place of destination, are transferred from the Group to a buyer under the standard sale terms (INCOTERMS) agreed with the buyer, and the recoverability of the related amounts receivable is reasonably certain.

Interest income

Interest income is recognised on accrual basis using the effective interest rate method. For the purpose of the cash flow statement, interest received is attributed to investing activities, whereas for the purpose of the statement of comprehensive income, interest received is recognised as financial income.

Dividend income

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

Lease income

Lease income is recognised on a proportionate basis over the lease period.

Expense recognition

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

2.23 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 covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. The Scheme's operation period 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.

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

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

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

Intangible assets

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

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 presented in other comprehensive income and 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 or loss in the statement of comprehensive income. 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 Group at no consideration 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 the utilisation of emission allowances

As the Group 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 by the Group for the settlement of liability at financial reporting date. 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 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.

2.24 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.

Leases where substantially all the risks and rewards of ownership of assets leased are transferred to the lessee are classified as finance lease. An operating lease is a lease other than a finance lease.

Where the Company and (or) the Group are lessors

Operating lease income is recognised on a straight-line basis over the lease term. Initial direct costs are added to the carrying amount of the asset leased and recognised over the lease term similarly as lease income.

Where the Company and (or) the Group are lessees

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the property leased and at the present value of the minimum lease payments. Respective finance lease liability is recorded in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the outstanding balance of the liability. Finance charges are charged to the statement of comprehensive income.

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Financial lease

A finance lease is a lease whereby a company (a lessee) pays the total price of the asset and interest over the lease term and usually becomes the owner of the asset at the end of the lease term. Following the transfer of the asset to the lessee under the lease contract, the lessor records amounts receivable after one year at the amount which is equal to net investment in finance lease. The amount equal to net investment in finance lease is shown as non-current financial assets. At the end of the reporting period long-term debts to be covered within one year are reclassified to current amounts receivable. Amounts receivable by the lessor should be measured at the end of the reporting periods and if necessary reduced by the amounts of doubtful amounts receivable.

Assets acquired under finance leases are depreciated over the estimated useful lives of assets. If the Group does not intend to exercise the option to acquire the asset leased at the end of the lease term, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

2.25 Grants and subsidies

Asset-related grants

Government and the EU asset-related grants comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised in the statement of comprehensive income by reducing the depreciation charge of the related asset over the expected useful life of the asset.

Upon the revaluation of non-current assets grants related to non-current assets in respect of which impairment was recognised on revaluation are written off.

Income-related grants

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 the grants, which are not grants related to assets, are considered as grants related to income. 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 presented in the statement of comprehensive income, less related expenses.

Payments made by consumers for the connection to the Group's gas system are recorded as deferred income and recognised as income over the depreciation period of the capitalised assets concerned. Such income is shown in the line item 'Sales revenue' of the income statement.

2.26 Dividend distribution

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

2.27 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.28 Events after the end of the reporting period

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

2.29 Related parties

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

2.30 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

2.31 Discontinued operations

For the purpose of the consolidated statement of comprehensive income, all inter-company transactions within the Group between discontinued operations and continuing operations, which the Group will continue following the termination, have been classified under continuing operations, i.e. as if they had been conducted with the third parties. The comparative figures have also been reclassified between the discontinued operations and continuing operations so that they conform with current year presentation of the discontinued operations and continuing operations.

2.32 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 of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value of assets is based on other observable market data, directly or indirectly.

Level 3: fair value of assets is based on non-observable market data.

3 Financial risk management

3.1 Financial risk factors

The Group and the Company are exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks the Group companies seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance results

Market risk

Foreign exchange risk

The Group and the Company enter into financing contracts only in the euros or the litas. All purchases and sales are conducted by the Group and the Company in the euros or the litas; transactions in other currencies are rare.

With effect from 1 February 2002, the exchange rate of the litas is pegged to the euro. As nearly all assets and liabilities of the Group are denominated in the euros or the litas, fluctuations in foreign exchange rate do not have a significant impact on the Group's results of operations and assets. Therefore, the Group did not use any derivative financial instruments for managing exposure to foreign exchange risk in 2014 and 2013.

In view of the National Euro Changeover Plan approved in Lithuania in 2013, the Group/Company initiated a project dedicated to the preparation of the Group companies for the adoption of the euro in Lithuania. The project is aimed at ensuring a timely implementation of measures pertaining to adoption of the euro in Lithuania at the Group companies, and a smooth transition of the Group's operations to euro currency.

Interest rate risk

The Group's income and cash flows are affected by fluctuations in market interest rates because the majority of borrowings of the Group are with variable interest rates as of 31 December 2014. The Group has financial assets measured at fair value with fixed interest rates, therefore, it is exposed to fair value interest rate risk. Time deposits bear fixed interest rate, therefore, they are not affected by interest rate risk.

The following table demonstrates the sensitivity of the Group's profit to potential shift in interest rates.

Group	Increase/decrease in percentage points	(Decrease)/increase in profit
2014	+0.5/-0.5	(95)/95
2013	+0.5/-0.5	(3 812)/3 812

Fair values of financial instruments

Only the Group's derivative financial instruments are measured at fair value. All other financial assets and financial liabilities are recognised initially at cost and subsequently measured at amortised cost, less impairment loss.

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. Fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amount of the Group's and the Company's financial assets and financial liabilities approximated their fair value except for mortgage loans granted (see Note 10), borrowings of the Group company Lietuvos Energijos Gamyba AB (see Note 19) and amounts receivable on disposal of Litgrid AB.

As at 31 December 2014, the carrying amount of the Group's and the Company's amounts receivable on disposal of Litgrid AB (see Note 10 and 14) was equal to LTL 825 131 thousand (31 December 2013: LTL 725 000 thousand) and the fair value amounted to approx. LTL 833 332 thousand (31 December 2013: LTL 724 880 thousand). The fair value was determined on the basis of discounted cash flows using 1.40% (31 December 2013: 1.39%) discount rate. Their fair value is attributed to Level 3 in the fair value hierarchy.

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

a) The carrying amount of current trade and other receivables, current trade and other payables and current interest-bearing borrowings approximates their fair value.

b) The fair value of non-current interest-bearing borrowings (including current and non-current portion) is estimated by discounting contractual future cash flows at interest rate established based on the quoted market price for the same or similar loans or on the current rates available for debt with the same maturity profile. The fair value of the mentioned borrowings, except for mortgage loans (see Note 10), borrowings of Lietuvos Energijos Gamyba AB (see Note 19) and amounts receivable from Litgrid AB, approximates their carrying amounts. Their fair value is attributed to Level 3 in the fair value hierarchy.

Credit risk

The Group's and the Company's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (cash and cash equivalents, time deposits, loans granted).

The Group is not exposed to significant credit risk concentration related to amounts receivable. Mainly all amounts receivable and other amounts receivable of the Company are due from related parties (see Note 36).

The Group and the Company temporarily invest free monetary funds only in low-risk money market instruments and debt securities, i.e. time deposits, bonds of creditworthy financial institutions, and Lithuanian government bonds. The priority objective of the Group's and the Company's treasury management is to ensure security of funds and maximise return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions with a long-term credit rating (in foreign currency) not lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies). In 2013, the exception in terms of the counterparty's credit rating was granted at the Group and the Company in acquisition of the Lithuanian Government debt securities.

The credit risk on cash in banks is limited because the Group and the Company conduct transactions with the banks with high credit ratings assigned by international credit rating agencies. The Group and the Company hold cash balances and time deposits in accounts of the major banks in Lithuania assigned with a long-term credit rating not lower than 'A-' according to the rating agency *Fitch Ratings*.

The maximum exposure to credit risk as at 31 December 2014 and 31 December 2013 is equal to the carrying amount of each category of financial assets.

	Group		Company	
	2014	2013	2014	2013
Trade and other receivables	1 351 279	1 101 751	830 660	727 472
Loans granted and receivables	-	81 433	-	81 433
Held-to-maturity financial assets	-	98 254	-	98 254
Available-for-sale financial assets	16 268	-	16 268	
Cash and cash equivalents	728 605	558 396	108 235	309 974
Total	**2 096 152**	**1 839 834**	**955 163**	**1 217 133**
Off-balance sheet commitments:				
Open guarantees issued	254 280		254 280	
Total	**254 280**		**254 280**	

Liquidity risk

The liquidity risk is managed by planning future cash flows of each Group company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support their operating activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2014, the Group's current liquidity ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.07 and 0.94, respectively (31 December 2013: 1.26 and 1.22, respectively).

The table below summarises the maturity profile of the Group's and the Company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

Group	2014				
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing borrowings, finance lease and other liabilities	205 668	425 770	568 205	195 542	1 395 185
Trade payables	488 959	2 736	4 777-	-	496 472
Other amounts payable	111 000	-	-	-	111 000
At 31 December 2014	**805 627**	**428 506**	**572 982**	**195 542**	**2 002 657**

Group	2013				
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing borrowings, finance lease and other liabilities	84 973	316 122	737 325	116 671	1 255 091
Trade payables	268 561	-	5 481	-	274 042
Other amounts payable	103 638	-	-	-	103 638
At 31 December 2013	**457 172**	**316 122**	**742 806**	**116 671**	**1 632 771**

Company	2014				
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing borrowings, finance lease and other liabilities	-	-	-	-	-
Trade payables	648	-	-	-	648
Other amounts payable	88	-	-	-	88
At 31 December 2014	**736**	**-**	**-**	**-**	**736**

Company	2013				
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing borrowings, finance lease and other liabilities	-	-	-	-	-
Trade payables	409	-	-	-	409
Other amounts payable	1 288	-	-	-	1 288
At 31 December 2013	**1 697**	**-**	**-**	**-**	**1 697**

3.2 Capital risk management

Pursuant to the Lithuanian Law on Companies, the authorised share capital of a public company must be not less than LTL 100 thousand (the authorised share capital of a private company must be not less than LTL 10 thousand) and the shareholders' equity must be not lower than 50 per cent of the company's authorised share capital. As at 31 December 2014 and 31 December 2013, the Company and all Group companies, except for the Public Institution Training Centre for Energy Specialists (at the end of 2013 and 2014) and Technologijų ir Inovacijų Centras UAB (at the end of 2013), complied with these requirements. These companies have obtained a confirmation from Lietuvos Energija UAB certifying that financial support will be provided for not less than 12 months after the approval of their financial statements.

When managing the capital risk, the Group companies seek to maintain an optimal capital structure in a long run to ensure a consistent implementation of capital cost and risk minimisation objectives. The Group companies form their capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

4 Critical accounting estimates and judgements used in the preparation of the financial statements

Valuations and Estimates are continuouslly re-evaluated based on historical experience and other factors, including probabilities of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on these consolidated financial statements.

Revaluation and impairment of assets

The Group accounts for property, plant and equipment (except for assets of power plants, gas distribution pipelines, gas technological equipment and IT and telecommunication equipment) at revalued amount in accordance with International Accounting Standard 16 'Property, plant and equipment'.

As at 31 December 2014, valuation of property, plant and equipment of LESTO AB was carried out. The fair value was determined with reference to the valuation report of property, plant and equipment of LESTO AB prepared by an independent valuation company. The fair value was determined using discounted cashlfow and depreciated replacement cost methods.

The last revaluation of assets owned by LESTO AB was carried out in 2008. The valuation of property, plant and equipment was not carried out before 2014 because of a significant reorganisation in the whole energy sector in 2010 and 2011, and due to uncertainties in 2012 and 2013 relating to the currently developed new model for the determination of prices of electricity and the term of its approval. In the period from the end of 2014 till the beginning of 2015, legal acts regulating the establishment of prices and the regulated asset base in the future were revised, therefore, the management measured the fair value of property, plant and equipment as at 31 December 2014.

If the value of assets is reported based on the depreciated replacement cost method, International Valuation Standards require that an economic depreciation test should be performed. Accounting standards require a periodical review of property, plant and equipment values for impairment. The value of property, plant and equipment shall be reduced if its carrying value in the statement of financial position exceeds its value in use or the fair value less cost to sell. In other words, the carrying amount of property, plant and equipment reported in the statement of financial position should be written down to the higher of - the present value of the future benefits that would be derived by the Company or the Group from the continued use of the assets, or the proceeds it would derive from the asset's disposal.

According to the Amendment to the above-mentioned Law effective from 1 June 2009, the upper limits of prices for electricity distribution services are to be determined based on the value of assets used in licensed activities of the service provider established and approved by the Commission in accordance with the principles for determination of the value of assets used in licensed activities of the service provider drafted by the Commission and approved by the Government.

According to Resolution No 1026 of the Government of the Republic of Lithuania of 24 September 2014 On the Principles for the Determination of the Value of Assets Used in the Licensed Activities of the Electricity Service Provider and the methodology for the establishment of prices approved by the Commission in 2015, when determining the upper limits of prices for electricity distribution services, the value of assets used in the licensed activities of the service provider is equal to the net book value (carrying amount) of property, plant and equipment as of 31 December 2001, increased by the amount of investments carried out by the company and approved by the Commission and reduced with the depreciation amount, calculated using depreciation rates approved by the Commission. The value of network elements modelled by the LRAIC accounting model necessary for the performance of regulated activities, the useful life of which ends in the course of the regulation period, is calculated using the current cost accounting, i.e. referring to the present recoverable value. Provisions of Resolution No 1142 of 2009 and Resolution No 1026 of 2014 of the Government of the Republic of Lithuania resulted in the impairment of assets used in the Company's activities.

Revaluation of assets of subsidiaries, except for LESTO AB, and fair value estimation

As at 31 December 2014, independent valuation of assets was performed at the Group with respect to NT Valdos UAB (buildings, structures and motor vehicles), LESTO AB and Lietuvos Dujos AB (buildings, structures and motor vehicles). The valuation was carried out by independent valuation companies and the Group's valuation specialists.

Property, plant and equipment of subsidiary Lietuvos Dujos AB was estimated at fair value during business combination (Note 32).

As at 31 December 2013, independent valuation of assets was performed at the Group with respect to NT Valdos UAB (buildings and structures), Lietuvos Energijos Gamyba AB (assets carried at revalued amount) and ELEKTROS TINKLO PASLAUGOS UAB. The valuation was carried out by independent valuation companies. Based on the judgement of the Group's management, the carrying amount of these assets did not significantly differ from their fair value as at 31 December 2014.

As at 31 December 2012, independent valuation of assets was performed at the Group with respect to NT Valdos UAB. The valuation was carried out by the independent valuation company and the Group's valuation specialists.

As at 31 December 2011, valuation of property, plant and equipment of Kauno Energetikos Remontas UAB was performed. Based on the judgement of the Group's management, the carrying amount of these assets did not significantly differ from their fair value as at 31 December 2012, 2013 and 2014.

Taking into consideration the date when the last revaluation of these assets was performed and their acquisition dates, the management believes that as at 31 December 2014 the fair value of the Group's property, plant and equipment measured at revalued amount did not significantly differ from its carrying amount.

Revaluation of assets of LESTO AB

Based on the report on valuation of PP&E prepared by the independent valuation company, LESTO AB performed valuation of its property, plant and equipment and determined that the fair value of PP&E (including construction in progress) as at 31 December 2014 amounted to LTL 2.357 billion, which was LTL 2.135 billion lower than the carrying amount of PP&E equal to LTL 4.492 billion as at 31 December 2014.

Valuation of PP&E of LESTO AB was based on income and cost methods. Valuation of property was carried out in the following stages: (i) replacement cost of new assets was estimated; (ii) physical and functional obsolescence of assets was determined; (iii) possible recoverability of assets was assessed (using the income method). The value standard / assumption used in the valuation represents fair value as stipulated in IFRS 13.

Income method. Under the income method, the recoverability of assets was assessed. This method was used to estimate economic depreciation.

When estimating economic depreciation, regulation and its impact on the recoverability of assets were taken into consideration. Key assumptions used in the business plan to estimate economic depreciation of assets were as follows:

- A new regulation methodology was approved by the Commission on 15 January 2015 to which the management referred when preparing the business plan for the period of 10 years. The methodology was prepared according to the methodological guidelines of the LRAIC accounting model (Resolution No O3-287 of 5 July 2013 of the Commission) and the LRAIC technical-technological and economic model guidelines (Resolution No O3-755 of 27 December 2013 of the Commission).
- By the Commission's Resolution No O3-947 of 19 December 2014 *On Scheduled Audit*, the Commission approved Report on Scheduled Audit of LESTO AB No E3-4 and conclusions therein, and decided to reduce income of LESTO AB from distribution services by LTL 56.816 million arising on overdeclared regulated activity costs in excess of actually incurred regulated activity costs for the reporting years 2011-2013. This decision is to be implemented during the reporting year 2015. The Company has filed a complaint to Vilnius Regional Administrative Court in respect of the aforementioned decision (Note 35), and expects to recover this amount of income during the upcoming reporting years. Accordingly, this amount of income was included in cash flow forecast in the year 2017.
- Assumptions used in the regulated asset base (RAB) estimation were determined in view of Government Resolution No 1026 of 24 September 2014 *On Approval of Description of Procedure for Determining Regulated Prices in Electric Energy Sector*. Based on the Resolution, additional component of RAB is estimated as the difference between the carrying amount of assets and RAB as at 30 June 2014. RAB additional component is used only in estimating return on RAB (i.e. RAB additional component is not considered in estimating permitted depreciation expenses) for a specific period. In the cash flow forecast, RAB additional component was considered in assessing 50% probability, i.e. the difference (LTL 2.135 billion) between the carrying amount of assets and the value of RAB was considered to the extent of 50% (LTL 1.067 billion). RAB additional component is used only in estimating return on investments (i.e. RAB additional component is not considered in estimating depreciation expenses) for the period 2017-2024.
- The discount rate (WACC) was determined using the Capital Asset Pricing Model (CAPM). The after-tax weighted average cost of capital (WACC) is equal to 6.36% (it was used when for discounting to present value), and the supposed pre-tax weighted average cost of capital is equal to 7.5%. The pre-tax WACC of 7.5% was used in estimating return on RAB (included in annual income) starting from 2017. Accordingly, WACC of 6.13% and 6.79% set by the Commission were used for the years 2015 and 2016 in estimating return on RAB.
- Over the projected period RAB will increase steadily due to planned capital investments.

Cost method relates to Replacement Cost New (RCN) approach at individual asset level. A direct cost method was applied to 97% of PP&E (based on the fair value as at 31 December 2014), whereby RCN was estimated for new assets. RCN includes the cost of materials, installation works, labour, transportation and handling fees, overall costs of contractor, also indirect costs, such as engineering and design costs. Replacement costs of assets are estimated with reference to LESTO AB historical levels of asset development costs.

During the valuation, indirect cost method was applied to assets, for which it was impossible to apply a direct cost method due to their multiple nature or for which insufficient data was available. Indirect cost method was applied to approx. 3% of PP&E (based on the fair value as at 31 December 2014). Under the indirect cost method, the current replacement cost of new assets was estimated individually for each item of assets through indexation of capitalised cost of assets (based on the indices announced by the Lithuanian Statistics and Eurostat).

RCN and replacement costs less physical and functional obsolescence (i.e. depreciated replacement cost – DRC) of assets acquired between 1 August 2014 and the date of valuation were treated as equal to the respective cost and net book amounts. Such approach was applied to approx. 7% of PP&E (based on the fair value as at 31 December 2014).

RCN for assets was further reduced by the amount of functional obsolescence, i.e. occurrence of functional failures over a particular period as a result of technological developments in the market. Functional obsolescence was estimated separately for each category of assets, the performance of which failed to comply in full with the intended function or was lower than that of modern equivalents that were used for reference when estimating RCN.

DRC was estimated as RCN less physical and functional obsolescence. Since LESTO AB has assets that are still used after the expiry of their standard useful life, DRC was estimated to be not lower than the hold factor applied to the assets.

The values of separate property units established under the cost method were used to distribute the amount of losses on revaluation determined under the income method.

Sensitivity analysis. Based on the provisions set forth in paragraph 93 of IFRS 13, LESTO AB performed fair value sensitivity analysis in respect of changes in unobservable inputs using the following scenarios:

Scenario I of sensitivity analysis: if there were changes in regulatory environment and income level was established for LESTO AB by the Commission for the period 2017-2024, return on investments would not be taken into consideration in respect of RAB additional component approved under the Resolution; accordingly, LESTO AB income for forecast period (2015-2024) would be LTL 422 million lower, and the fair value of PP&E would **decrease by up to LTL 2.075 billion**.

Scenario II of sensitivity analysis: if judicial authorities rejected the complaint of LESTO AB (Note 35) in respect of the Commission's resolution under which LESTO AB income from electricity distribution services was reduced by LTL 56.8 million, LESTO AB income for forecast period (2015-2024) would be LTL 56.8 million lower, and the fair value of PP&E would **decrease by up to LTL 2.309 billion.**

Scenario III of sensitivity analysis: if there were changes in regulatory environment and income level was established for LESTO AB by the Commission for the period 2017-2024, return on investments (to 100% extent) would be taken into consideration in respect of RAB additional component approved under the Resolution; accordingly, LESTO AB income for forecast period (2015-2024) would be LTL 416 million higher, and the fair value of PP&E would **increase up to LTL 2.633 billion**.

Impairment of assets stated at cost

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

In 2014 and 2013, the Group accounted for assets of the Hydro Power Plant, Pumped Storage Power Plant, structures and equipment (Combined Cycle Unit and Reserve Power Plant) of the Thermal Power Plant, gas distribution pipelines, gas technological equipment, IT and telecommunication equipment at cost in accordance with International Accounting Standard No16 'Property, plant and equipment'.

As at 31 December 2014 and 31 December 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 thereon.

In view of the Company's management decision on decommissioning of 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 at 31 December 2014 and 31 December 2013, impairment test was carried out for the rest of property, plant and equipment of the Reserve Power Plant and Combined Cycle Unit, and it was determined that the recoverable amount of structures and equipment of the Thermal Power Plant exceeded the carrying amount of LTL 2.038 billion (31 December 2013: LTL 2.090 billion), hence no impairment was recognised.

The assets of structures and equipment of the Thermal Power Plant are treated as a single cash generating unit based on the following:

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

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

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

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%). WACC was estimated using the market long-term borrowing cost and 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 revenue from regulated activities also take into account the depreciation expenses of property, plant and equipment and the return on investments, which is calculated on the value of assets used in the regulated activities. When estimating the return on investments, the management used the rate of return on investments set by the Commission for the year 2015, which was 6.79%.

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.

As a result of the analysis, the management determined that it was not necessary to recognise any impairment losses as at 31 December 2014 and 31 December 2013, except for the impairment losses for Units 1 and 2 of the Reserve Power Plant.

Assessment of investments in subsidiaries

Although the shares of the Company's subsidiaries LESTO AB, Lietuvos Energijos Gamyba AB and Lietuvos Dujos AB are traded on Vilnius Stock Exchange, the Group's management believes this market is not active enough so that the quoted stock prices could be treated as equivalent to the fair value of investments in subsidiaries at the reporting date. As at 31 December 2014, the Company performed the impairment test in respect of investment in the subsidiary LESTO AB and recognised impairment of LTL 201.4 million. The performance of the impairment test in respect of investment in LESTO AB took into consideration assumptions of long-term forecasts used in Note 'Revaluation of assets of LESTO AB' by additionally adjusting cash flows to reflect development prospects of LESTO AB as a company (i.e. not only the value generated from property, plant and equipment). Discounted cash flows were adjusted in view of net borrowings and investments in subsidiaries.

As at 31 December 2013, the Company performed the impairment test and determined no impairment in respect of investment in the subsidiary Lietuvos Energijos Gamyba AB. As at 31 December 2014, based on the judgement of the Company's management there are no indications that investment in Lietuvos Energijos Gamyba AB has been impaired.

As at 31 December 2014, the Company performed the impairment test in respect of investment in the subsidiary Lietuvos Dujos AB using the discounted cash flow method. Discounted cash flows were calculated according to effective legal acts and methodologies regulating the distribution activity. Discounted cash flows were calculated using a pre-tax discount rate of 7.09%, which corresponds to the return applied by the Commission in price regulation. In view of the analysis, the Company's management determined that the investment in Lietuvos Dujos AB was not impaired as at 31 December 2014.

The Company performed the impairment test in respect of investment in the subsidiary Duomenų Logistikos Centras UAB and recognised impairment of LTL 8.85 million. The impairment test in respect of investment in Duomenų Logistikos Centras UAB was performed using the discounted cash flow method. The management determined that the activities of data centres projected for 2014–2017 developed at a slower pace that it was planned and several large clients were lost resulting in the recognition of impairment in respect of the investment in Duomenų Logistikos Centras UAB.

Key assumptions used in assessment forecasts of the investment in Duomenų Logistikos Centras UAB were as follows: (i) a moderate revenue growth (i.e. annual increase of 5%), (ii) planned increase in EBITDA margin from 16% to 22% during 2015-2020 (iii) annual average investments to maintain the current condition of assets amount to LTL 2.6 million (iv) a positive change in working capital is projected (v) discount rate (after tax) is equal to 8.88%. The development of the Data Inn project was also taken into consideration, which was assessed using a higher discount rate (17.76%) in view of uncertainty relating to the development of the Data Inn project. Discounted cash flows were adjusted in view of net borrowings and investment in NT Valdos UAB.

Consideration for the disposal of Litgrid AB

In the implementation of the requirements of the Law on Electricity, on 4 July 2012 the Lithuanian Government passed Resolution No 826 *Regarding the Establishment of the Private Limited Liability Company and Investment of State-owned Assets* whereby instructed the Ministry of Energy to establish a private limited liability company and pass all necessary decisions in order to transfer shares of Litgrid AB held by Lietuvos Energija UAB to a newly established private limited liability company EPSO-G UAB at a certain consideration in view of the market price of shares established by independent valuers. The independent valuer established the market value of 97.5% of shares of Litgrid AB using the income (value-in-use) method.

The purchase-sale agreement of shares of Litgrid AB provide for a supplementary element to the final consideration, the amount of which depends on the regulatory environment in future periods. On 24 September 2014, the Government approved the *Procedure for Determining Regulated Prices in Electric Energy Sector* and on 15 January 2015 the Commission approved a new (LRAIC) regulation methodology. On 19 January 2015, the Commission established the upper limit of the price for electricity transmission services via high voltage networks for Litgrid AB. In view of the above-mentioned developments, the Company assessed the supplementary element of the consideration and determined that according to the purchase-sale agreement of shares of Litgrid AB the value of the supplementary element is equal to zero.

Impairment of goodwill and intangible assets not subject to amortisation

The consolidated financial information include goodwill and licences with indefinite useful life that arose on acquisition of VST AB in 2008.

As at 31 December 2014, during the valuation of assets of LESTO AB (Note 4 'Revaluation of assets of LESTO AB') the Group carried out impairment tests for goodwill and wrote off the total value of goodwill equal to LTL 178 million.

Taking into consideration the fact that VST licences with indefinite useful life have not generated any economic benefits to the Group since 2011, the Group wrote off these licences on a retrospective basis. The value of licences written off amounted to LTL 118 million.

Useful lives of property, plant and equipment

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

Accrued revenue

Revenue received from household customers is recognised based on the payments received, therefore, at the end of each reporting period the amount of the revenue earned but not yet paid by household customers is estimated and accrued by the management of the Group company operating distribution networks. Accrued revenue is estimated as 1/3 of total payments for electricity received in December. The accrued revenue is based on past experience and average term of payment by customers for electricity. The management has estimated that the majority of household customers declare and make payment for the electricity consumed on approx. the 20th day of the month, while electricity is supplied for a full month (30 or 31 days). Consequently, the electricity consumed during the remaining 10 days is proportionally calculated referring to the total volume of electricity provided to the electricity supply network (the actually known variable) and the total volume of electricity declared by household customers during December and multiplied by the average rate per 1 kWh (Note 14).

Consumption of overdeclared electricity

With effect from 2014, the Company reduced the prices for electricity. Based on the Company's estimates, in 2013 there was no significant difference between the volume of electricity declared and the volume of electricity actually consumed by household customers.

With effect from 2015, the Company reduced the prices for electricity, however a part of household customers declared more electricity than they have actually consumed. The Company has estimated the overdeclared amount. In 2014, the estimated difference was accounted for as advance amounts received.

Accounting for customer connection fees

Before 1 July 2009, the Group used to defer income received from new customer connections to the grid and recognise it as deferred income over the period of 31 years, which is the average useful life of electricity equipment constructed by the Group upon connection of new customers. Management of the distribution companies of the Group believe that the period of provision of services to customers is indefinite, therefore, the average useful life of electricity equipment constructed by the Group upon connection of new customers was used as the best estimate of the period over which connection fees paid customers were recognised as income.

With effect from 1 July 2009 and based on IFRIC 18 interpretation, the newly connected customers to the grid do not obtain any additional future benefits as compared to all the remaining customers, consequently, the provision of connection service is treated as completed and income from connection is recognised upon the connection of a new customer (Note 22).

Impairment of amounts receivable

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

Amounts receivable are assessed to determine their value and impairment individually or collectively in a group of similar receivables. In case of individually assessed receivables for impairment, the Group takes into account the available or accessible data from external sources of information on market trends and forecasts, the possible credit enhancements (collateral) provided for receivables and events providing evidence of impairment of receivables such as, for example, fulfilment of contractual terms, the borrower's actual performance, etc. In case of collectively assessed receivables for impairment, the Group takes into account the historical statistics, and reviews annually whether the provisioning rates used for collectively assessed receivables are in line with the historical data of impairment of receivables, and that the provisioning rates used for collectively assessed receivables are approved for the upcoming year.

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 Group's management is not aware of any circumstances that might result in a potential material liability in this respect.

Provisions for the utilisation of emission allowances

The Group estimates provisions for utilisation of emission allowances based on actual emissions over the reporting period multiplied by the market price for one unit of emission allowances. Actual emissions are approved by a relevant regulating state over the period of 4 months after the year end. Based on its past experience, the Group's management do not expect any significant differences between the estimated provision as at 31 December 2014 and emissions that will be approved for 2015.

Accrued revenue from PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, and costs for reagent desulphurisation. As at 31 December 2014, the Group 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 24). As at 31 December 2013, the Group 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' (Note 24). 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 reclassified to 'Advance amounts received'.

Accrued revenue 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 Commission for Energy Control and Prices, the Group accounted for refundable amount of capacity reserve services of LTL 2 407 thousand as at 31 December 2014 (to be refunded during 2016) under the line item 'Other non-current amounts payable and liabilities' (Note 24). As at 31 December 2013, receivable amount of capacity reserve services of LTL 19 082 thousand (to be refunded during 2015) was recognised under the line item 'Other amounts receivable after one year' (Note 10). In 2014, this amount was reclassified to 'Trade receivables' (Note 13).

5 Adjustment to comparative figures

During the acquisition of VST AB in 2008, the licences of the distribution system operator and public supply were acquired that lost their total value after the merger of VST AB and Rytų Skirstomieji Tinklai AB into LESTO AB in 2011. When preparing the consolidated financial statements of Lietuvos Energija UAB for the year ended 31 December 2014, a retrospective adjustment to the figures as at 31 December 2011 was made due to the write-off of VST AB licences acquired in 2008.

Group's statement of financial position at 31 December 2012	Before adjustment	VST AB licences written off	After adjustment
Non-current assets			
Non-current intangible assets	361 653	(117 951)	243 702
TOTAL ASSETS	**9 807 968**	**(117 951)**	**9 690 017**
Equity			
Retained earnings (deficit)	(207 569)	(82 841)	(290 410)
Equity attributable to owners of the parent	**5 427 918**	**(82 841)**	**5 345 077**
Non-controlling interest	711 864	(17 417)	694 447
Total equity	**6 139 782**	**(100 258)**	**6 039 524**
Amounts payable after one year and non-current liabilities			
Deferred income tax liability	448 853	(17 693)	431 160
TOTAL EQUITY AND LIABILITIES	**9 807 968**	**(117 951)**	**9 690 017**

Group's statement of financial position at 31 December 2013	Before adjustment	VST AB licences written off	After adjustment
Non-current assets			
Non-current intangible assets	336 017	(117 951)	218 066
TOTAL ASSETS	**9 727 225**	**(117 951)**	**9 609 274**
Equity			
Retained earnings (deficit)	30 194	(82 841)	(52 647)
Equity attributable to owners of the parent	**5 553 477**	**(82 841)**	**5 470 636**
Non-controlling interest	699 228	(17 417)	681 811
Total equity	**6 252 705**	**(100 258)**	**6 152 447**
Amounts payable after one year and non-current liabilities			
Deferred income tax liability	409 339	(17 693)	391 646
TOTAL EQUITY AND LIABILITIES	**9 727 225**	**(117 951)**	**9 609 274**

6 Intangible assets

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Goodwill	Total
At 31 December 2012						
Acquisition cost	1 929	18 045	55 413	3 024	178 427	256 838
Accumulated amortisation	(1 007)	(11 458)	-	(347)	-	(12 812)
Accumulated impairment	-	-	-	-	(324)	(324)
Net book amount	**922**	**6 587**	**55 413**	**2 677**	**178 103**	**243 702**
Net book amount at 31 December 2012	**922**	**6 587**	**55 413**	**2 677**	**178 103**	**243 702**
Additions	15	366	1 221	4 954	-	6 556
Reclassified to/from PP&E	655	3 404	-	(3 333)	-	726
Write-offs/Emission allowances utilised	-	(4)	(13 895)	(6)	-	(13 905)
Disposals	-	-	(4 041)	-	-	(4 041)
Revaluation of emission allowances	-	-	(9 994)	-	-	(9 994)
Amortisation charge	(762)	(4 148)	-	(68)	-	(4 978)
Net book amount at 31 December 2013	**830**	**6 205**	**28 704**	**4 224**	**178 103**	**218 066**
At 31 December 2013						
Acquisition cost	915	18 364	28 704	4 626	178 427	231 036
Accumulated amortisation	(85)	(12 159)	-	(402)	-	(12 646)
Accumulated impairment	-	-	-	-	(324)	(324)
Net book amount	**830**	**6 205**	**28 704**	**4 224**	**178 103**	**218 066**
Net book amount at 31 December 2013	**830**	**6 205**	**28 704**	**4 224**	**178 103**	**218 066**
Additions	4 017	919	-	2 384	-	7 320
Increase on acquisition of subsidiary	1 080	1 083	-	1	-	2 164
Transferred to/from PP&E	101	6 796	-	(5 644)	-	1 253
Impairment	-	-	-	-	(178 103)	(178 103)
Emission allowances utilised	-	-	(10 042)	-	-	(10 042)
Disposals	-	(260)	-	(13)	-	(273)
Revaluation of emission allowances	-	-	9 662	-	-	9 662
(Loss) on revaluation of emission allowances	-	-	8 039	-	-	8 039
Amortisation charge	(1 345)	(3 692)	-	(103)	-	(5 140)
Net book amount at 31 December 2014	**4 683**	**11 051**	**36 363**	**849**	**-**	**52 946**
At 31 December 2014						
Acquisition cost	9 983	32 440	36 363	1 812	-	80 598
Accumulated amortisation	(5 300)	(21 389)	-	(963)	-	(27 652)
Net book amount	**4 683**	**11 051**	**36 363**	**849**	**-**	**52 946**

As at 31 December 2014, the Group tested assets of LESTO AB for impairment (Note 4 'Revaluation of assets of LESTO AB') and recognised write-off of impairment in full amount of LTL 178 million.

The fair value of emission allowances is determined with reference to the prices available on the active market, and accordingly, it is within level one of the fair value hierarchy. At the end of each reporting period, emission allowances are measured with reference to year-end market prices, with resulting differences included in operating expenses.

The Group and the Company have no internally generated intangible assets.

7 Property, plant, and equipment

Group	Land	Buildings	Structures and machinery	Gas distribution pipelines and related equipment	Gas technological equipment and structures	Assets of Hydro Power Plant, Pumped Storage Power Plan and Lithuanian Power Plant	Structures and machinery of Thermal Power Plant	Motor vehicles	IT and telecommunication equipment	Other PP&E	Construction in progress	Total
At 31 December 2012												
Cost or revalued amount	6 190	451 914	5 346 876	-	-	701 949	3 280 993	88 282	57 713	158 381	97 220	10 189 518
Accumulated depreciation	-	(68 227)	(1 122 214)	-	-	(190 410)	(1 121 916)	(37 983)	(24 942)	(81 694)	-	(2 647 386)
Accumulated impairment	-	(151)	(1 224)	-	-	-	(5 659)	(31)	-	(728)	(25 103)	(32 896)
Net book amount	**6 190**	**383 536**	**4 223 438**	**-**	**-**	**511 539**	**2 153 418**	**50 268**	**32 771**	**75 959**	**72 117**	**7 509 236**
Net book amount at 31 December 2012	**6 190**	**383 536**	**4 223 438**	**-**	**-**	**511 539**	**2 153 418**	**50 268**	**32 771**	**75 959**	**72 117**	**7 509 236**
Additions	-	241	2 412	-	-	238	976	10 851	25 248	(11 993)	309 267	337 240
Revaluation	753	(1 284)	(6 602)	-	-	-	-	543	15	(49)	-	(6 624)
Disposals	-	(43)	1 343	-	-	-	(166)	(565)	(14 147)	12 426	-	(1 152)
Write-offs	-	(179)	(12 324)	-	-	-	(4 401)	(1)	(8)	(58)	(433)	(17 404)
Reclassifications between categories	-	4 407	288 216	-	-	924	10 097	-	10	6 260	(309 914)	-
Reclassified to assets, intangible assets	-	-	-	-	-	-	-	-	(653)	-	(70)	(723)
Reclassified to non-current assets held for sale	-	-	(1)	-		-	-	-	-	(9)	-	(10)
Reclassified to(from) inventories	-	867	(6)	-	-	516	6 056	-	-	-	-	7 433
Reclassified to investment property	-	(6 327)	(34)	-	-	-	-	-	-	-	(1 296)	(7 657)
Impairment	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Reversal of impairment	-	-	-	-	-	-	4 668	-	-	-	-	4 668
Depreciation charge	-	(19 663)	(337 199)	-	-	(28 910)	(87 853)	(7 037)	(9 726)	(15 935)	-	(506 323)
Net book amount at 31 December 2013	**6 943**	**361 555**	**4 159 243**	**-**	**-**	**484 307**	**2 082 795**	**54 059**	**33 501**	**66 610**	**69 637**	**7 318 650**
At 31 December 2013												
Cost or revalued amount	6 942	447 977	5 596 155	-	-	703 577	3 287 518	92 514	68 932	114 068	94 774	10 412 457
Accumulated depreciation	-	(86 397)	(1 436 912)	-	-	(219 269)	(1 204 723)	(38 455)	(35 433)	(47 450)	-	(3 068 639)
Accumulated impairment	-	(25)	-	-	-	-	-	-	-	(6)	(25 137)	(25 168)
Net book amount	**6 942**	**361 555**	**4 159 243**	**-**	**-**	**484 308**	**2 082 795**	**54 059**	**33 499**	**66 612**	**69 637**	**7 318 650**
Net book amount at 31 December 2013	**6 942**	**361 555**	**4 159 243**	**-**	**-**	**484 308**	**2 082 795**	**54 059**	**33 499**	**66 612**	**69 637**	**7 318 650**
Additions	-	683	4 036	880	-	123	991	16 600	20 368	1 354	477 768	522 803

Group	Land	Buildings	Structures and machinery	Gas distribution pipelines and related equipment	Gas technological equipment and structures	Assets of Hydro Power Plant, Pumped Storage Power Plan and Lithuanian Power Plant	Structures and machinery of Thermal Power Plant	Motor vehicles	IT and telecommunication equipment	Other PP&E	Construction in progress	Total
Increase on acquisition of subsidiary	1	51 742	4 184	345 634	14 971	-	-	11 305	2 617	15 812	3 663	449 929
Revaluation	-	(157 536)	(1 936 557)	-	-	-		(3 669)	193	(32 783)	-	(2 130 352)
Disposals	-	(1 288)	(500)	-	(90)	-	(477)	(1 684)	(896)	(22)	-	(4 957)
Write-offs	-	(279)	(13 188)	(457)	(27)	-	(2)	-	(13)	(22)	(175)	(14 163)
Reclassifications between categories	-	6 274	352 336	20 612	1 790	1 923	5 801	-	371	7 708	(396 815)	-
Reclassified to/from intangible assets	-	209	-	-	-	-	-	-	-	-	(1 462)	(1 253)
Reclassified to non-current assets held for sale	-	-	-		-	-	-	(1 452)	-	-	-	(1 452)
Reclassified to investment property	-	(7 161)	-	-	-	-	-	-	-	-	-	(7 161)
Reclassified to finance lease	-	-	-	-	-	-	-	(3 819)	-	-	-	(3 819)
Reclassified from (to) inventories	-	-	-		-	190	980	-	(31)	-	-	1 139
Impairment	-	(1 320)	(174)	600	-	-	(39 571)	-	-	-	-	(40 465)
Reversal of impairment	-	-	-	-	44	-	-	-	-	-	-	44
Depreciation charge	-	(21 722)	(311 555)	(5 378)	(768)	(27 278)	(87 609)	(9 920)	(9 795)	(17 623)	-	(491 648)
Net book amount at 31 December 2014	**6 943**	**231 157**	**2 257 825**	**361 891**	**15 920**	**459 266**	**1 962 908**	**61 420**	**46 313**	**41 036**	**152 616**	**5 597 295**
At 31 December 2014												
Cost or revalued amount	6 943	235 445	2 274 711	367 269	16 688	705 813	3 182 694	66 743	83 846	46 204	153 385	7 139 741
Accumulated depreciation	-	(4 288)	(16 886)	(5 378)	(768)	(246 547)	(1 180 215)	(5 323)	(37 533)	(5 168)	-	(1 502 106)
Accumulated impairment	-	-	-	-	-	-	(39 571)	-	-	-	(769)	(40 340)
Net book amount	**6 943**	**231 157**	**2 257 825**	**361 891**	**15 920**	**459 266**	**1 962 908**	**61 420**	**46 313**	**41 036**	**152 616**	**5 597 295**

In 2014 and 2013, the Group's property, plant and equipment (excluding structures and machinery of Hydro Power Plant, Pumped Storage Power Plant and Thermal Power Plant (Combined Cycle Unit, Reserve Power Plant), gas distribution pipelines, gas technological equipment and IT and telecommunications equipment) were stated at revalued amount.

Company	Other PP&E	Construction in progress	Total
At 31 December 2012			
Cost or revalued amount	84	24 334	24 418
Accumulated depreciation	(36)	-	(36)
Accumulated impairment	-	(24 334)	(24 334)
Net book amount	**48**	**-**	**48**
Net book amount at 31 December 2012	**48**	**-**	**48**
Additions	2	34	36
Depreciation charge	(17)	-	(17)
Impairment	-	(34)	(34)
Net book amount at 31 December 2013	**33**	**-**	**33**
At 31 December 2013			
Cost or revalued amount	86	24 368	24 454
Accumulated depreciation	(53)	-	(53)
Accumulated impairment	-	(24 368)	(24 368)
Net book amount	**33**	**-**	**33**
Net book amount at 31 December 2013	**33**	**-**	**33**
Additions	12	-	12
Disposal of assets of VAE SPB UAB at cost		(24 334)	(24 334)
Reversal of impairment on disposed assets of VAE SPB UAB		24 334	24 334
Depreciation charge	(14)	-	(14)
Net book amount at 31 December 2013	**31**	**-**	**31**
At 31 December 2014			
Cost or revalued amount	98	-	98
Accumulated depreciation	(67)	-	(67)
Net book amount	**31**	**-**	**31**

In 2014, the Company disposed its business related to nuclear power plant project to VAE SPB UAB. As a result, project preparatory works amounting to LTL 24 368 thousand were disposed and capitalised, and provided for in full.

On 31 December 2014 the Group conducted valuation of property, plant and equipment of LESTO AB carried at revalued amount. The valuation was based on property valuation report prepared by Ernst&Young Baltic UAB. A significant change in the value of property, plant and equipment was mainly driven by economic obsolescence. Based on the Resolutions adopted by National Commission for Control of Energy and Prices (the Commission) during 2009-2015 and estimates of economic obsolescence (valuation of assets using income method), the value of property, plant and equipment appeared to be lower than that under the cost method. The fair value of property, plant and equipment of LESTO AB was determined using the income and cost methods. All items of property, plant and equipment are within Level 3 in the fair value hierarchy as required under IFRS 13. More details about valuation of assets of LESTO AB are disclosed in Note 4 'Revaluation of assets of LESTO AB'.

In October 2014, NT Valdos UAB carried out valuation of buildings with reference to Real Estate Market Value Reports prepared by independent property valuer. Revaluation of special-purpose motor vehicles was carried out in October 2014 with reference to reports prepared by independent property valuer. Based on reported data on selected items of special-purpose motor vehicles, the Company's management conducted an analogous revaluation for other identical motor vehicles. Revaluation of all passenger cars was conducted by the Company's management with reference to the valuation report issued on 31 October 2014 based on the market values of passenger cars announced in the database of public establishment Emprekis. Buildings and structures are within Level 3, whereas motor vehicles are within Level 2 in the fair value hierarchy as required under IFRS 13.

On 31 December 2014, the Company's subsidiary Lietuvos Dujos AB carried out valuation in respect of part of its property, plant and equipment. The value of buildings, related structures and machinery was determined by independent property valuers using the comparative price method. Valuation of motor vehicles was conducted internally with reference to publicly announced average market prices by a public establishment Emprekis. Valuation of other categories of assets (other than those carried at cost) was made using the cost method, and further adjusted with the value calculated under the discounted cash flow method.

All items of property, plant and equipment of subsidiary Lietuvos Dujos AB were measured at fair value on business combination. (Note 32)

See Note 4 for information on valuations conducted by other subsidiaries in previous periods.

Results of revaluation conducted in 2014 are given below:

Group	Decrease in other comprehensive income and revaluation reserve in equity	Recognised in profit and loss	Total revaluation effect
Increase (decrease) in carrying amount	(673 878)	(1 456 474)	(2 130 352)
Grants written off	-	18 378	18 378
	(673 878)	**(1 438 096)**	**(2 111 974)**

Results of revaluation conducted in 2013 are given below:

Group	Decrease in other comprehensive income and revaluation reserve in equity	Recognised in profit and loss	Total revaluation effect
(Increase) decrease in net book amount at 31 December 2013	2 419	4 205	6 624

The table below presents the carrying amounts of the Group's property, plant and equipment, which would have been recognised had the cost method been used as at 31 December 2014 and 31 December 2013:

Group	At 31 December 2014	At 31 December 2013
Land	6 087	6 051
Buildings	461 019	422 165
Structures and machinery	3 088 997	3 003 922
Gas distribution pipelines	361 891	-
Gas technological equipment and structures	15 921	-
Assets of Hydro Power Plant, Pumped Storage Power Plan and Lithuanian Power Plant	459 265	484 307
Structures and machinery of Thermal Power Plant	1 962 909	2 082 795
Motor vehicles	57 171	45 788
IT and telecommunication equipment	46 107	33 241
Other PP&E	54 577	71 214
Construction in progress	151 557	69 637
Total	**6 665 501**	**6 219 120**

Based on estimates of the Group's management as at 31 December 2014, the carrying amount of substantially all assets carried at revalued amount did not differ significantly from their fair value. The table below presents distribution of the Group's property, plant and equipment based on fair value hierarchy levels as at 31 December 2014 (see Note 2.32 for the description of fair value hierarchy levels).

Group	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Land	-	6 490	273	6 763
Buildings	-	78 448	152 709	231 157
Structures and machinery	-	17 781	2 240 009	2 257 790
Motor vehicles	-	60 170	817	60 987
Other property, plant and equipment	-	975	39 423	40 398
Construction in progress	-	-	38 951	38 951
Total	**-**	**163 864**	**2 472 182**	**2 636 046**

The table below presents distribution of the Group's property, plant and equipment based on fair value hierarchy levels as at 31 December 2013 (see Note 2.32 for the description of fair value hierarchy levels).

Group	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Land	-	6 490	-	6 490
Buildings	-	8 935	144 648	153 583
Structures and machinery	-	2 358	21 924	28 282
Motor vehicles	-	2 354	2 418	4 772
Other property, plant and equipment	-	398	7 439	7 837
Total	**-**	**20 535**	**176 429**	**196 964**

The fair values of property, plant and equipment of Lietuvos Energijos Gamyba AB carried at revalued amount, which were determined with reference to directly or indirectly observable inputs, are within Levels 2 and 3 in the fair value hierarchy. Valuation was conducted using the comparative price and cost methods.

The fair values of property, plant and equipment of NT Valdos UAB are within Level 2 in the fair value hierarchy. Sale prices of comparable objects selected by the valuers were adjusted taking into account specific characteristics of the object, e.g. area, location. Valuation of assets within Level 3 in the fair value hierarchy was conducted using the income method.

Valuation of property, plant and equipment of ELEKTROS TINKLO PASLAUGOS UAB (all items of real estate, majority of non-special-purpose motor vehicles and other movable property) within Level 2 in the fair value hierarchy was conducted using the comparative price method. Valuation of property, plant and equipment within Level 3 in the fair value hierarchy (engineering communication and part of special-purpose movable property) was conducted using the cost method.

The table below presents net book amounts of the Group's and the Company's property, plant and equipment acquired under the finance lease contracts as at 31 December 2014 and 2013:

	Group		Name of the subsidiary	
	2014	2013	2014	2013
Plant and machinery	243	1 982	-	-
Motor vehicles	31	48	-	-
Total	**274**	**2 030**	**-**	**-**

During 2014, the Group companies capitalised interest of LTL 1 203 thousand on borrowings designated to finance development of non-current assets (2013: LTL 941 thousand). Average capitalised interest rate is 1.20% (2013: 1.88%).

The Group has significant contractual commitments to purchase property, plant and equipment that are expected to be fulfilled in later periods. The Group's commitments to acquire and construct property, plant and equipment amounted to LTL 61 million as at 31 December 2014 (31 December 2013: LTL 132 million).

As at 31 December 2014, the Group pledged to the banks property, plant and equipment with the value of LTL 1 150 812 thousand (31 December 2013: LTL 1 347 271 thousand) (Note 19).

8 Investment property

Group	Investment property
Carrying amount at 31 December 2012	**113 879**
Reclassification from property, plant and equipment	7 657
Increase in value	1 735
Impairment	(1 645)
Carrying amount at 31 December 2013	**121 626**
Carrying amount at 31 December 2013	**121 626**
Reclassified to non-current assets held for sale	(722)
Reclassified from property, plant and equipment	7 161
Increase in value	2 021
Decrease in value	(971)
Carrying amount at 31 December 2014	**129 115**

In 2014, the Group's income from lease of investment property amounted to LTL 7 994 thousand 2013: LTL 6 599 thousand).

The fair value of investment property as at 31 December 2014 and 2013 was determined in December 2014 and 2013, respectively. Valuations were carried out by independent property valuers using the comparative market price method. In the opinion of the Group's management, the value of investment property determined using the above-mentioned method approximated its fair value as at 31 December 2014 and 2013.

The Company had no investment property in 2014 and 2013.

The table below presents distribution of the Group's investment property based on fair value hierarchy levels as at 31 December 2014 (see Note 2.32 for the description of fair value hierarchy levels).

Group	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-		126 763	126 763
Structures and machinery	-		2 352	2 352
Total	**-**		**129 115**	**129 115**

The table below presents distribution of the Group's investment property based on fair value hierarchy levels as at 31 December 2013 (see Note 2.32 for the description of fair value hierarchy levels).

Group	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-	-	119 312	119 312
Structures and machinery	-	-	2 314	2 314
Total	**-**	**-**	**121 626**	**121 626**

Valuation of property within Level 3 of the fair value hierarchy was conducted using the comparative price method. Sale prices of comparable objects selected by the valuers were adjusted taking into account specific characteristics of the object, e.g. area, location. Valuation of items of assets within Level 3 of the fair value hierarchy was conducted using the income method.

9 Investments in subsidiaries and associates

During the 1st half of 2014, the Company acquired 96.64% of shares of Lietuvos Dujos AB. The shares were acquired in three stages:

- On 21 February 2014 , the Company's share capital was increased through in-kind contribution by the Lithuanian Finance Ministry of state-owned 51 454 638 (17.7%) shares of Lietuvos Dujos AB with the value of LTL 112 685 657 (Note 17).
- On 21 May 2014 the Company signed an agreement with German concern E.ON Ruhrgas International, under which the Company acquired 113 118 140 (38.9%) of shares of Lietuvos Dujos AB. The acquisition cost of the shares totalled LTL 219 008 617.
- Pursuant to Art. 31 of the Lithuanian Law on Securities, on 19 June 2014 the Company implemented a mandatory non-competitive takeover bid to buy up the remaining shares of Lietuvos Dujos AB from Russian company Gazprom and minority shareholders, and acquired 116 357 288 (40.03%) shares. The acquisition cost of the shares totalled LTL 262 348 264.

On 21 May 2014 the Company signed an agreement with German concern E.ON Ruhrgas International , under which the Company acquired 71 040 473 (11.76%) of shares of Lietuvos Dujos AB. The acquisition cost of the shares totalled LTL 117 886 772.

	2014
Carrying amount of non-controlling interest acquired	407 698
Consideration paid to non-controlling interest	(117 887)
Profit attributable to owners of the parent and recognised in equity	**289 811**

On 31 March 2014 the Company signed agreements on sale-purchase of shares with LESTO AB and Lietuvos Energijos Gamyba AB, under which the Company acquired 78.98%, i.e. 46 525 904 shares of Duomenų Logistikos Centras UAB. The acquisition cost of the shares totalled LTL 60 431 742. As a result of this transaction, the Company's ownership interest in Duomenų Logistikos Centras UAB is 79.64%.

On 17 July 2014, the share capital of Duomenų Logistikos Centras UAB was reduced to make payments to shareholders. Before the reduction of share capital, the Company owned 46 910 850 shares, and following the annulment of 35 836 194 shares, the Company holds 11 074 656 shares. On 31 July 2014 Duomenų Logistikos Centras transferred to the Company LTL 30 million. The remaining part of LTL 5 836 194 was transferred by the Company in August.

On 10 July 2014, the share capital of Technologijų ir Inovacijų Centras UAB was increased by LTL 19 990 000. The Company acquired 11 105 556 shares, for which additional cash contribution was made in May 2014. The value of each share is equal to LTL 1. Payment for shares was made as follows: Amount of LTL 8 105 556 was paid as cash contribution, and amount of LTL 3 000 000 was offset against the loan repayable by Technologijų ir Inovacijų Centras UAB. In July 2014, the Company's amounts receivable decreases, whereas investments in subsidiaries increased by LTL 11 million. As a result, the Company's directly and indirectly held ownership interest in Technologijų ir Inovacijų Centras UAB was 55.55% and 97.89%, respectively. On 12 December 2014, the General Meeting of Shareholders of Technologijų ir Inovacijų Centras UAB decided to increase the share capital by issuing 2 200 525 ordinary registered shares with the nominal value and issue price of LTL 1 each. Following this transaction, the Company's directly and indirectly held ownership interest decreased to 55.05% and 97.80%, respectively.

On 21 July 2014, the Company and other Group companies signed a memorandum of incorporation of Verslo Aptarnavimo Centras UAB. The newly established company focuses primarily on provision of services to the Company's shareholders and contracting authorities that are required for them to carry on their activities (to meet the needs/to fulfil the functions of shareholders - contracting authorities). It was registered with the Register of Legal Entities on 30 July 2014, and its share capital is equal to LTL 100 000. The Company acquired 50% of all shares of the newly established company. On 28 October 2014, the General Meeting of Shareholders of Verslo Aptarnavimo Centras UAB decided to increase the share capital by issuing 1 400 000 ordinary registered shares with the nominal value and issue price of LTL 1 each. The Company acquired 700 000 newly issued shares. As a result, the Company's directly and indirectly held ownership interest in Verslo Aptarnavimo Centras UAB was 50% and 96.33%, respectively. On 12 December 2014, the General Meeting of Shareholders of Verslo Aptarnavimo Centras UAB decided to increase the share capital by issuing 500 000 ordinary registered shares with the nominal value and issue price of LTL 1 each. The Company acquired 270 000 newly issued shares. As a result, the Company's directly and indirectly held ownership interest in Verslo Aptarnavimo Centras UAB was 51% and 97%, respectively.

On 27 June 2014, the General Meeting of Shareholders of LITGAS UAB decided to increase the share capital of LITGAS UAB by shareholders' additional contributions ranging from LTL 3 million to LTL 45 million, by issuing new ordinary registered shares with the nominal value and issue price of LTL 1 each and total issue price of LTL 42 million. On 8 July 2014 the Company and LITGAS UAB signed an agreement for subscription of shares. Based on the agreement, the Company acquired 28 million newly issued shares of LITGAS UAB. As a result, the Company held 30 million shares of LITGAS UAB. Following the transaction, the Company's ownership interest was 66.7%.

On 21 July 2014, the Board of Lietuvos Dujos AB gave its approval for unbundling distribution and supply activities through disposal of property unit (part of business entity) by Lietuvos Dujos AB, i.e. disposal of natural gas supply activity including assets, rights and obligations attached thereto. On 28 August 2014, a memorandum on incorporation of Lietuvos Dujų Tiekimas UAB, a newly established gas supply company, was signed. The Company is the founder and shareholder of Lietuvos Dujų Tiekimas UAB. Lietuvos Dujų Tiekimas UAB was registered on 2 September 2014, and its share capital is equal to LTL 3 000 000. The Company acquired the newly issued shares and its ownership interest in Lietuvos Dujų Tiekimas UAB is 100%.

Following the approval by the Lithuanian Ministry of Finance on 29 August 2014, a decision was made during the Company's Board meeting on 2 October 2014 to establish Lithuanian Energy Support Fund on 7 October 2014. The Company is the founder of the fund. The fund's share capital is equal to LTL 10 000.

On 17 October 2014, the Company as the sole shareholder decided to increase the share capital of VAE SPB by LTL 1 000 000 by issuing 1 000 000 new ordinary registered shares with the nominal value of LTL 1 each. As a result, the share capital of VAE SPB UAB increased from LTL 10 000 to LTL 1 010 000.

On 17 November 2014, the General Meeting of Shareholders decided to increase the share capital of Kauno Energetikos Remontas UAB by LTL 999 334, i.e. from LTL 14 244 778 to LTL 15 244 112. On 18 November 2014, Kauno Energetikos Remontas UAB and Lietuvos Energijos Gamyba AB signed an agreement for subscription of shares. Based on the agreement, Letuvos Energijos Gamyba AB subscribed for 999 334 ordinary registered shares of Kauno Energetikos Remontas UAB with the nominal value of LTL 1 each. As a result of share capital increase of Kauno Energetikos Remontas UAB, the number of shares held by Lietuvos Energijos Gamyba AB remained unchanged and was 100% as at 31 December 2014. As at 31 December 2014, the Company's indirectly held ownership interest in Kauno Energetikos Remontas UAB was 96.13%.

On 8 December 2014 the Company and Duomenų Logistikos Centras UAB signed an agreement on purchase-sale of stakeholder's rights. As a result, the Company acquired 100% of stakeholder's right to control the public institution Training Centre for Energy Specialists.

In February 2015, the Company wrote a letter of support to its subsidiary VAE SPB UAB.

The Group's structure as at 31 December 2014:

Company name	Country of business	Company type	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Lietuvos Energija UAB	Lithuania	Parent company	-	-	Holding company
LESTO AB	Lithuania	Subsidiary	94.39	5.61	Electricity supply and distribution to end users
Lietuvos Energijos Gamyba AB	Lithuania	Subsidiary	96.13	3.87	Electricity generation, supply, import, export and trade
Lietuvos Dujos AB	Lithuania	Subsidiary	96.64	3.36	Provision of natural gas distribution services, rational development of natural gas distribution infrastructure
Kauno Energetikos Remontas UAB	Lithuania		96.13	3.87	Repairs of energy equipment, manufacturing of metal structures
Energijos Tiekimas UAB	Lithuania		96.13	3.87	Electricity and natural gas supply
Geton Energy SIA	Latvia		96.13	3.87	Electricity supply
Geton Energy OU	Estonia		96.13	3.87	Electricity supply
Duomenų Logistikos Centras UAB	Lithuania		79.64	20.36	Support services for information technology and telecommunications
NT Valdos UAB	Lithuania		94.71	5.29	Disposal of real estate, other related activities and service provision
Technologijų ir Inovacijų Centras UAB	Lithuania		97.80	2.20	IT and telecommunication, and other services
Public Institution Training Centre for Energy Specialists	Lithuania	Subsidiary	100.00	-	Professional development and further training of energy specialists
Elektros Tinklo Paslaugos UAB	Lithuania		94.39	5.61	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to the grid
LITGAS UAB	Lithuania	Subsidiary	66.67	33.33	Supply of liquid natural gas via terminal and trade in natural gas
VAE SPB UAB	Lithuania	Subsidiary	100	-	Business and other management consultations
Verslo Aptarnavimo Centras UAB	Lithuania		97.00	3.00	Public procurement, accounting and employment relations administration services
Lietuvos Dujų Tiekimas UAB	Lithuania	Subsidiary	100	-	Purchase (import) of natural gas and sales to end users
Lithuanian Energy Support Fund	Lithuania	Subsidiary	100	-	Provision of support for projects, initiatives and activities of public interest

The Group's structure as at 31 December 2013:

Company name	Country of business	Company type	Group's effective ownership interest, %	Non-controlling interest's ownership interest, %	Profile of activities
Lietuvos Energija UAB	Lithuania	Parent company	-	-	Holding company
LESTO AB	Lithuania	Subsidiary	82.63	17.37	Electricity supply and distribution to end users
Lietuvos Energijos Gamyba AB	Lithuania	Subsidiary	96.13	3.87	Electricity generation, supply, import, export and trade
Kauno Energetikos Remontas UAB	Lithuania		96.13	3.87	Repairs of energy equipment, manufacturing of metal structures
Energijos Tiekimas UAB	Lithuania		96.13	3.87	Electricity and natural gas supply
Geton Energy SIA	Latvia		96.13	3.87	Electricity supply
Geton Energy OU	Estonia		96.13	3.87	Electricity supply
Duomenų Logistikos Centras UAB	Lithuania		73.21	26.79	Support services for information technology and telecommunications
NT Valdos UAB	Lithuania		87.92	12.08	Disposal of real estate, other related activities and service provision
Technologijų ir Inovacijų Centras UAB	Lithuania		85.75	14.25	IT and telecommunication, and other services
Public Institution Training Centre for Energy Specialists	Lithuania	Subsidiary	73.21	26.79	Professional development and further training of energy specialists
Elektros Tinklo Paslaugos UAB	Lithuania		82.63	17.37	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to the grid
LITGAS UAB	Lithuania	Subsidiary	66.67	33.33	Supply of liquid natural gas via terminal and trade in natural gas
VAE SPB UAB	Lithuania	Subsidiary	100	-	Business and other management consultations

As at 31 December 2014, the Company held ownership interest in the following Group companies:

Group company	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Interest held (%)
Subsidiaries:					
Lietuvos Energijos Gamyba AB	1 017 997	-	-	1 017 997	96.13
LESTO AB	1 860 624	(192 600)	-	1 668 024	94.39
Lietuvos Dujos AB	594 043	-	-	594 043	96.64
Duomenų Logistikos Centras UAB	25 096	(8 850)	-	16 246	79.64
LITGAS UAB	30 000	-	-	30 000	66.67
Technologijų ir Inovacijų Centras UAB	11 110	-	-	11 110	97.80
VAE SPB UAB	1 010	-	15	1 025	100.00
Verslo Aptarnavimo Centras UAB,	1 020	-	-	1 020	97.00
Lietuvos Dujų Tiekimas UAB	3 000	-	-	3 000	100
Public Institution Training Centre for Energy Specialists	1 068	-	-	1 068	100
Lithuanian Energy Support Fund	10	-	-	10	100
	3 544 978	**(201 450)**	**15**	**3 343 543**	
Investments:					
NT Valdos UAB	100	-	-	100	0.03
	100	**-**	**-**	**100**	
	3 545 078	**(201 450)**	**15**	**3 343 643**	

As at 31 December 2013, the Company held ownership interest in the following Group companies:

Group company	Acquisition cost	Contribution against loss	Carrying amount	Interest held (%)
Subsidiaries:				
Lietuvos Energijos Gamyba AB	1 017 998	-	1 017 998	96.13
LESTO AB	1 742 737	-	1 742 737	82.63
LITGAS UAB	2 000	-	2 000	66.67
Technologijų ir Inovacijų Centras UAB	5	-	5	50.00
VAE SPB UAB	10	5	15	100.00
	2 762 750	**5**	**2 762 755**	
Investments:				
Duomenų Logistikos Centras UAB	500	-	500	0.65
NT Valdos UAB	100	-	100	0.03
	600	**-**	**600**	
	2 763 350	**5**	**2 763 355**	

The Group's investments in associates and joint ventures as at 31 December 2014 and 31 December 2013 were as follows:

Group	2014		2013	
	Carrying amount	Group's interest (%)	Carrying amount	Group's interest (%)
Geoterma UAB	7 396	23.44	7 396	23.44
GET Baltic UAB	424	34.00	-	-
Nordic Energy Link AS	-	25.00	21 175	25.00
Total	**7 820**		**28 571**	
Group's share of profit of associates	-		7 625	
Group's share of loss of associates	(7 396)		(7 396)	
Carrying amount	**424**		**28 800**	

The Group did not account for its share of loss of associate Geoterma UAB, because amount of loss exceeded the Group's cost of investment. The share of loss not recognised amounted to LTL 876 thousand.

On 19 March 2014, the General Meeting of Shareholders of Nordic Energy Link AS decided to liquidate the company. As at 31 December 2014, the company had not been deregistered from the Register of Legal Entities.

The table below presents the financial position and financial performance results of associates as at and for the year ended 31 December 2014 (unaudited):

	Assets	Liabilities	Sales revenue	Net profit/(loss) for the year
Geoterma UAB	27 251	12 977	723	(1 604)
GET Baltic UAB	13 800	12 552	519	(174)
Nordic Energy Link AS	715	712	331	(3 629)

The table below presents the financial position and financial performance results of associates as at and for the year ended 31 December 2013 (unaudited):

	Assets	Liabilities	Sales revenue	Net profit/(loss) for the year
Geoterma UAB	31 412	11 967	7 246	(14 424)
Nordic Energy Link AS	114 391	4 371	56 291	13 352

Movements in investments in associates and joint ventures during the periods ended 31 December 2014 and 31 December 2013 were as follows:

Group	2014	2013
Carrying amount at 1 January	**28 800**	**29 178**
Acquisition of joint venture through business combination	424	-
Disposal/liquidation of associate	(22 157)	-
Dividends received from associate	(6 643)	-
Decrease in investments	-	(20)
Share of financial performance results of associates and joint venture	-	(358)
Carrying amount at 31 December	**424**	**28 800**

Disposal/liquidation of associate

On 19 March 2014, the General Meeting of Shareholders of Nordic Energy Link AS (NEL) decided to liquidate the company. On 19 March 2014, NEL bought out 10% of shares from its shareholders on a proportionate basis. The Group sold 860 000 ordinary registered shares for LTL 1 898 thousand. On 29 December 2014, NEL bought out the remaining shares from its shareholders. The Group sold 7 740 000 ordinary registered shares for LTL 18 056 thousand. On 19 March 2014, NEL paid out dividends of LTL 6 643 thousand to the Group. Loss on liquidation of associate NEL was recognised in the Group's statement of comprehensive income within 'Financial costs'. On 31 December 2014, NEL was deregistered from the register of Legal Entities.

Summarised statement of financial position of the Group companies as at 31 December 2014 and 2013:

Company name	Current assets and liabilities			Non-current assets and liabilities			Net assets
Year	Assets	Liabilities	Total net current assets	Assets	Liabilities	Total net non-current assets	
LESTO AB							
2014	235 438	(788 497)	**(553 059)**	2 587 307	(669 035)	**1 918 272**	**1 365 213**
2013	233 271	(725 035)	**(491 764)**	4 733 534	(986 900)	**3 746 634**	**3 254 870**
Lietuvos Energijos Gamyba AB							
2014	415 693	(256 494)	**159 199**	2 742 367	(1 633 430)	1 108 937	**1 268 136**
2013	359 448	(192 406)	**167 042**	2 881 919	(1 676 310)	1 205 609	**1 372 651**
Lietuvos Dujos AB							
2014	127 124	(24 372)	**102 752**	616 189	(147 192)	468 997	**571 749**
2013	-	-	**-**	-	-	-	**-**
Kauno Energetikos Remontas UAB							
2014	51 536	(46 746)	**4 790**	21 029	(7 518)	13 511	**18 301**
2013	27 822	(18 815)	**9 007**	22 213	(8 616)	13 597	**22 604**
Energijos Tiekimas UAB							
2014	40 558	(31 674)	**8 884**	1 027	-	1 027	**9 911**
2013	33 585	(24 245)	**9 340**	1 009	-	1 009	**10 349**
Geton Energy SIA			**-**			-	**-**
2014	1 979	(1 885)	**94**	1	-	1	**95**
2013	90	(6)	**84**	-	-	-	**84**
Geton Energy OU			**-**			-	**-**
2014	102	(1)	**101**	-	-	-	**101**
2013	109	(1)	**108**	-	-	-	**108**
Duomenų Logistikos Centras UAB			**-**			-	**-**
2014	7 670	(2 731)	**4 939**	24 218	(12 516)	11 702	**16 641**
2013	54 727	(10 683)	**44 044**	19 825	(1 639)	18 186	**62 230**
NT Valdos UAB			**-**			-	**-**
2014	29 485	(7 464)	**22 021**	286 153	(4 485)	281 668	**303 689**
2013	28 090	(10 907)	**17 183**	283 549	(3 357)	280 192	**297 375**
Elektros Tinklo Paslaugos UAB			-			-	-
2014	26 435	(13 213)	**13 222**	11 272	(237)	11 035	**24 257**
2013	25 064	(14 025)	**11 039**	12 006	(147)	11 859	**22 898**
LITGAS UAB							
2014	169 125	(127 953)	**41 172**	675	-	675	**41 847**
2013	2 098	(80)	**2 018**	159	-	159	**2 177**
Technologijų ir Inovacijų Centras UAB							
2014	9 742	(12 432)	**(2 690)**	22 520	(43)	22 477	**19 787**
2013	31	(17 493)	**(17 462)**	14 958	-	14 958	**(2 504)**
Verslo Aptarnavimo Centras UAB			-			-	-
2014	1 791	(522)	**1 269**	-	-	-	**1 269**
2013	-	-	**-**	-	-	-	**-**

Data presented have been taken from the financial statements of subsidiaries and exclude adjustments for consolidation purposes.

Summarised statement of profit or loss and other comprehensive income of the Group companies for 2014 and 2013:

Company name/ Year	Revenue	Profit before income tax	Income tax	Net profit from continuing operations	Net profit from discontinued operations	Other comprehensive income	Total comprehensive loss for the year	Profit (loss) attributable to non-controlling interest	Dividends paid to non-controlling interest
LESTO AB									
2014	**2 246 774**	(668 297)	99 962	(568 335)	-	(1 144 532)	**(1 712 867)**	(96 092)	23 661
2013	**2 398 395**	50 070	(6 698)	43 372	-	-	**43 372**	2 433	17 836
Lietuvos Energijos Gamyba AB									
2014	**805 192**	131 160	(15 817)	115 343	-	-	**115 343**	4 462	8 505
2013	**1 087 162**	87 071	7 285	94 356	-	(3 227)	**91 129**	3 525	982
Lietuvos Dujos AB									
since 20 June 2014	**318 726**	(188 127)	38 740	(149 387)	-	16 967	**(132 420)**	1 243	4 130
2013	**-**	-	-	-	-	-	**-**	-	-
Kauno Energetikos Remontas UAB									
2014	**109 202**	(12 134)	(163)	(12 297)	-	-	**(12 297)**	(476)	-
2013	**40 585**	821	43	864	-	-	**864**	33	-
Energijos Tiekimas UAB									
2014	**232 128**	2 935	(373)	2 562	-	-	**2 562**	99	-
2013	**195 430**	5 736	(802)	4 934	-	-	**4 934**	191	-
Geton Energy SIA									
2014	**4 663**	11	-	11	-	-	**11**	-	-
2013	**25**	(15)	-	(15)	-	-	**(15)**	(1)	-
Geton Energy OU									
2014	**8**	(7)	-	(7)	-	-	**(7)**	-	-
2013	**5**	(13)	-	(13)	-	-	**(13)**	(1)	-
Duomenų Logistikos Centras UAB									
2014	**19 107**	1 745	(401)	1 344	-	-	**1 344**	274	394
2013	**17 976**	4 581	(1 590)	2 991	2 344	-	**5 335**	1 429	-
NT Valdos UAB									
2014	**57 456**	2 201	(277)	1 924	-	4 390	**6 314**	334	-
2013	**53 649**	3 406	(660)	2 746	-	-	**2 746**	331	-
Elektros Tinklo Paslaugos UAB									
2014	**80 550**	1 969	(440)	1 529	-	-	**1 529**	86	-
2013	**78 429**	323	(180)	143	-	299	**442**	77	-
LITGAS UAB									
2014	**109 296**	(2 788)	458	(2 330)	-	-	**(2 330)**	(777)	-
2013	**-**	(919)	96	(823)	-	-	**(823)**	(274)	-
Technologijų ir Inovacijų Centras UAB									
2014	**45 963**	2 104	(364)	1 740	-	-	**1 740**	38	-
2013	**2**	(4)	-	(4)	-	-	**(4)**	(1)	-
Verslo Aptarnavimo Centras UAB,									
2014	**1 143**	(622)	-	(622)	-	-	**(622)**	(19)	-
2013	**-**	-	-	-	-	-	**-**	-	-

Data presented have been taken from the financial statements of subsidiaries and exclude adjustments for consolidation purposes.

Summarised statement of cash flows of the Group companies for the years 2014 and 2013:

Company name/ Year	Cash flows from operating activities	Income tax paid	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Net increase (decrease) in cash flows	Cash and cash equivalents at the beginning of the year	Cash and cash equivalents at the end of the year
LESTO AB								
2014	383 588	(32 976)	350 612	(306 646)	(12 049)	31 917	(61 959)	(30 042)
2013	403 617	(44 190)	359 427	(289 716)	(79 750)	(10 039)	(51 920)	(61 959)
Lietuvos Energijos Gamyba AB			-			-		-
2014	303 420	(4 498)	298 922	10 653	(226 110)	83 465	178 087	261 552
2013	452 782	(9 508)	443 274	(119 439)	(96 477)	227 358	(49 271)	178 087
Lietuvos Dujos AB			-			-		-
since 1 July 2014	152 463	(8 433)	144 030	47 126	(122 959)	68 197	-	68 197
2013	-	-	-	-	-	-	-	-
Kauno Energetikos Remontas UAB			-			-		-
2014	(10 474)	(97)	(10 571)	(376)	8 475	(2 472)	6 314	3 842
2013	9 665	-	9 665	(1 026)	(3 231)	5 408	906	6 314
Energijos Tiekimas UAB			-			-		-
2014	6 310	(416)	5 894	(1 081)	(3 015)	1 798	6 780	8 578
2013	16 386	(807)	15 579	(314)	(2 023)	13 242	(6 462)	6 780
Geton Energy SIA			-			-		-
2014	(873)	-	(873)	(1)	994	120	81	201
2013	(18)	-	(18)	-	99	81	-	81
Geton Energy OU			-			-		-
2014	(7)	-	(7)	-	-	(7)	105	98
2013	(16)	-	(16)	-	121	105	-	105
Duomenų Logistikos Centras UAB			-			-		-
2014	(383)	(1 222)	(1 605)	11 492	(34 980)	(25 093)	28 172	3 079
2013	14 884	(542)	14 342	(11 307)	-	3 035	25 137	28 172
NT Valdos UAB			-			-		-
2014	14 613	(277)	14 336	(13 457)	(3)	876	18 478	19 354
2013	14 230	-	14 230	(11 518)	(97)	2 615	15 863	18 478
Elektros Tinklo Paslaugos UAB								
2014	4 278	(182)	4 096	(853)	(235)	3 008	(637)	2 371
2013	(3 693)	(296)	(3 989)	(1 221)	(49)	(5 259)	4 622	(637)
LITGAS UAB						-		-
2014	(26 411)	-	(26 411)	(98)	41 133	4 624	2 076	16 700
2013	(868)	-	(868)	(55)	1 999	1 076	1 000	2 076
Technologijų ir Inovacijų Centras UAB			-			-		-
2014	10 151	-	10 151	(31 430)	21 301	22	10	32
2013	-	-	-	-	10	10	-	10
Verslo Aptarnavimo Centras UAB,			-			-		-
2014	(875)	-	(875)	-	1 891	1 016	-	1 016
2013	-	-	-	-	-	-	-	-

Data presented have been taken from the financial statements of subsidiaries and exclude adjustments for consolidation purposes.

10 Amounts receivable after one year

Amounts receivable after one year include as follows:

	Group		Company	
	2014	2013	2014	2013
Mortgage loans granted	2 455	3 580	-	-
Amount receivable on disposal of Litgrid AB	725 000	690 000	725 000	690 000
Loan granted	100 131	-	100 131	-
Unbilled accrued revenue from electricity-related sales	-	19 082	-	-
Finance lease.	3 213	-	-	-
Amounts receivable on emission allowances lent	1 473	1 244	-	-
Total	832 272	713 906	825 131	690 000
Less: impairment	(798)	(1 018)	-	-
Carrying amount	**831 474**	**712 888**	**825 131**	**690 000**

*In 2013, the Group recognised revenue of LTL 19 082 thousand from capacity reserve services. As at 31 December 2014, the amount was reclassified to 'Trade receivables (Note 13) as its compensation is expected in 2015.

Information on the fair value of amount receivable from EPSO-G on disposal of Litgrid and a loan granted is presented in Note 3.1. In May 2014, a loan was granted and loan repayment terms were amended in relation to the disposal of shares of Ligrid AB in 2012. Based on the amended repayment terms, interest rates were reviewed and changed.

On 17 June 2014, a loan subordination agreement was signed between the bank, the Company and EPSO-G UAB. Based on the agreement, the Company subordinates a loan of LTL 179 546 thousand, which was granted to EPSO-G UAB, in view of the credit agreement signed between the bank and EPSO-G UAB.

Amounts receivable on emission allowances lent comprised future proceeds under credit agreements signed with STX BV and CF partners (UK) LLP. Amounts receivable have been measured at present value of future cash flows discounted at rate of 6% (as at 31 December 2014 and 2013). The fair value of amounts receivable on emission allowances lent is attributed to Level 3 in the fair value hierarchy.

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

The mortgage loans comprise loans granted to private individuals for the period up to 25 years. The mortgage loans are repayable by instalments by the year 2027. The mortgage loans are secured over residential property. The current portion of these loans amounted to LTL 262 thousand (2013: LTL 300 thousand) and was accounted for under 'Other receivables' (Note 14). These loans were issued with a fixed interest rate ranging from 0.1 to 1%.

The Group's mortgage loans were discounted using the weighted average interest rate of 7.69% as at 31 December 2014 (7.65% as at 31 December 2013). The fair value of mortgage loans was estimated on the basis of cash flows discounted at a rate of 2.21% (2.51% as at 31 December 2013)., and is attributed to Level 3 in the fair value hierarchy. The fair values of mortgage loans are presented below:

	Group		Company	
	2014	2013	2014	2013
Fair value of loans granted	2 425	3 458	-	-
Carrying amount of loans granted (non-current and current part)	1 919	2 862	-	-

Movements on the impairment account during the years ended 31 December 2014 and 2013:

	Group		Company	
	2014	2013	2014	2013
At 1 January	**1 018**	**1 230**	**-**	**-**
Impairment	-	-	-	-
Reversal of impairment	(220)	(212)	-	-
At 31 December	**798**	**1 018**	**-**	**-**

11 Other non-current assets

Other non-current assets comprise as follows:

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

As at 31 December 2011, 400 000 emission allowances were lent under the terms of a lending agreement concluded on 1 December 2009 with STX Services BV. The agreement expires in 2021. On 16 April 2012, additional 650 000 emission allowances were lent under the terms of a lending agreement signed on 13 April 2012 with CF partners (UK) LLP. On 25 June 2013, this agreement was supplemented to extend its validity term until 31 March 2015. Impairment of emission allowances was estimated with reference to the market prices of emission allowances as at 31 December 2014.

Lietuvos energija

12 Inventories

	Group		Company	
	2014	2013	2014	2013
Natural gas	152 772	-		
Consumables, raw materials and spare parts	21 865	20 881	-	-
Electricity and gas meters	2 771	3 257	-	-
Heavy fuel oil	16 474	20 740	-	-
Other	2 825	4 222	-	-
Total	196 707	49 100	-	-
Less: impairment	(13 664)	(14 486)	-	-
Carrying amount	**183 043**	**34 614**	**-**	**-**

The Group's inventories recognised as expenses during the year ended 31 December 2014 amounted to LTL 557 194 thousand (31 December 2013: LTL 107 55 thousand).

Movements on the account of inventory write-down to net realisable value during 2014 and 2013 were as follows:

	Group		Company	
	2014	2013	2014	2013
Carrying amount at 1 January	**14 486**	**17 341**	**-**	**-**
Additional impairment	1 739	1 898	-	-
Reversal of impairment	(2 561)	(4 753)	-	-
Carrying amount at 31 December	**13 664**	**14 486**	**-**	**-**

The acquisition cost of the Group's inventories carried at net realisable value as at 31 December 2014 amounted to LTL 180 388 thousand (31 December 2013: LTL 53 898 thousand).

Movements on the account of inventory write-down to net realisable value were recognised in the statement of comprehensive income within 'Other expenses'.

In 2014, the Company's subsidiary LITGAS UAB concluded a loan agreement, based on which it pledged all its current inventories of goods and all rights of claim. As at 31 December 2014, the Group's inventories pledged amounted to LTL 119 690 thousand (31 December 2013: LTL 6 000 thousand) (Note 19).

13 Trade receivables

	Group		Company	
	2014	2013	2014	2013
Receivables on sales of electricity in Lithuania	270 388	311 186	-	-
Receivables on exports of electricity	7 275	1 819	-	-
Receivables on sales of gas from non-household consumers	169 951	-		
Receivables on sales of gas from household consumers	6 843	-		
Other trade receivables	45 614	45 820	1	2
Total	500 071	358 825	1	2
Less: impairment of trade receivables	(49 363)	(54 388)	-	-
Carrying amount	**450 708**	**304 437**	**1**	**2**

Movements on the account of provision for impairment during 2014 and 2013 were as follows:

	Group		Company	
	2014	2013	2014	2013
At 1 January	**54 388**	**52 421**	**-**	**-**
Impairment charge for the year	5 351	18 127	-	-
Write-offs	(10 376)	(16 160)	-	-
At 31 December	**49 363**	**54 388**	**-**	**-**

Impairment of receivables was recognised in the statement of comprehensive income within 'Other expenses'.

The table below presents the ageing analysis of trade receivables that were not identified as doubtful:

	Group		Company	
	2014	2013	2014	2013
Not past due	405 389	273 292	1	2
Up to 30 days	20 013	20 340	-	-
30-60 days	5 097	5 462	-	-
60–90 days	3 438	1 926	-	-
90-120 days	2 063	1 058	-	-
Over 120 days	14 708	2 359	-	-
Carrying amount	**450 708**	**304 437**	**1**	**2**

The fair values of trade receivables as at 31 December 2014 and 2013 approximated their carrying amount.

14 Other amounts receivable

	Group		Company	
	2014	2013	2014	2013
Value added tax	5 335	1 215	1 730	1 067
Receivables for property, plant and equipment	4	3	-	-
Unbilled accrued revenue from electricity sales (including related VAT)	21 727	22 050	-	-
Unbilled accrued revenue from electricity-related sales (note 4).	19 086	11 280	-	-
Current portion of mortgage loans granted	262	300	-	-
Amount receivable on disposal of Litgrid AB	-	35 000	-	35 000
Amounts receivable on LNG shipment for testing	14 424	-	-	-
Other amounts receivable	15 815	18 923	5 529	2 470
Total	**76 653**	**88 771**	**7 259**	**38 537**
Less: impairment of other amounts receivable	(2 221)	(3 130)	-	-
Carrying amount	**74 432**	**85 641**	**7 259**	**38 537**

The fair value of other amounts receivable as at 31 December 2014 and 2013 approximates their carrying amount.

15 Investments

Long-term investments comprise as follows:

	Group		Company	
	At 31 Dec 2014	At 31 Dec 2013	At 31 Dec 2014	At 31 Dec 2013
Available-for-sale financial assets	16 216	-	16 216	-
Held-to-maturity financial assets				
Lithuanian Government bonds	-	57 302	-	57 302
Carrying amount	**16 216**	**57 302**	**16 216**	**57 302**

Short-term investments comprise as follows:

	Group		Company	
	At 31 Dec 2014	At 31 Dec 2013	At 31 Dec 2014	At 31 Dec 2013
Held-to-maturity financial assets				
Lithuanian Government bonds	-	40 131	-	40 131
Loans and receivables:				
Bonds of banks	-	81 433	-	81 433
Interest receivable	52	821	52	821
Carrying amount	**52**	**122 385**	**52**	**122 385**

As at 31 December 2014, the Group's/Company's held-to-maturity financial assets comprised LTL-denominated Lithuanian Government bonds, the redemption date of which is in 2016. As at 31 December 2014, the weighted average annual interest rate on bonds was 1.67%.

In 2014 the Group/Company sold part of securities, which were classified as held-to-maturity as at 31 December 2013, prior to their maturity and classified the remaining securities as available for sale, and measured them at fair value. The Company does not expect to classify its securities as held-to-maturity for the upcoming 2 years, i.e. by 31 May 2016.

Fair value of investments

As at 31 December 2014, Lithuanian Government bonds were stated at fair value. The fair value of debt securities is attributed to Level 1 in the fair value hierarchy and it was determined with reference to the highest bid price (including accrued interest) offered for the respective debt securities by one of three commercial banks in Lithuania, available as at 31 December 2014.

The fair value of Lithuanian Government bonds was equal to LTL 98 284 thousand as at 31 December 2013, and was within Level 1 in the fair value hierarchy. The fair value of debt securities was determined with reference to the best bid price (including accrued interest) offered for the respective debt securities by one of three commercial banks in Lithuania, available as at 31 December 2013 Nominal value of investments is multiplied by the best bid price (including accrued interest) effective as at 31 December 2013.

The fair value of bank bonds was equal to LTL 81 587 thousand as at 31 December 2013. It was determined with reference to the interest rate payable on redemption of bonds prior to their maturity and the period that the Company intended to hold them, and it is attributed to Level 2 in the fair value hierarchy.

Table of movements on the accounts of long-term and short-term investments:

	Group		Company	
	2014	2013	2014	2013
At 1 January	**178 866**	**149 979**	**178 866**	**149 979**

Additions	-	199 583	-	199 583
Redeemed	162 650	170 696	162 650	170 696
At 31 December	**16 216**	**178 866**	**16 216**	**178 866**

16 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Cash at bank and on hand	629 431	558 396	108 235	309 974
Overnight deposits	99 174	-	-	-
Carrying amount	**728 605**	**558 396**	**108 235**	**309 974**

For the purpose of cash flow statement, cash and cash equivalents, and bank overdrafts were as follows:

	Group		Company	
	2014	2013	2014	2013
Cash and cash equivalents	728 605	558 396	108 235	309 974
Bank overdrafts (Note 19)	(44 992)	(70 708)	-	-
Carrying amount	**683 613**	**487 688**	**108 235**	**309 974**

The fair value of cash and cash equivalents as at 31 December 2014 and 2013 approximated their carrying amount.

According to the loan agreements signed with the banks, the Group has pledged current and future cash inflows to bank accounts (Note 19). As at 31 December 2014, the balance of cash pledged amounted to LTL 5 361 thousand (31 December 2013: LTL 5 940 thousand).

17 Equity

The Lithuanian Finance Ministry (the Ministry) who manages by the right of trust the Company's shares owned by the state resolved to increase the Company's share capital by LTL 112.7 million based on Order No 1K-060 of 21 February 2014 *Regarding increase of share capital of Lietuvos Energija UAB and amendment to Finance Minister's Order No 1K-251 of 16 July 2013 On amendment to Articles of Association of Visagino Atominė Elektrinė UAB and formation of Supervisory Council.* On 21 February 2014, the Ministry and the Company signed an agreement for the subscription of shares, under which the Company committed to provide 112 685 657 ordinary registered shares, whereas the Ministry committed to subscribe for and pay a full issue price of newly issued shares by in-kind contribution representing the shares of Lietuvos Dujos AB owned by the state.

On 06 March 2014, the share capital of Lietuvos Energija UAB was increased from LTL 4 067 to LTL 4 180 million. Nominal value and issue price of newly issued shares is LTL 1 each. The value of the Ministry's shareholding in Lietuvos Dujos AB, i.e. 17.7%, was determined based on the provisions of the Law on Companies, and was equal to the weighted average 6-month market price of LTL112.7 million.

As at 31 December 2014, the Company's share capital amounted to LTL 4 179 849 289 (31 December 2013: LTL 4 067 163 632). As at 31 December 2013 and 2014, the share capital was divided into ordinary registered shares with a nominal value of LTL 1 each. All the shares have been fully paid.

18 Reserves

Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the share capital. The legal reserve cannot be used for the payment of dividends and it is formed to cover future losses only.

As at 31 December 2014, the Group's legal reserve amounted to LTL 84 million thousand (31 December 2013: LTL 77 million).

This reserve was not formed at the Company.

Revaluation reserve

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

In 2005, part of the Group's legal reserve was used to increase the subsidiary's share capital. In order to reflect in profit or loss of the group's consolidated financial statements the result of valuation of assets conducted in 2014 irrespective of any decreases in revaluation reserve in previous periods (valuation results are described in Note 7), amount of LTL 368 million of the reserve, which was used to increase the share capital, was reversed from retained earnings.

As at 31 December 2014, the Company's revaluation reserve amounted to LTL 233.5 million (31 December 2013: LTL 727.6 million).

This reserve was not formed at the Company.

Other reserves

Other reserves are formed following the decision of shareholders and can be redistributed on distribution of profit for upcoming year. As at 31 December 2014, the Group's other reserves amounted to LTL 161 thousand (31 December 2013: LTL 651.5 million). Movement in other reserves encompasses transfers by subsidiary Lietuvos Energijos Gamyba AB from the reserve related to assets and from the reserve for investments. Transfers of LTL 651.6 million to retained earnings were made following the decision of the General Meeting of Shareholders in 2014.

The Company accounts for the changes in fair value of available-for-sale financial assets within other reserves. Amount of LTL 255 thousand was accumulated as at 31 December 2014.

Group	Reserve for reduction of share capital	Reserve for investments	Restricted-use reserves related to non-current assets	Other reserves	Total
Balance at 31 December 2012	**(61 310)**	**112 276**	**638 956**	**-**	**689 922**
Utilisation /reversal of reserves	-	-	(38 453)	-	(38 453)
Balance at 31 December 2013	**(61 310)**	**112 276**	**600 503**	**-**	**651 469**
Formation of reserves	-	-	-	255	255
Utilisation /reversal of reserves	-	(51 053)	(600 503)	(7)	(651 563)
Balance at 31 December 2014	**(61 310)**	**61 223**	**-**	**248**	**161**

The reserve for reduction of share capital on transfer of heavy fuel oil storage tanks was formed in 1999 as a result of transfer of heavy fuel oil storage tanks by Lietuvos Energijos Gamyba AB to a state enterprise Vilniaus Mazuto Saugykla (though expected, the share capital had not been reduced by this amount yet).

The reserve for investments was formed by Lietuvos Energijos Gamyba AB for the purpose of accumulating funds necessary construction and development of non-current assets. Decisions regarding utilisation of these funds are made by the Group company's shareholders.

Restricted-use reserves related to non-current assets were formed when Lietuvos Energijos Gamyba AB first time adopted IFRS starting from 1 January 2004. On transition to IFRS, the company's equity increased and for the purpose of restricting the potential distribution of the increased amount, the reserves related to non-current assets were formed. Based on the decision of shareholders, these funds were transferred to retained earnings in 2014.

19 Borrowings

	Group		Company	
	2014	2013	2014	2013
Non-current				
Bank borrowings	863 251	805 826	-	-
Current				
Current portion of non-current borrowings	442 220	302 656	-	-
Letters of credit	1 442			
Bank overdrafts	44 992	70 708		
Accrued interest	26	854	-	-
Total borrowings	**1 351 931**	**1 180 044**	**-**	**-**

All borrowings of the Group bear variable interest rates with repricing intervals of up to 6 months.

Non-current borrowings grouped by maturity:

	Group		Company	
	2014	2013	2014	2013
Between 1 and 2 years	280 829	113 352	-	-
Between 2 and 5 years	331 221	590 329	-	-
After 5 years	251 201	102 145	-	-
Total	**863 251**	**805 826**	**-**	**-**

The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
LTL	55 997	70 708	-	-
EUR	1 295 934	1 109 336	-	-
Total	**1 351 931**	**1 180 044**	**-**	**-**

As at 31 December 2014 and 2013, the fair value of borrowings approximated their carrying amount, except for borrowings of Lietuvos Energijos Gamyba AB with the carrying amounts of LTL 562.4 million and LTL 555.4 million, respectively. The fair value of these borrowings was approx. LTL 532.2 million as at 31 December 2014 (31 December 2013: LTL 609.9 million). The fair value was determined at a discount rate of 2.46% (31 December 2013: 2.9%).

The loan contracts contain financial and non-financial covenants that the individual Group companies are obliged to comply with. As at 31 December 2014, the Company's subsidiary LESTO AB failed to comply with one of financial covenants stipulated in the loan contract, and accordingly, the total outstanding balance of loan of LTL 21 807 thousand was reclassified to current portion of borrowings. Other Group companies complied with these covenants as at 31 December 2014. All Group companies complied with these covenants as at 31 December 2013.

To secure the repayment of certain borrowings, the Group pledged its property, plant and equipment (Note 7), inventories (Note 12) and cash balances (Note 16).

As at 31 December 2014, the Group's balance of credit and overdraft facilities not withdrawn amounted to LTL 793 million (31 December 2013: LTL 325 million).

20 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax relates to the same fiscal authority. Movements in deferred income tax assets and liabilities during the reporting period were as follows:

Group	At 31 Dec 2012 (restated)	Recognised in profit or loss	Recognised in other comprehensive income	At 31 Dec 2013 (restated)	Recognised in profit or loss	Recognised in other comprehensive income	Increase on acquisition of subsidiary	At 31 Dec 2014
Deferred income tax assets								
Difference on recognition of revenue from new customer connection services	2 400	(587)	-	**1 813**	(609)	-	-	1 204
Deferred income	1 134	11 130	-	**12 264**	8 946	-	-	21 210
Accrued expenses	1 964	248	-	**2 212**	(24)	-	-	2 188
Impairment of assets	7 513	10 943	-	**18 456**	(1 771)	-	2 168	18 853
Tax losses not utilised	2 910	382	-	**3 292**	10 798	-	-	14 090
Other expenses	3 538	(1 336)	-	**2 202**	(2 202)	-	-	-
Deferred income tax assets before write-down to net realisable value	**19 459**	**20 780**	**-**	**40 239**	**15 138**	**-**	**2 168**	**57 545**
Less: write-down to net realisable value	-	(41)	-	**(41)**	41	-	-	-
Deferred income tax assets, net	**19 459**	**20 739**	**-**	**40 198**	**15 179**	**-**	**2 168**	**57 545**
Deferred income tax liabilities								
Valuation of PP&E (increase/decrease in value) and differences in depreciation rates	403 746	(14 478)	(363)	**388 905**	(228 294)	(101 081)	-	59 530
Tax relief on acquisition of PP&E	18 384	(3 080)	-	**15 304**	(2 418)	-	-	12 886
Increase in value of assets	4	-	-	**4**	-	45	-	49
Accrued expenses	3 852	(19)	-	**3 833**	(370)	-	(3 468)	(5)
Difference on recognition of revenue from new customer connection services	11 722	(984)	-	**10 738**	(984)	-	-	9 754
Other	11 933	(33)	-	**11 900**	9 122	-	-	21 022
Deferred income tax liability, net	449 641	(18 594)	(363)	**430 684**	(222 944)	(101 036)	(3 468)	103 236
Deferred income tax, net	**(430 182)**	**39 333**	**363**	**(390 486)**	**238 123**	**101 036**	**5 636**	**(45 691)**

Company	At 31 Dec 2012	Recognised in profit or loss	Recognised in other comprehensive income	At 31 Dec 2013	Recognised in profit or loss	Recognised in other comprehensive income	At 31 Dec 2014
Deferred income tax assets							
Accrued expenses	98	(27)	-	71	83	-	154
Deferred income tax assets, net	**98**	**(27)**	**-**	**71**	**83**	**-**	**154**
Deferred income tax liabilities							
Valuation result of financial assets	-	-	-	-	-	45	45
Deferred income tax liability, net	**-**	**-**	**-**	**-**	**-**	**45**	**45**
Deferred income tax, net	**98**	**(27)**	**-**	**71**	**83**	**(45)**	**109**

As at 31 December 2014, the Group did not recognise deferred income tax on accumulated tax loss from operations of LTL 77 805 thousand

21 Grants and subsidies

The balance of grants comprises grants to finance acquisition of assets, funds received from the International Fund for Support of Decommissioning of Ignalina Nuclear Power Plant, from the EU structural funds, and property, plant and equipment and intangible assets received in return for no consideration from the Government of the Republic of Lithuania. Movements on the account of grants in 2014 and 2013 were as follows:

Group	Asset-related grants		Grants for emission allowances	Total
	Other projects of the group	Projects for renovation, improvement of environmental and security standards		
Balance at 31 December 2012	**117 848**	**1 007 602**	**-**	**1 125 450**
Depreciation of property, plant and equipment	(5 952)	(34 844)	-	(40 796)
Grants received	6 919	-	6 406	13 325
Emission allowances utilised	-	-	(6 406)	(6 406)
Grants reversed	(62)	-	-	(62)
Balance at 31 December 2013	**118 753**	**972 758**	**-**	**1 091 511**
Depreciation of property, plant and equipment	(4 313)	(36 993)	-	(41 306)
Grants received	25 951	-	8 039	33 990
Emission allowances utilised		-	(8 039)	(8 039)
Utilisation of EU funds	(126)			(126)
Grants reversed (Note 7)	(18 085)	(6 742)	-	(24 827)
Balance at 31 December 2014	**122 180**	**929 023**	**-**	**1 051 203**

Amortisation of grants is included in depreciation and amortisation expenses in the statement of comprehensive income and charged against the depreciation expenses of the related property, plant and equipment.

After revaluation of non-current assets in 2014, the Group reversed asset-related grants of LTL 18 085 thousand, for which impairment was assessed. Reversal was made to reflect the result of valuation of assets irrespective of the selected approach of presentation of grants in the financial statements. In addition, the Group recognised impairment loss related to decommissioning of Units 1 and 2 of the Reserve Power Plant, and accordingly, accounted for reversal of grant of LTL 6 742 thousand.

22 Deferred income

	Group		Company	
	2014	2013	2014	2013
At 1 January	**189 523**	**198 034**	**-**	**-**
Received during the period	5 360			
Utilised during the period	(8 525)	(8 511)	-	-
At 31 December	**186 358**	**189 523**	**-**	**-**

Deferred income represents income from connection of new customers to natural gas system and from connection of new customers to the grid. After 1 July 2009, all income from connection of new customers to the grid and from the movement of electricity network facilities is recognised in the period when the works are performed. Before 1 July 2009, deferred income was recognised over the average useful life of related property, plant and equipment (see Notes 2.22 and 4). Income from connection of new customers to natural gas system was recognised over the average useful life of related property, plant and equipment.

23 Provisions

	Group		Company	
	2014	2013	2014	2013
Non-current	29 498	4 588	-	-
Current	20 316	12 437	-	-
Carrying amount	**49 814**	**17 025**	**-**	**-**

Group	Provisions for litigations and claims	Emission allowance liabilities*	Provisions for employee benefits	Other provi-sions	Total
At 31 December 2012	**305**	**13 895**	**3 227**	**-**	**17 427**
Increase during the period	101	9 745	4 153	-	13 999
Utilised during the period (Note 6)	(20)	(13 895)	(486)	-	(14 401)
At 31 December 2013	**386**	**9 745**	**6 894**	**-**	**17 025**
Increase on acquisition of subsidiary	-	-	7 964	23 928	31 892
Increase during the period	-	9 803	1 865	4 067	15 735
Utilised during the period (Note 6)	(101)	(10 042)	(3 567)	-	(13 710)
Decrease/increase on change of assumptions	-	297	(1 425)	-	(1 128)
At 31 December 2014	**285**	**9 803**	**11 731**	**27 995**	**49 814**

*For the purpose of the statement of comprehensive income, expenses related to provisions for emission allowances utilised are accounted for net of government grants (Note 21).

Under the collective employment agreement, some subsidiaries provide to employees larger than statutory retirement benefits. Actuarial calculations are being performed seeking to obtain a more precise amount of liabilities to employees. Liabilities are accounted for at the present value discounted using the market interest rate.

On 7 May 2014, Lietuvos Dujos AB concluded an arrangement with natural gas supplier Gazprom OAO regarding a significant reduction of price for natural gas imported by Lietuvos Dujos AB for the period from 1 January 2013 to 31 December 2015. Based on this arrangement, gas import price calculation formula was adjusted retrospectively for the Company for the period from 1 January 2013 to 31 March 2014. As Lietuvos Dujos AB and the Commission agreed that natural gas tariffs for household consumers will be reduce by the effect of decrease in gas import price for the period from the 2nd half of 2014 to 2016, the Group recognised LTL 28 million provision for onerous contracts with household consumers in respect of the share of price reduction effect pertaining to 2015.

The provision for onerous contracts with household consumers was recognised with reference to forecast sales volume, prices agreed with the Commission for the 1st half of 2015, and forecast prices for the 2nd half of 2015 and for 2016.

24 Other non-current amounts payable and liabilities

	Group		Company	
	2014	2013	2014	2013
Advance PSO services fees	53 182	70 059	-	-
Non-current trade payables	4 777	5 481	-	-
Other	2 639	2 019	-	-
Carrying amount	**60 598**	**77 559**	**-**	**-**

The current portion of advance PSO service fees received was classified as advance amounts received (LTL 25 114 thousand as at 31 December 2013 and LTL 13 104 thousand as at 31 December 2012).

25 Trade payables

	Group		Company	
	2014	2013	2014	2013
Amounts payable for electricity and related services	163 803	217 840	-	-
Amounts payable for construction works, services	35 898	45 409	-	-
Amounts payable for gas	267 373	2 868	-	-
Other amounts payable	24 621	2 444	648	409
Carrying amount	**491 695**	**268 561**	**648**	**409**

26 Other current amounts payable and liabilities

	Group		Company	
	2014	2013	2014	2013
Employment-related liabilities	17 822	11 312	-	132
Accrued expenses and deferred income for electricity and gas	5 841	108	-	-
Amounts payable for property, plant and equipment	95 437	93 212	-	-
Taxes (other than income tax)	47 787	16 366	-	-
Accrued expenses and deferred income	32 925	32 255	-	-
Other amounts payable and liabilities	15 563	10 426	1 065	1 288
Carrying amount	**215 375**	**163 679**	**1 065**	**1 420**

27 Sales revenue

	Group		Company	
	2014	2013	2014	2013
Revenue from sale of electricity	2 556 730	2 720 150	-	-
Export of electricity	-	15 342	-	-
Revenue from sale of gas	586 919	-		
Other sales revenue	53 870	51 675	-	-
Total	**3 197 519**	**2 787 167**	**-**	**-**

28 Other income

	Group		Company	
	2014	2013	2014	2013
Repair services	48 672	44 344	-	-
IT and communication services	26 153	31 008	-	-
Lease income	21 219	16 584	8	8
Income from LNG shipment for testing	25 653	-	-	-
Other	39 285	28 434	-	-
Total	**160 982**	**120 370**	**8**	**8**

The Group companies provide motor vehicle and real estate lease services under operating lease contracts concluded for definite period, which may be extended for additional period ranging from several hours to several years. Income from lease of motor vehicles and real estate is recognised as income in the statement of profit or loss and other comprehensive income on a proportionate basis over the lease period.

29 Other expenses

	Group		Company	
	2014	2013	2014	2013
Subcontracting and material for construction works	16 562	34 603	-	-
Taxes	20 985	19 631	145	168
Impairment of amounts receivable (Notes 13, 14)	(8 318)	19 337	-	-
Impairment of investments (Note 9)	-	-	201 450	-
Write offs of PP&E (Notes 6, 7)	14 163	17 414	-	-
Expenses related to revaluation of emission allowances and provisions	(10 551)	14 320	-	-
Motor vehicles	15 764	13 479	434	549
Telecommunications and IT services	12 725	12 343	1 001	630
Customer service	9 418	8 547	-	-
Utility services	6 935	6 597	313	145
Consulting services	5 145	5 666	685	789
Advertising	3 660	2 858		63
Expenses of low-value inventory items	2 763	2 681	236	-
Personnel development	1 999	1 744	226	111
Business trips	1 534	1 332	180	195
Impairment of PP&E	40 421	(4 634)	-	-
Expenses of revaluation of other non-current assets (Note 11)	(8 302)	5 873	-	34
Impairment of goodwill (Note 6)	178 103			
Write-down of inventories (Note 12)	(1 859)	(2 855)	-	-
Other	20 957	21 833	1 354	909
Carrying amount	**332 655**	**180 769**	**206 024**	**3 593**

30 Finance income

	Group		Company	
	2014	2013	2014	2013
Interest income	16 205	15 129	16 815	14 728
Dividends received (Note 34)	-	-	489 331	109 255
Income from derivative financial instruments	-	1 837	-	-
Other finance income	2 513	3 137	438	-
Total	**18 718**	**20 103**	**506 584**	**123 983**

The Company's interest income mostly relates to a loan granted to EPSO-G UAB.

31 Financial costs

	Group		Company	
	2014	2013	2014	2013
Interest expenses	24 138	30 041	401	-
Other financial costs	2 877	178	12	4
Total	**27 015**	**30 219**	**413**	**4**

32 Business combinations

Expansion to gas sector initiated by Lietuvos Energija UAB and further conducted by the Group company LITGAS engaged in liquid natural gas (LNG) supply and trade activities, which was approved as an assigned supplier in February 2014, was actively continued in the second quarter as well. As the Ministries of Energy and Finance implemented the Government's Resolution No 120 of 12 February 2014 *Regarding investment of state-owned assets and increase of share capital of the companies*, Lietuvos Energija UAB managed 17.7% of shares of Lietuvos Dujos AB.

The main business activities of Lietuvos Dujos AB include purchase (import) and sale of natural gas to end users, provision of distribution services, and rational development of natural gas distribution infrastructure.

In June 2014 the Company obtained control over Lietuvos Dujos AB. The entire acquisition process was conducted in three stages as described in Note 9.
Acquisition of 17.7% ownership interest in February 2014 resulted in the Company's right of participation at the Board of Lietuvos Dujos AB, and accordingly, the investment in associate was recognised under the equity method. Additional ownership interest of 38.9% acquired in May 2014 did not result in right of control. The investment met the definition of a joint arrangement in a form of joint venture, because significant decisions about the relevant activities of Lietuvos Dujos AB could be made by unanimous consent of the other shareholder sharing control. The investment was further accounted for under the equity method as summarised below:

Investment cost (17.7%)	112 686
Fair value of net assets acquired	*100 152*
Identifiable goodwill	*12 534*
Share of results of investments under the equity method for March-May 2014	**46 249**
Investment cost (38.9%)	219 009
Fair value of net assets acquired	*321 795*
Identifiable goodwill included in share of results of investments under the equity method	**102 786**
Share of results of investments under the equity method for June 2014	**159**
Share of result of investment under the equity method	149 194
Value of investment under the equity method before acquisition of control	**480 889**

With 56.6% ownership interest in Lietuvos Dujos AB, the Company announced about a mandatory uncompetitive takeover bid to buy out the remaining shares. On 16 June 2014, the mandatory takeover bid was completed. The Company acquired 107 734 925 (one hundred and seven million, seven hundred and thirty-four thousand, nine hundred and twenty-five) shares and 8 622 363 (eight million, six hundred and twenty-two thousand, three hundred and sixty-three) shares of Lietuvos Dujos AB from Gazprom OAO and minority shareholders, respectively.

Following the completion of the mandatory takeover bid, the Company's ownership interest in Lietuvos Dujos AB was 96.6%, and minority shareholder's ownership interest was 3.4%.

Fair value of investment before acquisition of control	382 901
Consideration paid on mandatory takeover bid	262 348
Total cost of acquisition of control	**645 249**

On acquisition, assets and liabilities of Lietuvos Dujos AB were identified with the following fair values at the date of acquisition:

	Fair value
Property, plant, and equipment	449 439
Non-current intangible assets	2 164
Other non-current assets	6 180
Current assets	350 819
Cash	126 594
Grants	-
Deferred income	-
Other non-current liabilities	(7 964)
Current liabilities	(100 018)
Net assets acquired	**827 214**
Non-controlling interest	(27 762)
Goodwill arising on acquisition	(154 203)
Total cost of acquisition of control	**645 249**

The Group recognised loss of LTL 97 988 thousand on re-measurement of investment in Lietuvos Dujos AB before acquisition of control to the fair value, with expenses charged to profit or loss. The Company determined the fair value using the discounted cash flow method for supply and distribution businesses, with valuation assumptions described in paragraph *Valuation of investments in subsidiaries* of Note 4.

The fair value of property, plant and equipment was determined by calculating the value in use under the discounted cash flow method.

Deferred income and grants were written off on acquisition. The fair value of current assets and current liabilities approximated their carrying amount.

Non-controlling interest was estimated on a proportionate basis.

Acquisition-related costs were insignificant and were, therefore, included in other expenses in the statement of profit or loss and other comprehensive income.

With effect from 20 June 2014, revenue of Lietuvos Dujos AB is included in the consolidated statement of profit or loss and other comprehensive income.

33 Income tax expenses

Income tax expenses for the period comprise current year income tax and deferred income tax.

Profit for 2014 was subject to income tax at a rate of 15% (similarly as in 2013) in accordance with the Lithuanian regulatory legislation on taxation.

	Group		Company	
		2013	2014	2013
Current year income tax	53 154	40 044	547	-
Deferred income tax	(238 123)	(39 333)	(83)	27
Income tax (expenses)/income recognised in profit or loss	**184 969**	**711**	**464**	**27**

Income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company:

	Group		Company	
	2014	2013	2014	2013
Profit (loss) before tax	(1 151 617)	141 530	290 985	113 295
Income tax expenses (income) calculated at tax rate of 15%	(172 743)	21 230	43 648	16 994
Expenses not deductible for tax purposes	26 400	3 601	30 217	5
Income not subject to tax	(29 038)	(18 086)	(73 401)	(16 388)
Income tax relief for the investment project	(8 190)	(4 395)	-	-
Adjustments in respect of prior years	(1 439)	(1 097)	-	-
Tax losses utilised	(166)	(584)	-	(584)
Deferred income tax not recognised on tax losses	207	42	-	-
Income tax expense/(income)	**(184 969)**	**711**	**464**	**27**

34 Dividends

Based on the Order issued by The Lithuanian Ministry of Finance on 14 November 2014, the Company's set of interim financial statements for a 6-month period was approved, and dividends for the state-owned Company's shares were established in amount of 60% (LTL 85 million) of the Company's profit for the 1st half of 2014.

No dividends were paid out by the Company in 2013.

On 30 April 2013, the General Meeting of Shareholders of LESTO AB approved payment of dividends in amount of LTL 102.7 million from profit for appropriation. Dividends allocated to the Company amounted to LTL 84.8 million.

On 30 April 2013, the General Meeting of Shareholders of Lietuvos Energijos Gamyba AB approved payment of dividends in amount of LTL 25.4 million from profit for appropriation Dividends allocated to the Company amounted to LTL 24.4 million.

On 4 April 2014, the General Meeting of Shareholders of LESTO AB approved payment of dividends in amount of LTL 114.7 million from profit for appropriation. Dividends allocated to the Company amounted to LTL 94.8 million.

On 4 April 2014, the General Meeting of Shareholders of Lietuvos Energijos Gamyba AB approved payment of dividends in amount of LTL 150 million from profit for appropriation. Dividends allocated to the Company amounted to LTL 144.2 million.

On 30 April 2014, the General Meeting of Shareholders of Duomenų Logistikos Centras UAB approved payment of dividends in amount of LTL 1.9 million from profit for appropriation. Dividends allocated to the Company amounted to LTL 1.5 million.

On 22 July 2014, the General Meeting of Shareholders of Lietuvos Dujos AB approved payment of dividends in amount of LTL 53.3 million from profit for appropriation. Dividends allocated to the Company amounted to LTL 51.5 million.

On 30 September 2014, the Extraordinary General Meeting of Shareholders of LESTO AB approved payment of dividends in amount of LTL 66.4 million for a period shorter than the financial year. Dividends allocated to the Company amounted to LTL 62.7 million.

On 30 September 2014, the Extraordinary General Meeting of Shareholders of Lietuvos Energijos Gamyba AB approved payment of dividends in amount of LTL 69.9 million for a period shorter than the financial year. Dividends allocated to the Company amounted to LTL 67.2 million.

On 30 September 2014, the Extraordinary General Meeting of Shareholders of Lietuvos Dujos AB approved payment of dividends in amount of LTL 69.8 million for a period shorter than the financial year. Dividends allocated to the Company amounted to LTL 67.4 million.

Dividends declared by the Group companies in 2014:

	Dividends received by		
Dividends declared by	Lietuvos Energija UAB	Non-controlling interest	Total
Lietuvos Energijos Gamyba AB	211 354	8 505	219 859
LESTO AB	157 522	23 661	181 183
Lietuvos Dujos AB	118 915	4 130	123 045
Duomenų Logistikos Centras UAB	1 539	394	1 933
Total	**489 330**	**36 690**	**526 020**

Dividends declared by the Group companies in 2013:

Dividends declared by	Dividends received by		
	Lietuvos Energija UAB	Non-controlling interest	Total
Lietuvos Energijos Gamyba AB	24 421	982	25 403
LESTO AB	84 834	17 836	102 670
Total	**109 255**	**18 818**	**128 073**

35 Contingent liabilities and commitments

Buyout of electricity equipment

In 2014 the Group conducted simplified procedure for buyout of common-use electricity networks that were erected from the funds of homestead cooperatives in accordance with the deadlines set forth in in the Lithuanian Government's Resolution No 1257 of 31 August 2010 *Regarding establishment of deadlines for buyout of electricity transmission and distribution lines, transformer substations, electricity cabinets and other electricity and distribution equipment erected on amateur basis inside the homestead territory from the funds of members of homestead cooperatives, i.e. by 1 July 2011.*

During 2014, 6 items of common-use electricity networks with the value of LTL 231 thousand (2013: 19 items of common-use electricity networks with the value of LTL 737 thousand) were bought out. Since the beginning of the buyout through to 31 December 2014, 940 items of common-use electricity networks of homestead cooperatives with the value of LTL 11 852 thousand were bought out. As at 31 December 2014, 14 applications to buyout assets under a simplified procedure for the value of LTL 189 thousand remained unfulfilled.

Guarantees issued

As at 31 December 2014, The Company's subsidiary Lietuvos Dujų Tiekimas UAB had an agreement on a guarantee limit of LTL 1 million with Nordea Bank AB Lithuania Branch.

As at 31 December 2014, Kauno Energetikos Remontas UAB had guarantees from the banks in relation to participation in tenders. As at 31 December 2014, guarantees totalled LTL 22 million (31 December 2013: LTL 13 million).

As at 31 December 2014, Energijos Tiekimas UAB had guarantees from Danske Bank A/S Lithuania Branch for the total value of LTL 340 thousand (31 December 2013: LTL 2 million).

On 3 October 2014, the Company and LITGAS UAB signed a surety and guarantee limit agreement under which the Company provided LITGAS UAB with a guarantee for amount of EUR 100 million, which may be further increased by LTL EUR 25 million.

On 17 November 2014, the Company and Swedbank AB signed a surety agreement. The surety agreement is used to secure the fulfilment of part of obligations of LITGAS UAB arising from a credit agreement with Swedbank AB. The maximum surety amount cannot exceed LTL 42 million.

On 6 June 2013, Lietuvos Energijos Gamyba AB 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 at 31 December 2014, the guarantee amount was equal to EUR 5 million.

On 20 December 2013, Lietuvos Energijos Gamyba AB 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 Fingrid Oyj and Elering AS tenders.

As at 31 December 2014 and 2013, Lietuvos Energijos Gamyba AB and Nordea Bank Finland Plc had an agreement on bank guarantee in relation to EUR 1 million guarantee issued by the bank, the amount of which may be increased up to EUR 1.5 million upon the company's request. The beneficiary of the guarantee is General Electric International Inc.

As at 31 December 2014 and 2013, the guarantee was granted by Lietuvos Energijos Gamyba AB to Nordea Bank Finland Plc Lithuania Branch to secure an irrevocable and unconditional payment in favour of Kauno Energetikos Remontas UAB for the amount of EUR 2 million upon first written demand from the bank.

As at 31 December 2014, Lietuvos Energijos Gamyba AB had guarantees issued by other companies for the total amount of LTL 15 thousand in relation to the projects carried out at the Company by different contractors.

On 6 August 2013, the Company's subsidiary Elektros Tinklo Paslaugos UAB entered into credit agreement with SEB Bankas AB for the credit limit of LTL 10 million. The agreement is valid until 6 August 2016. The credit limit was granted for the purpose of issuing tender and performance guarantees only in relation to the borrower's participation at public tenders, and they cannot be used for the repayment of the credit.

Contractual commitments

Based on the provisions of the agreement on natural gas supply with Gazprom OAO, 28.3 million m3 of natural gas has not been consumed compared to the established minimum natural gas consumption volume of 1 billion m3. It may be consumed over the upcoming 3 years, provided the contractual payment and natural gas consumption commitments have been fulfilled.

Legal disputes

On 30 January 2015, Vilniaus Energija UAB - the customer of the Company's subsidiary Lietuvos Dujų Tiekimas UAB - filed a claim to Vilnius Regional Administrative Court with request to make amendments to the rules of pricing established in the contracts on supply of natural gas, and to award the overpaid amount on acquisition of natural gas from Lietuvos Dujos Tiekimas UAB. In this civil case, Vilniaus Energija UAB claimed to award EUR 19.1 million from Lietuvos Dujų Tiekimas UAB. Lietuvos Dujų Tiekimas UAB objects to the claimant's demands and intends to defend its rights and interests at court.

The Company's subsidiary Lietuvos Energijos Gamyba AB appealed to Vilnius Regional Administrative Court with request to annul Resolution No O3-757 of the National Commission for Energy Control and Prices (the Commission) of 7 August 2014 *On Survey Results of Electricity Generation Market*. By this Resolution, the Commission declared Lietuvos Energijos Gamyba AB as an undertaking having significant power in electricity generation market and with effect from 1 January 2015 placed obligations on Lietuvos Energijos Gamyba AB in relation to the application of the prices and disclosure of information on the regulated activity expenses. During a public consultation procedure, Lietuvos Energijos Gamyba AB 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 opinion of Lietuvos Energijos Gamyba AB, 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 Lietuvos Energijos Gamyba AB.

Lietuvos Energijos Gamyba AB appealed 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 the Lithuanian Power Plant of LIETUVOS ENERGIJOS GAMYBA AB. Lietuvos Energijos Gamyba AB appealed 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 Lietuvos Energijos Gamyba AB for the year 2015. In the opinion of Lietuvos Energijos Gamyba AB, this Resolution has no grounds and contravenes the legal acts with superior legal power. PSO service fees receivable by Lietuvos Energijos Gamyba AB 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 appealed 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 claimant's income from supported electricity produced at the Lithuanian Power Plant, which is owned by the claimant, by LTL 21.2 million (EUR 6.14 million), and to reduce the claimant'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 reporting years 2015-2016. Based on the mentioned Resolution, income of Lietuvos Energijos Gamyba AB from PSO service fees for the year 2015 was reduced by LTL 21.2 million (EUR 6.14 million), and income from capacity reserve services was 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. Lietuvos Energijos Gamyba AB finds that this Resolution of the Commission has no grounds and contradicts its previous decisions on the same issues. In addition, during the audit the Commission did not 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 appealed to Vilnius Regional Administrative Court against 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 against the Commission's Resolution No O3-866 of 30 October 2014 On Determining Buy-up Prices for the Year 2015 for Electricity Produced at the 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, against which Lietuvos Energijos Gamyba AB appealed to Vilnius Regional Administrative Court. As it was mentioned in the announcement of significant events made by Lietuvos Energijos Gamyba AB on 31 October 2014, based on the Resolution against which Lietuvos Energijos Gamyba AB appealed to the court, the Commission approved Scheduled Audit Report No E3-2 of 19 September 2014 and decided to reduce the income from supported electricity produced at the Lithuanian Power Plant, which is owned by Lietuvos Energijos Gamyba AB, by LTL 21.2 million (EUR 6.14 million), and to reduce income Lietuvos Energijos Gamyba AB 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 reporting 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, against which Lietuvos Energijos Gamyba AB appealed to the Court, the Resolutions should be considered as unsubstantiated and unlawful.

Lietuvos Energijos Gamyba AB appealed to Vilnius Regional Administrative Court against 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 Lietuvos Energijos Gamyba AB as not complying 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 opinion of Lietuvos Energijos AB, the Resolution has no grounds. The Commission's estimates of return on investments are inaccurate and contradict the legal acts.

Vilniaus Energija UAB filed a claim to Vilnius Regional Administrative Court, whereby it requested to award damages of LTL 32.056 million from LESTO AB. Vilniaus Energija UAB insisted that it incurred losses of LTL 32.056 million, because in 2014 LESTO AB purchased only that volume of supported electricity, which was produced under the technical minimum mode at the thermal power plants owned by Vilniaus Energija UAB to ensure compliance with the Lithuanian Government Resolution No 1051 of 20 November 2013 and fulfilment of the provisions of the agreement with Vilniaus Energija UAB on purchase/sale of electricity. In addition, Vilniaus Energija UAB noted that the legal acts stipulated a requirement whereby LESTO AB was obliged to purchase maximum volume, whereas LESTO AB failed to comply with such requirement. In its claim, Vilniaus Energija UAB requested as follows: to recognise the provisions of agreement on purchase/sale of electricity (No80000/232945/753, dated 30 December 2013) between Vilniaus Energija UAB and LESTO AB as void ab initio; to oblige LESTO AB to purchase the maximum volume of supported electricity in 2014 from Vilniaus Energija UAB, which was established for Vilniaus Energija UAB thermal power plants No 2 and No 3 by the Lithuanian Government Resolution No 1051 of 20 November 2013; and to award damages of LTL 32.056 million from LESTO AB, as well as 6% annual interest on the awarded amount of damages from LESTO AB, staring from the date of initiation of the case until full fulfilment of the court's ruling, plus litigation costs incurred. In the opinion of LESTO AB, the claimant's demands have no grounds and, accordingly, should not be satisfied. In view of this, this claim was not accounted for in the Company's financial statements.

LESTO AB appealed to Vilnius Regional Administrative Court with request to annul the related Resolutions of the Commission, oblige the Commission to eliminate the violations, and include the following items in the level of revenue used for price cap calculation when determining the price caps for electricity distribution services provided by LESTO AB through medium and low voltage networks for the upcoming period: 1) difference of LTL 26.854 million for 2015, which occurred as result of improper WACC amount applied by the Commission; 2) difference of LTL 16.013 million for 2015, which occurred as result of the Commission's improper application of requirements set forth in legal acts in respect of allowable return on investment for LESTO AB; 3) amount of LTL 56.816 million, as a result of unsubstantiated costs identified by the Commission during the audit that have been treated by LESTO AB as attributable to regulated activity expenses; 4) amount of LTL 41.190 million, as a result of the Commission's improper application of the requirements set forth in legal acts in respect of allowable return on investment and required regulated activity expenses for LESTO AB.

LESTO AB appealed to Vilnius Regional Administrative Court with request to annul the Commission's Resolutions and oblige the Commission to eliminate the violations, which resulted in: lower revenue of LESTO AB from PSO service fees for 2015 by LTL 2.979 million; lower electricity acquisition costs of LESTO AB for 2015 by LTL 1.076 million.

In the opinion of LESTO AB, when the Commission adopted the relevant Resolutions, it improperly interpreted and improperly applied the effective laws, exceeded its competence and acted in violation of public administration principles In addition, during the audit the Commission's decisions were not supported with applicable legal acts, the Commission violated public administration principles, failed to comply with the principles of supervision of activities of entities, improperly estimated costs required for LESTO AB to carry on its regulated activities and costs attributable to regulated activities. The aforementioned amounts were not accounted for in the Company's financial statements.

On 25 March 2011, the Lithuanian Ministry of Energy filed a claim to Vilnius Regional Court in relation to examination of the legal entity's operations, wherein the Board Members of Lietuvos Dujos AB delegated by Gazprom OAO, and the Managing Director were indicated as the respondents. In its claim, the Lithuanian Ministry of Energy demanded initiation of examination of operations of Lietuvos Dujos AB and application of relevant requirements set forth in the claim in case the results of examination showed that operations of Lietuvos Dujos AB and/or the aforementioned Board Members and/or the Managing Director were inappropriate. Upon completion of investigation of the claim, on 3 September 2012 Vilnius Regional Court ruled in favour of the claimant to initiate examination of operations of Lietuvos Dujos AB. Lietuvos Dujos AB appealed against the ruling of the court of the first instance to the Lithuanian Court of Appeal, which on its turn upheld the decision of Vilnius Regional Court without any changes thereto. On 29 April 2013, Lietuvos Dujos AB appealed by cassation to the Lithuanian Supreme Court with request to annul the decision passed by the Lithuanian Court of Appeal on 21 February 2013, and not to proceed with the case or reject it. On 20 November 2013, the Lithuanian Supreme Court suspended a judgement until the final resolution of the issue pertaining to recognition and enforcement of the arbitrary decision passed by the Arbitration institute of the Stockholm Chamber of Commerce (Kingdom of Sweden) (hereinafter "the arbitrary decision"). Based on the aforementioned arbitrary decision, it was concluded that the courts of the Republic of Lithuania are in a position to hear the case in relation to examination of operations of Lietuvos Dujos AB; however, all matters pertaining to natural gas supply and transit to Kaliningrad District (including prices and tariffs) are within an exclusive jurisdiction of the Arbitration. The Lithuanian Supreme Court investigated the issue pertaining to recognition of the arbitrary decision and referred to the Court of Justice of the European Union with request to give a preliminary (explanatory) ruling as to interpretation and application of regulatory requirements related to recognition of the arbitrary decision. The proceedings have not been reopened as of the date of reporting, and the final outcome of the case is unclear and cannot be reasonably assessed.

36 Related-party transactions

As at 31 December 2013 and 2014, the principal shareholder was the Republic of Lithuania represented by the Lithuanian Ministry of Finance. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosures comprise transactions and balances of these transactions with the shareholder, subsidiaries (the Company's transactions), associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

Transactions with related parties are presented below:

The Group's transactions with related parties during 2014 and year-end balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Financial income	Amounts payable	Amounts receivable	Sales	Purchases
EPSO-G UAB	14 025	-	829 955	-	-
Litgrid AB	-	30 993	11 041	107 633	270 708
BALTPOOL UAB	-	67 286	34 470	360 332	460 619
TETAS UAB	79	11 307	1 239	6 026	45 148
Amber Grid AB (since 1 July 2014)	-	1 205	1 027	7 111	17 450
Associates of the Group	19 956	1 705	253	935	96
Total	**34 060**	**112 496**	**877 985**	**482 037**	**794 021**

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

Related parties	Financial income	Amounts payable	Amounts receivable	Sales	Purchases
EPSO-G UAB	10 800	-	727 469	-	-
LITGRID AB	-	39 557	14 209	198 341	388 306
BALTPOOL UAB	-	82 611	61 973	552 532	653 188
TETAS UAB	441	8 832	1 132	5 640	38 012
Associates of the Group	-	-	77	449	7 153
Total	**11 241**	**131 000**	**804 860**	**756 962**	**1 086 659**

The major sale and purchase transactions with related parties within the Group in 2014 and 2013 comprised transactions with the entities controlled by the Group and the Lithuanian Ministry of Finance: Litgrid AB and BALTPOOL UAB, since 1 July 2014, Amber Grid AB. The Group's purchases from these entities mainly included purchases of electricity, capacity, transmission, PSO services and gas. Sales transactions included sales of electricity, capacity and PSO services.

The amount receivable from EPSO-G UAB represents unpaid amount on disposal of Litgrid AB, loan granted and accrued interest on outstanding balance. Financial costs include interest charged over the year.

Purchase and sale transactions with GET Baltic UAB exclude purchases and sales of natural gas, since GET Baltic UAB acts solely as an intermediary who provides intermediation services in return for a certain commission fee.

Transactions with other state-owned entities included regular business transactions and therefore they were not disclosed.

The Company's transactions with related parties during 2014 and year-end balances arising on these transactions as at 31 December 2014 are presented below:

Related parties	Financial income	Financial costs	Amounts payable	Amounts receivable	Sales	Purchases
LESTO AB	-	117	-	1	43	19 082
Lietuvos Energijos Gamyba AB	-	254	-	-	23	41 350
LITGAS UAB	1 276	-	-	704	-	-
Technologijų ir Inovacijų Centras UAB	11	-	278	-	-	1 000
NT Valdos UAB	-	8	92	-	-	1 089
Verslo Aptarnavimo Centras UAB	-	-	76	-	-	82
Public Institution Training Centre for Energy Specialists	-	-	5	-	-	13
EPSO-G UAB	14 025	-	-	829 955	-	-
Total	**15 312**	**379**	**451**	**830 660**	**66**	**62 616**

In 2014, purchases included purchases of services and acquisitions of entities.

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

Related parties	Financial income	Amounts payable	Amounts receivable	Sales	Purchases
LESTO AB	-	-	2	39	5
Duomenų Logistikos Centras UAB	-	124	-	2	662
NT Valdos UAB	-	194	-	-	1 049
EPSO-G UAB	10 800	-	727 469	-	-
Total	**10 800**	**318**	**727 471**	**41**	**1 716**

Dividends declared in 2014 and 2013 are presented in Note 34.

Management compensation:

	Group		Company	
	2014	2013	2014	2013
Salaries and other short-term employee benefits	11 857*	9 765	2 167	1 209
Whereof: Termination benefits and benefits to Board Members	1 432*	810	325	112
Number of management staff	77	60	8	11

Management in the table above includes heads of administration and their deputies, and chief financiers.

*Salaries and other benefits of Lietuvos Dujos AB since 1 July 2014

37 Events after the end of the reporting period

Establishment of subsidiaries

On 19 February 2015, new companies were established: Vilniaus Kogeneracinė Jėgainė UAB (Cogeneration Power Plant in Vilnius) and Kauno Kogeneracinė Jėgainė UAB (Cogeneration Power Plant in Kaunas). Their activity is focused on modernisation of heat sectors in Vilnius and Kaunas by building a complex of cogeneration power plants that use waste and biofuel. The new power plants will generate significant volume of energy at a competitive price enabling to ensure more favourable prices for end users of electricity. The share capital of these companies is equal to EUR 2 900 each, and the subscribed shares were paid up on 20 February 2015.

For the purpose of optimisation of the group structure of state-owned energy companies, on 31 March 2015 the Company acquired the shares of second-tier subsidiaries controlled by its directly controlled subsidiaries LESTO and Lietuvos Energijos Gamyba. The Company acquired 100% shareholding in Elektros Tinklo Paslaugos UAB from LESTO AB,100% shareholding in Energijos Tiekimas UAB and 100% shareholding in Kauno Energetikos Remontas UAB from Lietuvos Energijos Gamyba AB. To achieve a more horizontal group structure, the companies will be focused on their central activities to streamline management of the group companies. The shares were acquired with reference to the market rates determined by independent property valuers.

Change of national currency

Effective from 1 January 2015, Lithuania adopted the euro, which resulted in change in the Company's operating currency. Conversion rate of LTL 3.4528 to EUR 1 was used to convert LTL-denominated amounts into EUR-denominated amounts. This irrevocable conversion rate was set by the Council of the European Union.

Identification of core activities within the Group

By the end of 2015, the Group plans to streamline its core activities and distribute them among its companies in a way that ensures the best value creation for the Group and its customers - consumers of electricity. The streamlining of core components of value chain comprises 4 main fields of activities:

“generation”, “supply/trade”, “grid” and „customer service”. A merger is planned between the companies that operate electricity and gas distribution networks, i.e. LESTO and Lietuvos Dujos. Synergies between these two companies would enable Group's efficiency improvements, decrease costs, and create multiple benefits to electricity and natural gas consumers. A detailed plan for the implementation of this project is expected to be approved in April, and implemented by the end of December 2015.